



**ANNUAL CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Alexis Minerals Corporation:

We have audited the accompanying consolidated financial statements of Alexis Minerals Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, 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 consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alexis Minerals Corporation as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements indicating the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
March 29, 2011

ALEXIS MINERALS CORPORATION

Consolidated Balance Sheets

in Canadian dollars

As at December 31,	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,410,889	\$ 6,106,007
Amounts receivable (Note 15)	657,961	2,082,802
Tax credits receivable (Note 6)	6,727,736	7,465,197
Inventory (Note 4)	1,822,367	6,167,683
Prepaid expenses (Note 15)	463,159	272,808
Investments	641,116	122,340
	19,723,228	22,216,837
Restricted cash equivalents (Notes 6 and 10)	5,767,000	5,767,000
Property, plant and equipment (Note 5)	13,848,698	19,968,156
Mineral properties and deferred exploration expenditures (Note 6)	61,179,354	84,783,408
	\$ 100,518,280	\$ 132,735,401
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 15)	\$ 9,348,202	\$ 13,687,601
Current portion of capital lease obligations (Note 7)	137,045	411,648
Current portion of long-term debt (Note 8)	51,333	99,337
Liability component of convertible debenture (Note 9)	-	6,142,716
	9,536,580	20,341,302
Capital lease obligations (Note 7)	50,667	118,008
Long-term debt (Note 8)	-	51,300
Asset retirement obligations (Note 10)	3,559,000	3,667,865
Liability component of convertible debenture (Note 9)	5,450,683	-
Future income tax liability (Note 16)	-	3,258,141
	18,596,930	27,436,616
Non-controlling interest (Note 3)	-	3,154,839
Shareholders' equity:		
Share capital (Note 11)	123,561,184	99,057,683
Commitment to issue shares (Note 3)	150,314	-
Warrants (Note 12)	3,405,078	2,863,043
Equity component of convertible debenture (Note 9)	1,698,516	830,334
Contributed surplus (Note 14)	16,227,202	14,064,892
Deficit	(63,120,944)	(14,672,006)
	81,921,350	102,143,946
	\$ 100,518,280	\$ 132,735,401

Commitments and contingencies, Notes 1, 6, and 19

Subsequent events, Note 21

Nature of operations and going concern, Note 1

APPROVED ON BEHALF OF THE BOARD:

