Cartier Resources Inc.

(an exploration company)

Financial statements

Years ended December 31, 2011 and December 31, 2010

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Independent Auditor's Report

To the Shareholders of
Cartier Resources Inc.

We have audited the accompanying financial statements of Cartier Resources Inc., which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of net loss and comprehensive loss, statements of changes in equity, statements of deferred exploration costs and statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cartier Resources Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.[1]

April 18, 2012

[1] Chartered accountant auditor permit No. 13201

Cartier Resources Inc.

(an exploration company)

Statements of Financial Position

(In Canadian $)

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Assets			
Current assets			
Cash and cash equivalents (note 3)	**3,263,143**	3,432,175	1,484,131
Cash reserved for exploration (note 3)	**2,031,040**	1,260,000	194,426
Other short-term financial assets (note 4)	**400,000**	-	-
Receivables (note 5)	**675,719**	418,540	342,610
Prepaid expenses	**10,574**	24,230	17,050
	6,380,476	5,134,945	2,038,217
PROPERTY, PLANT AND EQUIPMENT (note 6)	**91,261**	21,984	34,966
MINING PROPERTIES (note 8)	**1,155,633**	1,372,489	1,370,789
DEFERRED EXPLORATION COSTS (note 9)	**6,077,212**	4,699,484	3,425,785
TOTAL ASSETS	**13,704,582**	11,228,902	6,869,757
Liabilities			
Current liabilities			
Accounts payables and accrued liabilities	**446,319**	236,363	234,881
Liability related to flow-through shares (note 10)	**484,680**	260,700	281,105
	930,999	497,063	515,986
DEFERRED INCOME AND MINING TAXES (note 14)	**1,608,475**	1,258,028	678,968
TOTAL LIABILITIES	**2,539,474**	1,755,091	1,194,954
EQUITY			
Share capital (note 10)	**13,329,910**	9,835,097	6,441,740
Share capital to be issued (note 10)	**-**	341,248	-
Warrants	**1,897,777**	1,955,148	932,010
Contributed surplus	**872,362**	662,641	489,583
Deficit	**(4,934,941)**	(3,320,323)	(2,188,530)
TOTAL EQUITY	**11,165,108**	9,473,811	5,674,803
TOTAL LIABILITIES AND EQUITY	**13,704,582**	11,228,902	6,869,757

Going concern (note 1)

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

Approved on behalf of the Board of Directors

(Signed) Philippe Cloutier, Director

(Signed) Daniel Massé, Director

Cartier Resources Inc.

(an exploration company)

Statements of Deferred Exploration Costs

Years ended December 31,

(In Canadian $)

	2011	2010
	$	$
Balance - Beginning of year	**4,699,484**	3,425,785
Expenses incurred during the year		
Geology	**363,407**	442,696
Geophysics	**149,403**	414,047
Drilling	**1,508,774**	334,047
Stripping	**158,379**	140,898
Exploration office expenses	**46,267**	36,272
Geochemistry	**93,115**	37,780
Geotechnics	**67,550**	2,690
Core shack rental and maintenance	**59,853**	54,883
Duties, taxes and permits	**37,372**	33,284
Depreciation of exploration equipment	**10,243**	12,392
Loss on disposal of leasehold improvements	**14,583**	-
Share-based compensation-employees	**7,944**	65,490
	2,516,890	1,574,479
Sale of deferred exploration costs	**(455,695)**	-
Write-off of deferred exploration costs	**(260,304)**	(47,275)
Tax credits	**(423,163)**	(253,505)
Net expenses during the year	**1,377,728**	1,273,699
Balance - End of year	**6,077,212**	4,699,484

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

Cartier Resources Inc.
(an exploration company)
Statements of changes in Equity

(In Canadian $)

	Share capital $	Share capital to be issued $	Warrants $	Contributed surplus $	Deficit $	**Total equity $**
BALANCE AS AT DECEMBER 31, 2010	9,835,097	341,248	1,955,148	662,641	(3,320,323)	**9,473,811**
Issue of shares and warrants	2,157,622	(341,248)	120,275	-	-	**1,936,649**
Effect of share-based compensation	-	-	-	244,120	-	**244,120**
Effect of exercise of stock options	82,449	-	-	(34,399)	-	**48,050**
Effect of exercise of warrants	1,254,742	-	(177,646)	-	-	**1,077,096**
Net loss and comprehensive loss for the year	-	-	-	-	(1,614,618)	**(1,614,618)**
	3,494,813	(341,248)	(57,371)	209,721	(1,614,618)	**1,691,297**
BALANCE AS AT DECEMBER 31, 2011	13,329,910	-	1,897,777	872,362	(4,934,941)	**11,165,108**

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

Cartier Resources Inc.

(an exploration company)

Statements of changes in Equity

(In Canadian $)

	Share capital $	Share capital to be issued $	Warrants $	Contributed surplus $	Deficit $	**Total equity $**
BALANCE AS AT JANUARY 1ST, 2010	6,441,740		932,010	489,583	(2,188,530)	**5,674,803**
Issue of shares and warrants	3,078,704	341,248	1,094,913	-	-	**4,514,865**
Effect of share-based compensation	-			178,663	-	**178,663**
Effect of exercise of stock options	15,355			(5,605)	-	**9,750**
Effect of exercise of warrants	299,298		(71,775)	-	-	**227,523**
Net loss and comprehensive loss for the year	-	-	-	-	(1,131,793)	**(1,131,793)**
	3,393,357	341,248	1,023,138	173,058	(1,131,793)	**3,799,008**
BALANCE AS AT DECEMBER 31, 2010	9,835,097	341,248	1,955,148	662,641	(3,320,323)	**9,473,811**

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

Cartier Resources Inc.

(an exploration company)

Statements of net loss and comprehensive loss

Years ended December 31,

(In Canadian $)

	2011	2010
	$	$
Administrative expenses		
Salaries	**315,970**	234,637
Consultants	**127,783**	95,248
Share-based compensation-employees	**236,177**	96,735
Share-based compensation-consultants	**-**	16,438
Professional fees	**102,180**	76,679
Rent	**23,432**	6,600
Business development	**160,827**	130,930
Insurance, taxes and permits	**17,965**	17,961
Interest and bank charges	**2,956**	2,867
Depreciation of property, plant and equipment	**4,643**	589
Stationery and office expenses	**46,947**	22,439
Telecommunications	**11,920**	8,178
Training and travel	**51,534**	50,690
Advertising	**40,208**	40,686
Shareholder's information	**44,858**	35,861
Part XII.6 tax related to flow-through shares	**2,471**	-
	1,189,871	836,538
Other expenses (income)		
Write-off of mining properties (note 8)	**129,015**	58,714
Write-off of deferred exploration costs (note 9)	**260,304**	47,275
Other exploration costs	**54,739**	4,270
Management income	**(11,623)**	(4,225)
Interest income	**(35,725)**	(8,980)
LOSS BEFORE DEFERRED INCOME AND MINING TAXES	**(1,586,581)**	(933,592)
Deferred income and mining taxes (note 14)	**28,037**	198,201
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(1,614,618)**	(1,131,793)
LOSS PER SHARE		
basic	**(0.04)**	(0.04)
diluted	**(0.04)**	(0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**41,280,451**	28,167,304
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**41,867,461**	28,912,871

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

Cartier Resources Inc.