Signed "David Rigg", Director

Signed "Maurice Colson", Director

ALEXIS MINERALS CORPORATION

Consolidated Statements of Shareholders' Equity

in Canadian dollars

	Common Shares		Commitment to	Warrants	Convertible	Contributed	Accumulated	Shareholders'
	No.	\$	issue shares	\$	Debenture	Surplus	Deficit	Equity
Balance, December 31, 2008	128,084,827	63,134,869	-	6,679,843	830,334	7,962,377	(10,302,353)	68,305,070
Private placement	39,106,000	20,000,000	-	-	-	-	-	20,000,000
Value of w arrants granted on private placement	-	(752,600)	-	752,600	-	-	-	-
Value of broker w arrants and units granted on private placement	-	(343,100)	-	343,100	-	-	-	-
Exercise of stock options	325,000	140,250	-	-	-	-	-	140,250
Valuation allocation on exercise of stock options	-	96,675	-	-	-	(96,675)	-	-
Valuation allocation of expired w arrants	-	-	-	(4,912,500)	-	4,912,500	-	-
Shares issued in lieu of interest payment	607,912	252,600	-	-	-	-	-	252,600
Shares issued to acquire subsidiary	45,612,929	18,920,025	-	-	-	-	-	18,920,025
Shares issued as severance payments in acquisition of subsidiary	1,231,947	563,000	-	-	-	-	-	563,000
Value of equity portion of acquired convertible debenture	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	1,286,690	-	1,286,690
Share issue costs	-	(2,130,036)	-	-	-	-	-	(2,130,036)
Tax effect of share issue costs	-	681,000	-	-	-	-	-	681,000
Flow-through share tax effect	-	(1,505,000)	-	-	-	-	-	(1,505,000)
Loss for the period	-	-	-	-	-	-	(4,369,653)	(4,369,653)
Balance, December 31, 2009	214,968,615	99,057,683	-	2,863,043	830,334	14,064,892	(14,672,006)	102,143,946
Public offering	95,833,333	14,375,000	-	-	-	-	-	14,375,000
Value of w arrants granted on public offering	-	(1,344,259)	-	1,344,259	-	-	-	-
Value of broker w arrants granted on public offering	-	(305,800)	-	305,800	-	-	-	-
Private placement	50,774,998	12,186,000	-	-	-	-	-	12,186,000
Shares issued to acquire subsidiary	6,550,200	2,274,544	-	-	-	-	-	2,274,544
Shares to be issued in subsidiary acquisition	-	-	150,314	-	-	-	-	150,314
Value of options granted to acquire subsidiary	-	-	-	-	-	141,900	-	141,900
Value of w arrants granted to acquire subsidiary	-	-	-	423,051	-	-	-	423,051
Shares issued to settle liabilities	19,027,619	2,854,143	-	-	-	-	-	2,854,143
Value of w arrants attached to shares issued to settle liabilities	-	(266,902)	-	266,902	-	-	-	-
Exercise of broker w arrants	2,000,000	300,000	-	-	-	-	-	300,000
Reallocate value of exercised broker w arrants	-	127,600	-	(127,600)	-	-	-	-
Expiry of w arrants	-	-	-	(1,777,577)	-	1,777,577	-	-
Roll-over of convertible debentures	-	-	-	-	868,182	-	-	868,182
Value of w arrants issued for convertible debenture roll-over	-	-	-	107,200	-	-	-	107,200
Stock-based compensation	-	-	-	-	-	242,833	-	242,833
Shares issued in lieu of interest payment (Note 9)	1,400,546	339,107	-	-	-	-	-	339,107
Share issue costs	-	(2,463,592)	-	-	-	-	-	(2,463,592)
Tax effect of share issue costs	-	672,660	-	-	-	-	-	672,660
Flow-through share tax effect	-	(4,245,000)	-	-	-	-	-	(4,245,000)
Adjustment	(23)	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(48,448,938)	(48,448,938)
Balance, December 31, 2010	390,555,288	123,561,184	150,314	3,405,078	1,698,516	16,227,202	(63,120,944)	81,921,350

- See accompanying Notes to the Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

Consolidated Statements of Operations, Comprehensive Loss and Deficit

in Canadian dollars

For the years ended	December 31,	
	2010	2009
Revenue, net of royalties	\$ 25,730,144	\$ 32,026,870
Mine operating expenses (Note 4)	(27,780,950)	(23,539,033)
Amortization and depletion (Notes 4 and 5)	(7,144,863)	(6,867,276)
	(34,925,813)	(30,406,309)
Gross (loss)/profit	(9,195,669)	1,620,561
Expenses:		
Professional, consulting and management fees (Note 13)	1,931,893	3,209,508
Other general and administrative expenses	1,484,311	1,405,455
Long-term interest, accretion and financing costs	1,085,804	714,350
Other interest, accretion and financing costs	249,054	92,057
Loss on disposal of equipment (Note 5)	101,108	-
Equity loss from investments (Note 3)	-	93,251
Foreign exchange	(70,626)	(58,642)
Write-down of mineral properties and property, plant and equipment (Notes 5 and 6)	41,648,665	-
Interest income and gain on held-for-trading investments	(559,843)	(366,732)
	45,870,366	5,089,247
(Loss) before taxes	(55,066,035)	(3,468,686)
Future income tax recovery/(expense) (Note 16)	6,617,422	(905,000)
(Loss) before non-controlling interest	(48,448,613)	(4,373,686)
Non-controlling interest	(325)	4,033
Net (loss) and comprehensive (loss) for the year	(48,448,938)	(4,369,653)
DEFICIT, beginning of year	(14,672,006)	(10,302,353)
DEFICIT, end of year	\$ (63,120,944)	\$ (14,672,006)
Net (loss) per share: basic	(0.19)	(0.03)
Net (loss) per share: diluted	(0.19)	(0.03)
Weighted average number of shares outstanding:		
basic	260,965,217	139,309,743
diluted	260,965,217	139,309,743

- See accompanying Notes to the Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