(an exploration company)

Statements of Cash Flows

Years ended December 31,

(In Canadian $)

	2011	2010
	$	$
OPERATING ACTIVITIES		
Loss before deferred income and mining taxes for the year	**(1,586,581)**	(933,592)
Adjustments for:		
Depreciation of property, plant and equipment	**4,643**	589
Share-based compensation	**236,177**	113,173
Write-off of mining properties	**129,015**	58,714
Write-off of deferred exploration costs	**260,304**	47,275
	(956,442)	(713,841)
Net change in non-cash working capital items		
Receivables	**(27,699)**	(18,999)
Prepaid expenses	**13,656**	(7,180)
Accounts payables and accrued liabilities	**24,169**	36,121
Cash flow used in operating activities	**(946,316)**	(703,899)
FINANCING ACTIVITIES		
Issuance of shares and warrants	**3,080,840**	4,917,540
Exercise of stock options	**48,050**	9,750
Shares to be issued from exercice of warrants	**-**	312,662
Exercise of warrants	**735,848**	257,659
Share and warrant issue expenses	**(308,816)**	(440,948)
Cash flow from financing activities	**3,555,922**	5,056,663
INVESTING ACTIVITIES		
Cash reserved for exploration	**(771,040)**	(1,065,574)
Acquisition of property, plant and equipment	**(85,112)**	-
Sale of mining proprety and deferred exploration costs	**150,000**	-
Acquisition of mining properties	**(6,464)**	(29,172)
Deferred exploration costs	**(2,066,022)**	(1,309,974)
Cash flow used in investing activities	**(2,778,638)**	(2,404,720)
Net change in cash and cash equivalents	**(169,032)**	1,948,044
Cash and cash equivalents, beginning of year	**3,432,175**	1,484,131
Cash and cash equivalents, end of year	**3,263,143**	3,432,175

Additional information (note 12)

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

Incorporation and Nature of Operations

Cartier Resources Inc. (the "Company"), initially incorporated under Part 1 A of the Québec Companies Act on July 17, 2006, is now governed by the Business Corporations Act (Quebec) since February 14, 2011. The Company's head office is located at 1740, chemin Sullivan, Suite 1000, Val-d'Or, Québec. Its activities include mainly the acquisition and exploration of mining properties. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining 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.

1. Basis of preparation, adoption of IFRS and going concern

These financial statements have been prepared by the Company's management in accordance with International Financial Reporting Standards ("IFRS"). As these financial statements represent the Company's first annual financial statements under IFRS, they have been prepared in accordance with IFRS 1, (note 21 explain the transition to IFRS).

The Company's financial statements were previously prepared in accordance with the Canadian generally accepted accounting principles ("Canadian GAAP"). The transition date from Canadian GAAP to IFRS is January 1, 2010. Canadian GAAP differs in some areas from IFRS. In preparing these financial statements in accordance with IFRS, management has amended certain accounting and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Disclosures, that are considered significant to the understanding of the Company's financial statements prepared in accordance with IFRS, are provided in note 21. This note also presents reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on the equity, the net loss and the comprehensive loss. Moreover, in addition to the supplemental disclosures in note 21, other notes have been added for ease of understanding of the first IFRS financial statements.

These financial statements were prepared on a going concern basis, using the historical cost, except for the financial assets accounted at fair value through profit and loss.

The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. 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. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The application of IFRS on a going concern basis may be inappropriate, since there is a doubt as to the appropriateness of the going concern assumption.

These 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 deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment when applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.20.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized in note 2.

The financial statements for the year ended December 31, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on April 18, 2012.

2. Summary of accounting policies

2.1. Overall considerations and first-time adoption of IFRS

The financial statements have been prepared using accounting policies specified by those IFRSs that are in effect as at December 31, 2011.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

These accounting policies have been used throughout all periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in note 21.

2.2. Basis of evaluation

These financial statements are prepared using the historical cost method, except for «Other short-term financial assets» which are measured at fair value.

2.3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IAS 1 : «Presentation of Financial Statements» : was amended to change the disclosure of items presented in Other comprehensive income (“OCI”), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is required to be applied for years beginning on or after July 1, 2012.

Amendments to IFRS 7 : «Financial Instruments : Disclosure» : This amendment is effective for annual periods beginning on or after July 1, 2011 gives additional information on the disclosure of the financial instruments, particularly concerning the transfer of financial assets. The Company does not expect the amendment to IFRS 7 would have a significant impact on the consolidated financial statements.

IFRS 9: «Financial Instruments» (effective from January 1, 2015): The International Accounting Standards Board (“IASB”) aims to replace IAS 39 «Financial Instruments: Recognition and Measurement» in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management has not yet assessed the impact that this amendment is likely to have on the financial statements of the Company. However, it does not expect to implement the amendments until all chapters of IFRS 9 have been published and it can comprehensively assess the impact of all changes.

IFRS 13 : «Fair Value Measurement» : defines fair value, requires disclosures regarding fair value mesurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

2.4. Post employment benefits and short-term employee benefits

The Company provides post employment benefits through a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays contributions, established according to a percentage of the employee’s salary, to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution during the employment period.

Short-term employee benefits, including vacation entitlement, are current liabilities included in “accounts payables and accrued liabilities", and are measured at the undiscounted amount that the Company expects to pay.

2. Summary of accounting policies (continued)

2.5. Share-based payment

The Company has a stock option purchase plan under which options to acquire Company's common shares may be granted to its directors, officers, employees and consultants. The plan does not feature any options for a cash settlement.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined by reference to the fair value of the equity instruments granted. The fair value of each option is determined using the Black-Scholes pricing model at the date of grant. All share-based payments are ultimately recognized as an expense and also in deferred exploration costs with a corresponding increase to «contributed surplus».

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense in prior periods if share options ultimately exercised are different from that estimated on vesting.

Upon exercise of share options, the proceeds received are credited to share capital. The fair value of each option is reversed from contributed surplus to share capital.

2.6. Presentation of financial statements in accordance with IAS 1

The financial statements are presented in accordance with IAS 1, Presentation of Financial Statements. The Company has chosen to present the statement of comprehensive income in a single statement.

In accordance with IFRS 1, First-time adoption of IFRS, the Company presents three statements of financial position in its first IFRS financial statements. In future periods, IAS 1 requires two comparative periods to be presented for the statement of financial position only in certain circumstances.

2.7. Mining assets

The Company records its mining assets, including wholly-owned mining properties, undivided interests in mining properties and deferred exploration costs, at cost less certain recoveries.

Exploration costs are capitalized on the basis of specific mining property or areas of geological interest until the mining assets to which they relate are placed into production, sold or allowed to lapse.

These costs will be amortized over the estimated useful life of the mining assets following commencement of production or written off if the mining assets or projects are sold or allowed to lapse.

General exploration costs not related to specific mining assets are expensed in the statement of net loss and comprehensive loss as incurred.

The recoverability of the amounts recorded under mining properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing needed to complete development, and future profitable production or proceeds from the disposal of these assets. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

2. Summary of accounting policies (continued)

2.8. Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss under the Mining Duties Act. This credit on duties refundable for loss on exploration costs incurred in the Province of Quebec has been applied against the deferred income taxes in the statement of financial position. In accordance with IAS 12, the credits on duties are applied against the deferred income taxes in the statement of financial position when the Company expects to continue holding the mining property once ready for production.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. The refundable tax credit for resources may reach 35% or 38.75% of qualified expenditures incurred. In accordance with IAS 20, this tax credit is accounted against the qualified expenditures.

In accordance with IAS 12, the credit on duties has been applied against the deferred income taxes in the statement of financial position since the Company expects to continue holding the mining property once ready for production.

2.9. Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less tax credits and any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property, plant and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.
Presently no technical feasibility and commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash considerations received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

2. Summary of accounting policies (continued)

2.10. Income and mining taxes

The income tax expense is composed of current and deferred taxes. Taxes are recognized in the statement of loss unless they relate to items carried in other comprehensive income or directly in shareholders' equity.

Current income taxes and mining taxes

Current income tax and mining tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. The current income tax expense is based on the income for the period adjusted for non-taxable or non-deductible items. The mining tax expense is based on the income for the period for each mining site under production adjusted for non-taxable or non-deductible items. Calculation of current tax and mining tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly examines positions in tax returns where tax regulations are subject to interpretation.

Deferred income taxes and deferred mining taxes

Deferred income taxes are recognized using the liability method on temporary differences between the tax basis of the assets and liabilities and their carrying amount in the statement of financial position. Deferred income tax assets and liabilities are calculated, on an undiscounted basis, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax liabilities and mining taxes

Deferred income tax liabilities and mining taxes are generally recognized for all temporary taxable differences.

Deferred income tax assets and mining taxes

Deferred income tax assets and mining taxes are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred income tax assets and mining taxes are examined at the end of the reporting period and reduced when it is no longer probable that taxable income will be sufficient to recover some or all of the deferred tax assets; in which case, the assets are reduced. As of today, the Company has no income tax or deferred income tax assets.

Deferred income tax assets and liabilities are not recognized for temporary differences resulting from the initial recognition of assets and liabilities acquired other than in a business combination.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of the tax expense or recovery in the statement of net loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

2. Summary of accounting policies (continued)

2.11. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary equity holders by the weighted average number of common shares outstanding during the period. The Company uses the treasury method to calculate the diluted net loss per share. The diluted net loss per share is calculated by adjusting earnings attributable to common shareholders, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation considers that the stock options and the warrants have been converted into potential common shares at the average cost of the markey for the presentation period.

2.12. Cash reserved for exploration

Cash reserved for exploration consist of proceeds of flow-through financings not yet expensed. Under the terms of these financings, the Company is committed to spend the proceeds on exploration activities.

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and term deposits with original maturity dates of less than three months.

2.14. Property, plant and equipment

Property, plant and equipment are recorded at cost, net of related government assistance, accumulated depreciation and accumulated impairment. The cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are recorded at cost and are depreciated over their estimated useful life on a straight-line basis.

- Leasehold improvements: 5 years
- Furniture and equipment: 5 years

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or futur disposal.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of net loss and comprehensive loss.

2.15. Impairment

Non-financial assets

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have / will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

2. Summary of accounting policies (continued)

2.15. Impairment (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.
An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.16. Provisions, contingent liabilities and contingent assets

Since the Company is at the exploration stage and none of its properties has reached the production stage, no provision and contingent liabilities and contingent assets have been recorded.

2.17. Leases

Leases are classified as operating leases since the benefits and the risks related to the ownership are not transfered to the Company. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Related costs, such as maintenance and insurance, are expensed as incurred.

2.18. Equity

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using Black-Scholes model. Proceeds are first allocated to warrants evaluated at the time of issuance using the Black-scholes model and any residual in the proceeds is allocated to shares.

Flow-through placements

The Company raises funds through the issuance of “flow-through” shares which entitles investors to prescribed resource tax benefits and credits once the Company has renounced these benefits to the investors in accordance with the tax legislation. Currently there is no specific IFRS guidance related to the accounting and reporting of these arrangements. The Company has adopted the CICA Viewpoint which considers the issuance of flow-through shares in substance; (a) an issue of an ordinary share; and (b) the sale of tax deductions. The sale of tax deductions has been measured based on the relative fair value method. At the time, the flow-through shares are issued; the sale of tax deductions is deferred and presented as a liability in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". When the Company fulfills its obligation, the liability is reduced, the sale of tax deductions is recognized in the income statement as a reduction of the deferred tax expense. Moreover a deferred tax liability is recognized in accordance with IAS 12, Income Taxes, for the taxable temporary differences between the carrying value of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

2. Summary of accounting policies (continued)

2.18. Equity (continued)

Warrants

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

When shares and warrants are issued at the same time, the proceed is allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, the residual value being allocated to shares.

Other elements of equity

Contributed surplus includes charges related to share options until such option are exercised.

The deficit includes all current and prior period retained profits or losses.

2.19. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit and loss;
- held-to-maturity investments;
- other short-term financial assets;

The category determines subsequent measurement and whether any resulting income and expense is recognized in the income statement or in other comprehensive income.

All financial assets, except for those at fair value through profit and loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in the income statement are presented within «Other expenses or income».

2. Summary of accounting policies (continued)

2.19. Financial instruments (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents and Cash reserved for exploration are classified in this category.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit and loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through the profit and loss upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognized in the income statement.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of net loss. The Company has no financial assets in this category.

Available-for-sale financial assets
Other short-term financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's Available-for-sale financial assets include shares of publicly-traded companies presented in «Other short-term financial assets».

All Other short-term financial assets are measured at fair value.

Financial liabilities

The Company’s other financial liabilities include accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through the profit and loss that are carried subsequently at fair value with gains or losses recognized in the statement of net loss.

If applicable, all interest-related charges and changes in an instrument's fair value that are recognized in the statement of net loss and comprehensive loss are included within financial revenue or administrative costs.

2.20. Accounting estimates and critical judgments

The preparation of financial statements requires management to make estimates, assumptions and judgments with respect to future events. These estimates and judgments are constantly challenged. They are based on past experience and other factors, in particular, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumptions and judgments made by management, and will seldom equal the estimated results. The following paragraphs describe:

The most critical management estimates and assumptions in the recognition and measurement of assets, liabilities and expenses;

The most critical management judgments in applying accounting policies.

Impairment of assets
An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assesment of its Mining assets. (Note 2.15)

2. Summary of accounting policies (continued)

2.20. Accounting estimates and critical judgments (continued)

Share-based payments
The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options, the time of exercise of those options and expected extinguishments. The model used by the Company is the Black-Scholes model.

Income taxes and deferred mining taxes
The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

3. Cash and cash equivalents and cash reserved for exploration

As at December 31, 2011, the cash and the cash equivalents and the cash reserved for exploration include banker's acceptances, bonds, an account bearing a high interest rate and an account without interest as detailed below:

	December 31, 2011		
	$	Interest rate	Maturity date
1) Banker's acceptance	201,168	0.926%	2012-01-18
2) Banker's acceptance	104,880	1.019%	2012-02-10
3) Banker's acceptance	351,333	1.035%	2012-03-07
4) Bond	255,106	2.570%	2012-01-30
5) Bond	407,599	2.503%	2012-02-23
6) Account bearing a high interest	587,599	1.200%	-
7) Account without interest	3,386,498	-	-
Total	5,294,183		

	December 31, 2010		
	$	Interest rate	Maturity date
1) Banker's acceptance	200,314	0.956%	2011-01-05
2) Banker's acceptance	701,231	1.096%	2011-03-14
3) Bond	308,946	1.497%	2011-02-16
4) Bond	204,068	1.250%	2011-02-28
5) Account bearing a high interest	867,800	1.200%	-
6) Account without interest	2,409,816	-	-
Total	4,692,175		

3. Cash and cash equivalents and cash reserved for exploration (continued)

	January 1st, 2010		
	$	Interest rate	Maturity date
1) Banker's acceptance	399,920	0.227%	2010-02-01
2) Bond	300,549	1.200%	2010-02-01
3) Bond	399,870	0.288%	2010-02-15
4) Account without interest	578,218	-	-
Total	1,678,557		

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Cash	**3,974,097**	3,277,616	578,218
Banker's acceptances	**657,381**	901,545	399,920
Bonds	**662,705**	513,014	700,419
	5,294,183	4,692,175	1,678,557
Less: Cash reserved for exploration	**(2,031,040)**	(1,260,000)	(194,426)
Cash and cash equivalents	**3,263,143**	3,432,175	1,484,131

4. Other short-term financial assets

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Marketable securities of a quoted mining exploration company, available-for-sale, at fair value	**400,000**	-	-

5. Receivables

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Credit on duties refundable and refundable tax credit for resources	**560,771**	331,291	274,359
Commodity taxes and others	**114,948**	87,249	68,251
	675,719	418,540	342,610

6. Property, plant and equipment

	December 31, 2011		
	Cost	**Accumulated Depreciation**	**Net book Value**
	$	**$**	**$**
Leasehold improvements	**76,681**	**7,805**	**68,876**
Furniture and equipment	**35,603**	**13,218**	**22,385**
	112,284	**21,023**	**91,261**

	December 31, 2010		
	Cost	Accumulated Depreciation	Net book Value
	$	$	$
Leasehold improvements	51,730	34,561	17,169
Furniture and equipment	13,173	8,358	4,815
	64,903	42,919	21,984

6. Property, plant and equipment (continued)

	January 1st, 2010		
	Cost	Accumulated Depreciation	Net book Value
	$	$	$
Leasehold improvements	51,730	24,214	27,516
Furniture and equipment	13,173	5,723	7,450
	64,903	29,937	34,966

7. Leases

The future minimum operating lease payments are as follows:

	Minimum lease payments due			
	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
	$	$	$	$
December 31, 2011	**92,513**	379,495	239,543	711,551
December 31, 2010	**45,214**	17,778	-	62,992
January 1st, 2010	**49,414**	62,992	-	112,406

The Company leases its offices under leases expiring in May 2012 and March 2021. The Company leases a vehicle under leases expiring in November 2012 and also equipment under leases expiring in March 2016.

Lease payments recognized as an expense during the reporting period amount to $ 88,915 ($ 45,214 in 2010). This amount consists of minimum lease payments. Sublease payments from premises subleased have been received for an amount of $ 8,000. The Company's lease agreements contain renewal options.

8. Mining properties

Properties	December 31, 2010	Additions	Refund Reclassification	Sale	Write-off	**December 31, 2011**
	$	$	$		$	**$**
Preissac	412,963	-	-	-	-	**412,963**
MacCormack	252,367	-	-	-	-	**252,367**
Rambull	214,607	-	-	-	-	**214,607**
Newconex-Ouest	214,408	-	-	-	(44,413)	**169,995**
Cadillac Extension	50,528	6,464	-	-	(4,108)	**52,884**
Dollier	39,631	-	-	-	-	**39,631**
La Pause	8,612	-	-	-	-	**8,612**
Diego	4,574	-	-	-	-	**4,574**
Rivière Doré	102,864	-	-	(94,305)	(8,559)	**-**
Dieppe-Collet	71,935	-	-	-	(71,935)	**-**
	1,372,489	6,464	-	(94,305)	(129,015)	**1,155,633**

8. Mining properties (continued)

Properties	January 1, 2010	Additions	Refund Reclassification	Sale	Write-off	**December 31, 2010**
	$	$	$		$	**$**
Preissac	412,963	-	-	-	-	**412,963**
MacCormack	252,367	-	-	-	-	**252,367**
Rambull	172,224	-	42,383	-	-	**214,607**
Newconex-Ouest	309,723	-	(43,151)	-	(52,164)	**214,408**
Rivière Doré	56,396	46,468	-	-	-	**102,864**
Dieppe-Collet	71,935	-	-	-	-	**71,935**
Cadillac Extension	24,568	14,716	11,244	-	-	**50,528**
Dollier	40,723	-	(1,092)	-	-	**39,631**
La Pause	8,612	-	-	-	-	**8,612**
Diego	3,484	1,090	-	-	-	**4,574**
DeCorta	11,244	-	(11,244)	-	-	**-**
Manneville	6,550	-	-	-	(6,550)	**-**
	1,370,789	62,274	(1,860)	-	(58,714)	**1,372,489**

The Company holds a 100% interest in mining properties that are all located in the northwestern region of Quebec.

On February 7, 2008, the Company signed an agreement with Xstrata Canada Corporation - Xstrata Zinc Canada Division ("Xstrata Zinc") entitling the Company to acquire a 100% interest in five blocks of map designated claims totalling 50 units and covering approximately 2,088 hectares (the "Xstrata-Option Property"). The Xstrata-Option Property is located in Abitibi, in the northwestern region of Quebec. All blocks are contiguous to the four properties which originated from the subdivision of the Company's Kinojevis property. On May 1, 2009, the parties amended the original agreement by allowing the Company to carry forward for one year the exploration work requirements. All other clauses of the original agreement remained unchanged. Pursuant to the amended agreement, the Company had to incur an aggregate amount of $400,000 in exploration expenses before December 31, 2010, instead of December 31, 2009, and an aggregate amount of $1,000,000 in exploration expenses before December 31, 2011, instead of December 31, 2010 as stated in the original agreement. As at December 31, 2011, all work requirements have been fulfilled and the Company had $1,040,060 invested in exploration expenses.

The agreement allows Xstrata Zinc to:

- buy back a 50% undivided interest in the Xstrata-Option Property or portions thereof, or, if it waives this opportunity, to retain a 2% net smelter return royalty on the net production of the Xstrata-Option property;
- the right to purchase or treat concentrate produced from the Xstrata-Option Property.

On December 15, 2011, the Company sold the Rivière-Doré property for a cash consideration of $ 150,000, 2,000,000 shares valued at $ 400,000 as at the closing date and a NSR of 1%.

During the year, the Company wrote-off the Dieppe-Collet property, a portion of the Cadillac Extension's cells and the remaining balance after the sale of the Rivière-Doré property and their related exploration costs since no work was planned on theses properties in the near future. The property's acquisition costs of $ 129,015 and the deferred exploration costs of $ 260,304 were charged to the statement of loss.

9. Deferred exploration costs

Properties	December 31, 2010	Additions	Reclassification	Sale	Write-off	Tax credits	**December 31, 2011**
	$	$	$		$	$	**$**
MacCormack	1,693,644	26,878	-	-	-	(3,799)	**1,716,723**
Dollier	376,470	651,787	-	-	-	(82,901)	**945,356**
Xstrata-Option	354,821	606,921	-	-	-	(62,258)	**899,484**
Cadillac Extension	258,667	778,273	-	-	-	(149,933)	**887,007**
Diego	104,943	435,956	-	-	-	(121,935)	**418,964**
Preissac	408,024	5,544	-	-	-	(290)	**413,278**
Rambull	403,254	6,683	-	-	-	(2,047)	**407,890**
Newconex-Ouest	333,492	316	-	-	(69,146)	-	**264,662**
La Pause	122,980	868	-	-	-	-	**123,848**
Rivière Doré	497,054	3,366	-	(455,695)	(44,725)	-	**-**
Dieppe-Collet	146,135	298	-	-	(146,433)	-	**-**
	4,699,484	2,516,890	-	(455,695)	(260,304)	(423,163)	**6,077,212**

Properties	January 1, 2010	Additions	Reclassification	Sale	Write-off	Tax credits	December 31, 2010
	$	$	$		$	$	**$**
MacCormack	1,437,817	325,060	-	-	-	(69,233)	**1,693,644**
Rivière Doré	122,116	434,561	-	-	-	(59,623)	**497,054**
Preissac	382,268	29,564	-	-	-	(3,808)	**408,024**
Rambull	295,672	15,502	94,111	-	-	(2,031)	**403,254**
Dollier	161,367	256,032	-	-	-	(40,929)	**376,470**
Xstrata-Option	150,499	240,584	-	-	-	(36,262)	**354,821**
Newconex-Ouest	427,416	4,563	(94,111)	-	(4,376)	-	**333,492**
Cadillac Extension	87,853	153,671	42,490	-	-	(25,347)	**258,667**
Dieppe-Collet	144,991	1,144	-	-	-	-	**146,135**
La Pause	120,004	3,174	-	-	-	(198)	**122,980**
Diego	10,393	110,624	-	-	-	(16,074)	**104,943**
Manneville	42,899	-	-	-	(42,899)	-	**-**
De Corta	42,490	-	(42,490)	-	-	-	**-**
	3,425,785	1,574,479	-	-	(47,275)	(253,505)	**4,699,484**

10. Share capital

Authorized
Unlimited number of common shares, without par value, voting and participating

	Number	Amount
		$
January 1, 2010	25,526,183	6,441,740
Shares issued and paid		
Public offering (short-form offering document) (e)	557,143	127,864
Public offering flow-through common shares (short-form offering document) (e)	1,250,000	469,841
Acquisition of a property	100,000	35,000
Renouncement of tax deductions	-	(260,700)
Private placements (a) (b) (c) (d)	7,795,406	2,021,319
Flow-through private placements (b) (c)	2,520,000	1,296,409
Warrants exercised	794,728	299,298
Stock options exercised	37,500	15,355
	13,054,777	4,004,386
Share issue expenses	-	(611,029)
	13,054,777	3,393,357
December 31, 2010	38,580,960	9,835,097
Shares issued and paid		
Private placements (f)	**2,999,429**	**929,525**
Flow-through private placements (f)	**4,616,000**	**2,031,040**
Renouncement of tax deductions (g)	**-**	**(484,680)**
Warrants exercised (h)	**3,331,087**	**1,254,742**
Stock options exercised (h)	**155,000**	**82,449**
	11,101,516	**3,813,076**
Share issue expenses	**-**	**(318,263)**
	11,101,516	**3,494,813**
December 31, 2011	**49,682,476**	**13,329,910**

Shares to be issued

	Number	Amount
		$
December 31, 2010	**893,319**	**341,248**
Shares issued	**(893,319)**	**(341,248)**
December 31, 2011	**-**	**-**

(a) Issuance of common shares on December 22, 2010

On December 22, 2010, the Company completed a private placement of $150,000 before share issue expenses. The Company issued 394,736 units. Each unit consists of one common share at a price of $0.38 per share and one share purchase warrant with each warrant entitling the holder to subscribe to one common share at a price of $0.50 for a period of two years following the date of closing. The financing is presented net of the value of the related warrants which was established at $44,171. Share issue expenses totalling $6,153 have reduced the capital stock.

10. Share capital (continued)

(b) Issuance of common shares and flow-through common shares on December 22, 2010

On December 22, 2010, the Company completed a second private placement of $349,990 before share issue expenses. The offering consisted of the issuance of 350,000 flow-through shares at a price of $0.50 per flow-through share for an amount of $175,000 and 460,500 units at a price of $0.38 per unit for an amount of $174,990. Each unit consists of one common share at a price of $0.38 per share and one share purchase warrant with each warrant entitling the holder to subscribe to one common share at a price of $0.50 for a period of two years following the date of closing. In addition the agent received non transferable compensation options entitling it to subscribe for such number of common shares of the Company equal to 8% (64,840 compensation options) of the total number of shares issued in the financing. The financing is presented net of the value of the related warrants which was established at $51,346. Share issue expenses totalling $52,660 have reduced the capital stock.

(c) Issuance of common shares and flow-through common shares on December 14, 2010

On December 14, 2010, the Company completed a private placement of $3,092,540 before share issue expenses. The offering consisted of the issuance of 2,170,000 flow-through shares at a price of $0.50 per flow-through share for an amount of $1,085,000 and 5,283,000 units at a price of $0.38 per unit for an amount of $2,007,540. Each unit is comprised of one common share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.50 for a period of two years following the date of closing. The Company paid the agent a fee equal to 8% of the gross proceeds from the sale of flow-through shares and units sold pursuant to the offering. In addition the agent received non transferable compensation options entitling it to subscribe for such number of common shares of the Company equal to 8% (596,240 compensation options) of the total number of shares issued in the financing. The financing is presented net of the value of the related warrants which was established at $589,055. Share issue expenses totalling $399,610 have reduced the capital stock.

(d) Issuance of common shares on June 15, 2010

On June 15, 2010, the Company completed a private placement of $580,010 before share issue expenses. The Company issued 1,657,170 units. Each unit consists of one common share at a price of $0.35 per share and one share purchase warrant with each warrant entitling the holder to subscribe to one common share at a price of $0.45 for a period of two years following the date of closing. The financing is presented net of the value of the related warrants which was established at $206,649. Share issue expenses totalling $29,890 have reduced the capital stock.

(e) Issuance of common shares and flow-through common shares on May 19, 2010

On May 19, 2010, the Company completed a public offering of $745,000 by way of a short-form offering document. The offering consisted of the issuance of 1,250,000 flow-through shares at a price of $0.44 per flow-through share for an amount of $550,000 and 557,143 units at a price of $0.35 per unit for an amount of $195,000. Each unit is comprised of one common share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.45 for a period of two years following the closing date. The Company paid the agent a fee equal to 8.5% of the gross proceeds from the sale of flow-through shares and units sold pursuant to the offering. In addition the agent received non transferable compensation options entitling it to subscribe for such number of common shares of the Company equal to 5% (90,357 compensation options) of the total number of shares sold pursuant the offering. The financing is presented net of the value of the related warrants which was established at $67,136. Share issue expenses totalling $122,716 have reduced the capital stock.

(f) Issuance of common and flow-through shares on December 22, 2011

On December 22, 2011, the Company completed a private placement of $3,080,840 before share issue expenses. The offering consisted of issuance of 2,308 flow-through units (« flow-through units») and 1,614,629 units («units»). Each flow-through unit at a cost of $1,090 per unit, consisted in 2,000 flow-through common shares at a cost of $ 0.44 per share and of 600 common shares at a cost of $ 0.35 per share and also 600 common share purchase warrant, each warrant entitling its holders to subscribe for one common share at a price of $ 0.46 for a period of 12 months following the closing date. Each unit at a cost of $ 0.35 per unit consisted of one common shares at a cost of $ 0.35 per share and of one common share purchase warrant, each warrant entitling its holders to subscribe for one common share at a price of $ 0.46 for a period of 18 months following the closing date. The Company issued a total of 4,616,00 flow-through common shares at a price of $ 0.44 and 2,999,429 common shares at a price of $ 0.35 for an amount of $ 2,031,040 and $1,049,800 respectively.

The Company paid the agents a cash commission aggregating $ 229,588. In addition, the agents received 378,772 broker warrants exercisable at a price of $ 0.35 per share for a period of 12 months following the closing of the offering and entitling them to acquire 378,772 common shares. The financing is presented net of the value of the related warrants which was established at $ 120,275. Share issue expenses totalling $ 318,263 have reduced the capital stock.

10. Share capital (continued)

(g) The Company also renounced to the tax deduction related to the flow-through shares representing an amount of $ 484,680 which have reduced the capital stock and increased the liabilities related to flow-through shares ($ 304,450 as at December 31, 2010 and $ 281,105 as at January 1st, 2010).

(h) During the year, the Company issued 3,331,087 shares following the exercise of 2,437,768 warrants and 893,319 shares to be issue as at December 31, 2010 for a total amount of $ 1,048,510 and 155,000 shares following the exercise of stock options for an amount of $ 48,050.

Stock Option Purchase Plan

The Company has a stock option plan that has been approved by the shareholders. The maximum number of common shares which may be reserved under the plan is limited to 10% of the number of common shares issued and outstanding (on a non-diluted basis). The options granted to any optionnee cannot exceed 5% of the issued and outstanding common shares. The options are exercisable for a maximum of five years.

The following table summarizes the information about the outstanding stock options:

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Outstanding - Beginning	**2,402,500**	**0.42**	1,965,000	0.42
Granted-employees	**775,000**	**0.44**	430,000	0.37
Granted-consultants	**-**	**-**	120,000	0.38
Exercised	**(155,000)**	**0.31**	(37,500)	0.26
Cancelled	**(367,500)**	**0.41**	(75,000)	0.32
Outstanding - End	**2,655,000**	**0.43**	2,402,500	0.41
Exercisable - End	**2,242,500**	**0.43**	2,070,000	0.42

The following table summarizes certain information for stock options granted and exercisable as at December 31, 2011:

	Outstanding options December 31, 2011			**Exercisable options December 31, 2011**		
Exercise price	Number of options	Weighted average remaining life	Weighted average exercise price	Number of options	Weighted average remaining life	Weighted average exercise price
		(years)	**$**		(years)	**$**
$0.16 to $0.24	100,000	1.90	0.16	100,000	1.90	0.16
$0.25 to $0.34	250,000	2.38	0.25	250,000	2.38	0.25
$0.35 to $0.44	705,000	3.51	0.38	630,000	3.36	0.37
$0.45 to $0.54	1,450,000	2.38	0.49	1,112,500	1.77	0.50
$0.55 to $0.64	150,000	0.93	0.62	150,000	0.93	0.62
$0.16 to $0.64	2,655,000	2.58	0.43	2,242,500	2.24	0.43

The weighted average fair value of stock options granted was estimated using the Black-Scholes option-pricing model at $0.31 per option ($0.27 in 2010) with the following assumptions:

	2011	2010
Risk-free interest rate	**2.34%**	2.83%
Expected volatility	**86%**	94%
Dividend yield	**Nil**	Nil
Weighted average expected life	**5 years**	5 years

10. Share capital (continued)

Warrants

The following table presents the changes that occurred during the years :

	December 31, 2011			December 31, 2010		
	Number	**Weighted average exercise price**	**Weighted average remaining contractual life**	Number	Weighted average exercise price	Weighted average remaining contractual life
		$	**(years)**		$	(years)
Outstanding - Beginning	**11,451,397**	**0.44**	**1.46**	4,199,412	0.32	1.32
Granted - public offering short-form offering document	**-**	**-**	**-**	557,143	0.50	1.48
Granted - agent compensation options	**378,772**	**0.35**	**0.98**	751,437	0.37	1.76
Granted - private placements	**2,999,429**	**0.46**	**1.22**	7,795,406	0.49	1.52
Exercised	**(2,437,768)**	**0.30**	-	(1,688,047)	0.34	-
Expired	**-**	**-**	**-**	(163,954)	0.35	-
Outstanding - End	**12,391,830**	**0.45**	**0.93**	11,451,397	0.44	1.46

The outstanding warrants are as follows:

Maturity date	**Exercise price**	**Number**
	$	
May 2012	0.45	**557,143**
June 2012	0.45	**1,657,170**
December 2012	0.35	**378,772**
December 2012	0.38	**661,080**
December 2012	0.46	**1,500,000**
December 2012	0.50	**6,138,236**
June 2013	0.46	**1,499,429**
		12,391,830

The weighted average fair value of warrants granted was estimated on the grant date using the Black-Scholes option-pricing model at $0.04 per warrant ($0.05 in 2010) with the following assumptions:

	2011	2010
Risk-free interest rate	**1.01%**	1.67%
Expected volatility	**53%**	94%
Dividend yield	**nil**	nil
Weighted average expected life	**1.25 year**	2 years

11. Employee remuneration

Employee benefits expense recognized are detailed below:

	December 31, 2011	December 31, 2010
	$	$
Wages, salaries	**788,127**	601,673
Social security costs	**57,001**	42,517
Share-based payments	**174,569**	162,225
Defined contribution pension plan	**15,410**	13,606
	1,035,107	820,021
Less: salaries capitalized in Exploration and evaluation assets	**(590,378)**	(510,380)
Employee benefits expense	**444,729**	309,641

12. Cash flows

Additional information

	December 31, 2011	December 31, 2010
	$	$
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Tax credits applied against deferred exploration costs	**423,163**	253,505
Tax credits applied against other exploration costs (Statements of net loss)	**25,323**	-
Shares issued for the acquisition of mining properties	**-**	35,000
Shares issue costs included in accounts payable and accrued liabilities	**42,973**	33,525
Depreciation of property, plant and equipment transferred to deferred exploration costs	**10,243**	12,392
Depreciation of property, plant and equipment transferred to other exploration costs (Statements of net loss)	**366**	-
Loss on disposal of leasehold improvements against deferred exploration costs	**14,583**	-
Deferred exploration costs included in accounts payable and accrued liabilities	**260,957**	98,616
Property, plant and equipment included in accounts payable and accrued liabilities	**14,000**	-
Fair value of warrants accounted for as share issue expenses	**-**	136,556
Fair value of warrants exercised	**177,646**	71,775
Fair value of stock option plan exercised	**34,399**	5,605
Stock-based payments charged to deferred exploration costs	**7,944**	65,490
Liabilities related to flow-through shares	**484,680**	260,700
Tax credits included in deferred income and mining taxes	**61,710**	56,000

13. Financial Instruments

Objectives and policies in managing financial risks

The Company is exposed to various financial risks resulting from its operations and financing activities. The directors and officers of the Company manage those risks.

The Company does not enter into speculative derivative financial instruments.

Financial risks

The main financial risks to which the Company is exposed and the risk management policies are as follows:

13. Financial Instruments (continued)

Interest risk

The bonds bear interest at a fixed rate and consequently expose the Company to the risk of fair value fluctuation related to changes in interest rates.

The other financial assets and liabilities of the Company do not represent interest risk because they do not bear interest.

The Company does not use financial derivatives to reduce its exposure to interest risk.

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

Cash and cash equivalents and cash reserved for exploration	Variable and fixed interest rate
Receivables	Non-interest bearing
Accounts payables and accrued liabilities	Non-interest bearing

Interest rate sensitivity

At December 31, 2011, the Company received interests on the following assets:

– Bankers' acceptance;
– Bonds

Interest rate movements may affect the fair value of the investments in fixed interest financial assets.

The possible effects on fair value that could arise as a result of changes in interest rates are taken into account when making investment decisions.

Liquidity risks

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash forecasts to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible for the Company to continue its operations, and while it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Credit risk

Cash and cash equivalents are held or issued by financial institutions with a superior-quality credit rating. Hence, the Company considers that the risk of non-performance of such instruments is negligible.

13. Financial Instruments (continued)

Credit risk analysis

The Company's exposure to credit risk is limited to the accounting value of its financial assets at the date of presentation of the financial information as disclose below :

	December 31, 2011	December 31, 2010	January 1st, 2010
	$	$	$
Cash and cash equivalents	**1,943,057**	2,017,616	383,792
Cash held for exploration expenses	**2,031,040**	1,260,000	194,426
Banker's acceptance and bond	**1,320,086**	1,414,559	1,100,339
Other receivables (other than goods and services tax receivable)	**560,771**	331,291	274,359
Carrying amounts	**5,854,954**	5,023,466	1,952,916

The Company has no trade receivables. The receivables comprised mainly tax credits, mining taxes and sale taxes receivable consequently, the exposure to credit risk for the Company's receivables is considered immaterial. No impairment loss has been recognized in the periods presented.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and cash equivalents, cash held for exploration expenses and guaranteed investment certificates is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Fair value of financial instruments

The Company discloses the fair value hierarchy by which the Financial instruments are evaluated and have the following levels. Level 1, valuation based on quoted prices (unadjusted) in active market for identical assets or liabilities. Level 2, includes inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly and Level 3, includes inputs for the asset or liability that are not based on observable market data. Cash and cash equivalents and cash reserved for exploration are classified under Level 1 (note 15).

The fair value of cash and cash equivalents, cash reserved for exploration and receivables approximates their carrying value as these items will be realized in the short term.

14. Deferred income and mining taxes

The reconciliation of the income tax expense, calculated using the statutory income tax rates of the federal government and the Province of Quebec, to the income tax expense as per the financial statements, is as follows:

	December 31, 2011	December 31, 2010
	$	$
Loss before income taxes	**(1,586,581)**	(933,592)
Combined federal and provincial income tax at 28.4% (29.9% as at December 31, 2010)	**(450,589)**	(279,144)
Deferred exploration flow-through shares	**449,467**	552,948
Mining taxes	**(99,952)**	-
Non-deductible expenses for income tax purposes	**56,665**	33,453
Share issue expenses not affecting earnings	**(90,386)**	(74,493)
Change in valuation allowance	**228,469**	307,749
Change in future tax rates	**175,310**	(5,958)
Other	**19,753**	(11,499)
	288,737	523,056
Flow-through premium	**(260,700)**	(324,855)
Deferred income taxes	**28,037**	198,201

As at December 31, 2011, the Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

	December 31, 2011		December 31, 2010		January 1st, 2010	
Year	Federal	Provincial	Federal	Provincial	Federal	Provincial
	$	**$**	**$**	**$**	**$**	**$**
2025	**8,000**	**7,500**	8,000	7,500	8,000	7,500
2026	**6,000**	**5,000**	6,000	5,000	6,000	5,000
2027	**520,000**	**517,000**	520,000	517,000	520,000	517,000
2028	**727,763**	**720,865**	727,763	720,865	727,763	720,865
2029	**724,777**	**720,747**	724,777	720,747	724,777	720,747
2030	**922,460**	**919,207**	922,460	919,207	-	-
2031	**783,357**	**783,357**	-	-	-	-
	3,692,357	**3,673,676**	2,909,000	2,890,319	1,986,540	1,971,112

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2011	December 31, 2010	January 1st, 2010
	$	$	$
Property, plant and equipment	**29,840**	11,545	8,054
Non-capital losses	**992,944**	780,305	532,612
Share issue expenses	**148,818**	131,072	80,207
Valuation allowance	**(1,141,762)**	(911,377)	(612,819)
Deferred tax assets	**29,840**	11,545	8,054
Mining rights	**(1,638,315)**	(1,269,573)	(687,022)
Deferred tax liabilities	**(1,608,475)**	(1,258,028)	(678,968)

14. Deferred income and mining taxes (continued)

Variation of recognized amounts during the year

	Asset (liabilities) Balance January 1st, 2011	Recongnized in profit or (loss)	Recongnized in equity	**Asset (liabilities) Balance December 31, 2011**
	$	$	$	**$**
Property, plant and equipment	11,545	18,295	-	**29,840**
Mining Property	(317,013)	6,148	-	**(310,865)**
Deferred exploration costs	(952,560)	(313,180)	(61,710)	**(1,327,450)**
Total	(1,258,028)	(288,737)	(61,710)	**(1,608,475)**

	Asset (liabilities) Balance January 1st, 2010	Recongnized in profit or (loss)	Recongnized in equity	**Asset (liabilities) Balance December 31, 2010**
	$	$	$	**$**
Property, plant and equipment	8,054	3,491	-	**11,545**
Mining Property	(333,316)	16,303	-	**(317,013)**
Deferred exploration costs	(353,706)	(542,850)	(56,004)	**(952,560)**
Total	(678,968)	(523,056)	(56,004)	**(1,258,028)**

15. Financial assets and liabilities

	December 31, 2011		December 31, 2010		January 1st, 2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value
	$	**$**	$	$	$	$
Categories of financial assets and liabilities						
Financial assets						
Loans and receivables						
Cash and cash equivalents	**1,943,057**	**1,943,057**	2,017,616	2,017,616	383,792	383,792
Cash reserved for exploration	**2,031,040**	**2,031,040**	1,260,000	1,260,000	194,426	194,426
Banker's acceptance and bond	**1,320,086**	**1,320,086**	1,414,559	1,414,559	1,100,339	1,100,339
Available for sale financial asset						
Other short-term financial assets	**400,000**	**400,000**	-	-	-	-
Financial liabilities						
Other financial liabilities						
Trade	**216,448**	**216,448**	97,536	97,536	152,185	152,185
Other	**229,871**	**229,871**	138,827	138,827	82,696	82,696

16. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares. However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

– Two years following the flow-through placements;
– One year after the Company has renounced the tax deductions relating to the exploration work.

Commitments to carry out exploration work that are not respected are subject to a combined tax rate of 30% (Canada and Quebec).

During the reporting period, the Company received $ 2,031,040 following flow-through placements for which the Company renounced tax deductions after December 31, 2011.

The Company has renounced tax deductions of $ 2,031,040 as at February 28, 2012 and management is required to fulfil its commitments within the stipulated deadline of December 31, 2012. The amount has been presented as Cash held for exploration expenses.

17. Transactions with key management personnel

The Company's key management personnel are members of the Board of Directors, as well as the president and vice-presidents. Key management personnel remuneration includes the following expenses:

	December 31, 2011	December 31, 2010
	$	$
Short-term employee benefits		
Salaries including bonuses and benefits	**462,585**	372,527
Social security costs	**28,850**	21,452
Total short-term employee benefits	**491,435**	393,979
Share-based payments	**117,564**	94,109
Total remuneration	**608,999**	488,088

During 2011, the reporting period, key management personnel exercised share options for a total exercise price of $ 14,250, granted through the share-based payment plans.

18. Capital disclosures

The Company's objectives in managing its capital are to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance exploration expenditures and acquire properties. To effectively manage the Company's capital requirements, the Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives.

The Company expects its current capital resources and its ability to obtain additional financing will support further exploration and development of its mineral properties.

The Company is not subject, in regards of external rules, to any requirements regarding its capital, except if the Company completes a flow-through financing for which the cash must be reserved for exploration. As at December 31, 2011, the Company's cash reserved for exploration was $ 2,031,040 ($ 1,260,000 as at December 31, 2010 and $ 194,426 as at January 1st, 2010).

As at December 31, 2011 the shareholders' equity was $ 11,165,108 ($ 9,473,811 as at December 31, 2010 and $ 5,674,803 as at January 1st, 2010).

19. Related party transactions

	December 31, 2011	December 31, 2010
	$	$
Furniture and equipment	**4,100**	-

The Company acquired furniture and equipment from one of its officers and from one of its directors. This transaction occurred within the normal course of business and was measured at the exchange value, which is the amount of consideration established and agreed to by the related parties. As at December 31, 2011, no amount was included in the accounts payable and accrued liabilities.

20. Liquidity risk analysis

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the past year, the Company has financed its exploration expense commitments, its working capital requirements and acquisitions through private and flow-through financings.

The Company's liabilities are summarized below:

	December 31, 2011	December 31, 2010	January 1st, 2010
	$	$	$
Accounts payables and accrued liabilities	**446,319**	236,363	234,881
Liability related to flow-through shares	**484,680**	260,700	281,105
	930,999	497,063	515,986

Where the counterparty has a choice of when an amount is paid, the liability has been included on the earliest date on which payment can be required.

21. Transition to IFRS

The Company's financial statements for the year ended December 31, 2011 are the first annual financial statements that comply with IFRS. These financial statements were prepared as described in note 21, including the application of IFRS 1. The effect of the transition to IFRS on equity, comprehensive income and cash flows is presented and described in this note, and is explained in greater detail in the notes associated with the tables.

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

Initial elections upon adoption:

Upon transition, IFRS 1 permits certain optional exemptions and dictates certain mandatory exceptions from full retrospective application. The Company applied mandatory exceptions and certain optional exemptions. The following exemptions and exceptions were adopted by the Company.

IFRS optional exemptions applied at the time of the transition

Share-based payment – IFRS 1 encourages, but does not require, the application of IFRS 2 "Share-based Payment" to equity instruments that were granted on or before November 7, 2002. A first-time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and vested before the date of transition. The Company has elected to apply IFRS 2 only to equity instruments that were granted before the date of transition but that were not entirely vested at that time.

21. Transition to IFRS (continued)

IFRS mandatory exception at the time of the transition

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

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an impact on the total operating, financing or investing cash flows. The following presents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity, the statement of net loss and comprehensive loss:

Reconciliation of Equity

As at :	December 31, 2010 $	January 1, 2010 $
Equity under Canadian GAAP	9,950,560	5,955,908
Impacts of the transition to IFRS:		
1. Share-based payment	(19,853)	-
2. Deferred income and mining taxes	(196,196)	
3. Flow-through shares	(260,700)	(281,105)
Total Equity under IFRS	9,473,811	5,674,803

Reconciliation of the statement of net loss and comprehensive loss

For the year ended:	December 31, 2010 $
The statement of net loss and comprehensive loss under Canadian GAAP	(897,862)
Impacts of the transition to IFRS:	
1. Share-based payment	(5,838)
2. Mining and income taxes	(228,093)
The statement of net loss and comprehensive loss under IFRS	(1,131,793)

Reconciliations of the financial statements previously presented under Canadian GAAP to the financial statements prepared under

The following are reconciliations of the financial statements previously presented under Canadian GAAP to the financial statements prepared under IFRS.

21. Transition to IFRS (continued)

Reconciliation of the statement of financial position as at January 1, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS balance	IFRS accounts
	$	$	$	
ASSETS				**Assets**
Current assets				**Current assets**
Cash and cash equivalents	1,484,131	-	1,484,131	Cash and cash equivalents
Cash reserved for exploration	194,426	-	194,426	Cash reserved for exploration
Accounts receivables	342,610	-	342,610	Receivables
Prepaid expenses	17,050	-	17,050	Prepaid expenses
	2,038,217	-	2,038,217	
Property, plant and equipment	34,966	-	34,966	Property, plant and equipment
Mining properties	1,370,789	-	1,370,789	Mining properties
Deferred exploration costs	3,425,785	-	3,425,785	Deferred exploration costs
	4,831,540	-	4,831,540	
	6,869,757	-	6,869,757	**TOTAL ASSETS**
Liabilities				**Liabilities**
Current liabilities				**Current liabilities**
Accounts payable and accrued liabilities	234,881	-	234,881	Accounts payables and accrued liabilities
Liability related to flow-through shares (3)	-	281,105	281,105	Liability related to flow-through shares
	234,881	281,105	515,986	
Future income taxes	678,968	-	678,968	Deferred income and mining taxes
	913,849	281,105	1,194,954	**TOTAL LIABILITIES**
Shareholders' equity				**EQUITY**
Capital stock (1) (3)	6,722,845	(281,105)	6,441,740	Share capital
Contributed surplus (1)	1,384,964	36,629	1,421,593	Contributed surplus
Deficit (1) (2) (3)	(2,151,901)	(36,629)	(2,188,530)	Deficit
	5,955,908	(281,105)	5,674,803	**TOTAL EQUITY**
	6,869,757	-	6,869,757	**TOTAL LIABILITIES AND EQUITY**

21. Transition to IFRS (continued)

Reconciliation of the statement of net loss and comprehensive loss for the year ended December 31, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS balance	IFRS accounts
	$	$	$	
Administrative expenses				**Administrative expenses**
Salaries	234,637	-	234,637	Salaries
Consultants	95,248	-	95,248	Consultants
Stock-based compensation-employees (1)	90,897	5,838	96,735	Share-based payment employees
Stock-based compensation-consultant	16,438	-	16,438	Share-based payment consultant
Professional fees	76,679	-	76,679	Professional fees
Rent	6,600	-	6,600	Rent
Business development	130,930	-	130,930	Business development
Insurance, taxes and permits	17,961	-	17,961	Insurance, taxes and permits
Interest and bank charges	2,867	-	2,867	Interest and bank charges
Depreciation of property, plant and	589	-	589	Depreciation of property, plant and
Stationery and office expenses	22,439	-	22,439	Stationery and office expenses
Telecommunications	8,178	-	8,178	Telecommunications
Training and travel	50,690	-	50,690	Training and travel
Advertising	40,686	-	40,686	Advertising
Shareholder information	35,861	-	35,861	Shareholder information
	830,700	5,838	836,538	
Other expenses (income)				**Other expenses (income)**
Write-off of mining properties (1)	60,612	(1,898)	58,714	Write-off of mining properties
Write-off of deferred exploration costs (1)	49,647	(2,372)	47,275	Write-off of deferred exploration costs
Other exploration costs (1)	-	4,270	4,270	
Management income	(4,225)	-	(4,225)	Management income
Interest income	(8,980)	-	(8,980)	Interest income
Loss before income taxes	(927,754)	(5,838)	(933,592)	**LOSS BEFORE DEFERRED INCOME AND MINING TAXES**
Future income taxes (2) (3)	(29,892)	228,093	198,201	Deferred income and mining taxes
Net loss and comprehensive loss	(897,862)	(233,931)	(1,131,793)	**NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR**

21. Transition to IFRS (continued)

Reconciliation of the statement of financial position as at December 31, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS balance	IFRS accounts
	$	$	$	
ASSETS				**Assets**
Current assets				**Current assets**
Cash and cash equivalents	3,432,175	-	3,432,175	Cash and cash equivalents
Cash reserved for exploration	1,260,000	-	1,260,000	Cash reserved for exploration
Accounts receivables	418,540	-	418,540	Receivables
Prepaid expenses	24,230	-	24,230	Prepaid expenses
	5,134,945	-	5,134,945	
Property, plant and equipment	21,984	-	21,984	Property, plant and equipment
Mining properties	1,372,489	-	1,372,489	Mining properties
Deferred exploration costs (1)	4,719,337	(19,853)	4,699,484	Deferred exploration costs
	6,113,810	(19,853)	6,093,957	
	11,248,755	(19,853)	11,228,902	**TOTAL ASSETS**
Liabilities				**Liabilities**
Current liabilities				**Current liabilities**
Accounts payable and accrued liabilities	236,363	-	236,363	Accounts payables and accrued liabilities
Liability related to flow-through shares (3)	-	260,700	260,700	Liability related to flow-through shares
	236,363	260,700	497,063	
Future income taxes	1,061,832	196,196	1,258,028	Deferred income and mining taxes
	1,298,195	456,896	1,755,091	**TOTAL LIABILITIES**
Shareholders' equity				**EQUITY**
Capital stock (1) (3)	10,063,900	(228,803)	9,835,097	Share capital
Capital stock to be issued	341,248	-	341,248	Share capital to be issued
Contributed surplus (1)	2,595,176	22,613	2,617,789	Contributed surplus
Deficit (1) (2) (3)	(3,049,764)	(270,559)	(3,320,323)	Deficit
	9,950,560	(476,749)	9,473,811	**TOTAL EQUITY**
	11,248,755	(19,853)	11,228,902	**TOTAL LIABILITIES AND EQUITY**

21. Transition to IFRS (continued)

Notes relating to reconciliations

In addition to the optional exemptions and mandatory exceptions discussed above, the following narratives explain the significant differences between the previous Canadian GAAP accounting policies and the current IFRS accounting policies applied by the Company. Only those differences that impact the Company as of the transition date are described below. The following is not a complete summary of all of the differences between Canadian GAAP and IFRS. Relative to the impacts on the Company, the descriptive caption next to each numbered item below corresponds to the same numbered and descriptive caption in the tables above, which reflect the quantitative impacts from each change. Unless a quantitative impact was noted below, the impact from the change was not material for the Company.

1. **Share-based payment** – As stated in the section entitled “IFRS optional exemptions applied at the time of the transition”, the Company has elected to apply IFRS 2 only to equity instruments that were granted before the date of transition but that were not entirely vested at that time.

Recognition of expense
Canadian GAAP – For grants of share-based payment with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, the Company adjusted by $36,629 its expense for share-based payment by $ 36,629 to reflect this difference in recognition.

Forfeitures
Canadian GAAP – Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

On the transition date, the Company has increased its deficit by $36,629 corresponding to the increase of the share-based payment expenses which were recorded before the transition date resulting in an increase of the contributed surplus by an equivalent amount. Thus, the effect on equity is nil.

2. **Deferred income tax**

Deferred income tax have been adjusted to reflect the changes to the net accounting value from the adjustment following to IFRS application, as describe below.

3. **Shares issued by flow-through placements**

Under Pre-change accounting standards, the entire proceeds received on the issuance of flow-through shares were credited to share capital.

Under IFRS, issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the obligation to revert the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability. Under Pre-change accounting standards, when the renouncement of the tax deductions related to the resource expenditure for income tax purposes, temporary taxable differences were created and a deferred income tax was recorded, and the related charge was treated as share issue costs.

Under IFRS, when the Company has renounced to its deductions and has incurred its admissible expenditures, (or when its admissible expenditures and has the intention to renounce), the sale of tax deductions is recognized in profit or loss as a reduction of deferred tax expenses and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of admissible expenditures capitalized as an asset and its tax base.

21. Transition to IFRS (continued)

As there is no exemption under IFRS 1 for first-time adopters regarding flow-through shares, the treatment under IFRS needs to be applied retrospectively.

The impact on the Company's transition to IFRS is to decrease shareholder's equity by $ 476,749 as at December 31, 2010 ($ 281,105 as at January 1st, 2010).

22. Subsequent events

Option Agreement to Acquire a Property

On March 2, 2012, the Company signed an agreement with Murgor Resources Inc. ("Murgor") entitling the Company the option to acquire up to a 100% interest in the Benoist property, which hosts the Pusticamica gold deposit and is located 65 km north-west of the town of Lebel-sur-Quévillon in the province of Québec.

More particularly, the Company will have a first option to earn a 51% undivided interest in the project by (i) paying $100,000 in cash and by issuing 250,000 common shares to Murgor upon receipt of regulatory approvals. The Company must also issue 100,000 shares before the first anniversary of the closing date and another 150,000 shares before the second anniversary of the closing date. The Company must also incur exploration expenditures aggregating $3,000,000 by March 1st, 2015. In addition, the Company will have a second option to earn an additional 49% undivided interest in the property by issuing 500,000 common shares and incurring additional exploration expenditures aggregating $3,000,000 by March 1st, 2018. During the option period, the Company will act as operator. Murgor will retain a 1% NSR. The project is also subject to a 2.5% NSR payable to previous vendors of which a 1.5 % NSR can be bought back by the Company for a consideration of $1,500,000.

Option Agreement to Acquire a 50% Interest in the Fenton Property

On March 19, 2012 the Company signed an agreement with SOQUEM Inc. ("SOQUEM").

Under the terms of the agreement, which remains subject to regulatory approvals, Cartier has an option to earn a 50% undivided interest in the Fenton Property hosting a deposit of the same name, located 47 km southwest of the town of Chapais, in the province of Québec.

More specifically, Cartier will have an option to acquire a 50% undivided interest in the project by issuing 50,000 common shares to SOQUEM upon receipt of regulatory approvals and incurring exploration expenditures aggregating $1,500,000 by March 19, 2015. In addition, Cartier has a firm commitment to invest $500,000 in exploration work over the first year, and to issue 50,000 common shares to SOQUEM on each of the first and second anniversaries of the signature of the agreement. SOQUEM will be the operator. After the Company earns its undivided interest of 50%, SOQUEM and Cartier will form a joint venture.