Consolidated Statements of Cash Flows

in Canadian dollars

For the years ended

December 31,
2010 2009

Cash provided by (used in):		
Operations:		
Net (loss) for the year	\$ (48,448,938)	\$ (4,369,653)
Items not involving cash:		
Stock-based compensation (Note 13)	207,243	1,286,690
Amortization and depletion	7,144,863	6,867,275
Interest, accretion and finance charges	866,123	697,383
Realized and unrealized investment gains	(518,776)	(363,877)
Loss on disposal of equipment (Note 5)	121,108	-
Equity loss on investment (Note 3)	-	93,251
Non-controlling interest	325	(4,033)
Write-down of mineral properties and properties, plant and equipment (Notes 5 and 6)	41,648,665	-
Future income tax (recovery)/expense	(6,617,422)	905,000
Changes in non-cash working capital	6,770,272	(260,765)
	1,173,463	4,851,271
Financing:		
Public offerings and private placements (Note 11(b))	26,561,000	20,000,000
Share issue costs (Note 11(b))	(2,463,592)	(2,130,036)
Exercise of broker warrants and options	300,000	140,250
Financing costs on debenture	(172,750)	-
Long-term debt repayments	(103,748)	(178,914)
Capital lease payments	(421,808)	(601,811)
	23,699,102	17,229,489
Investing:		
Property, plant and equipment purchases	(3,599,685)	(4,533,054)
Acquisition of subsidiary (Note 3)	(207,747)	(2,474,373)
Purchase and sale of investments	-	683,929
(Decrease)/increase in exploration and development accounts payable	(2,682,210)	3,255,822
Exploration tax credits received (Note 6)	4,186,446	1,137,004
Expenditures on mineral properties	(19,264,487)	(18,573,384)
	(21,567,683)	(20,504,056)
Change in cash and cash equivalents	3,304,882	1,576,704
Cash and cash equivalents, beginning of year	6,106,007	4,529,303
Cash and cash equivalents, end of year	\$ 9,410,889	\$ 6,106,007
Cash and cash equivalents consists of:		
Cash	\$ 1,391,451	\$ 6,091,007
Cash equivalents	8,019,438	15,000
	\$ 9,410,889	\$ 6,106,007
SUPPLEMENTAL INFORMATION		
Common shares issued to acquire subsidiary (Notes 3 and 11(b))	\$ 2,274,544	\$ 18,920,025
Common shares issued for interest payment (Note 9)	339,107	252,600
Units or common shares issued to settle liabilities (Note 11(b))	2,854,143	563,000
Broker warrants charged as share issue costs (Note 11(b))	305,800	343,100
Options granted to acquire subsidiary (Note 3)	141,900	-
Warrants granted to acquire subsidiary (Note 3)	423,051	-
Amortization of property, plant and equipment charged to mineral properties (Note 5)	288,931	116,665
Equipment acquired under capital leases	79,864	284,772
Stock-based compensation charged to mineral properties (Note 13)	35,590	-
Interest paid	438,832	53,833
Income taxes paid	-	-

- See accompanying Notes to the Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

Alexis Minerals Corporation (the "Company") currently has interests in mineral exploration and development properties in the province of Québec. The Company is in commercial production at the Lac Herbin deposit and is also continuing to focus on the exploration and development of its other gold and base metal projects within this region. The Company acquired a 100% interest in Garson Gold Corp., a company with mineral exploration and development properties in the province of Manitoba (Note 3).

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

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. Such adjustments may be material.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year except where noted below. Outlined below are those policies considered particularly significant.

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Garson Gold Corp. ("Garson"), and its proportionate share of the accounts of the joint ventures in which the Company has an interest. Intercompany balances and transactions have been eliminated on consolidation.

b) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when mineral properties and deferred exploration expenditures should be capitalized or expensed, estimates for asset retirement obligations and reclamation costs and the methods and rates of amortization and depletion. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation, warrants, inventory, tax credits receivable, convertible debentures, mineral properties (including estimated reserves) and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions and account balances originally stated in currencies other than the Canadian dollar have been translated into Canadian dollars using the temporal method of foreign currency translation as follows. Monetary assets and monetary liabilities in foreign currencies have been translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expense transactions are translated at average exchange rates during the year. Exchange gains or losses from such translation practices are reflected in the consolidated statements of operations.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and investment-grade deposit certificates with original maturities of three months or less. Cash and cash equivalents are held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

e) Investments

Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the balance sheet date or the closing price on the last day the security traded if there were no trades at the balance sheet date. The Company's investments consist of shares of publicly listed corporations and have been classified as held-for-trading.

f) Inventory

Material and supplies expected to be used in production are valued at the lower of average cost and realizable value. Stock-piled ore inventory is valued at the lower of average production cost and net realizable value. Finished goods inventory which consists of doré bars and gold brick which is available for sale is valued at the lower of average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine site overhead expenses, amortization of operating property and equipment and depletion of mineral property costs.

g) Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided on a straight line basis over the estimated useful lives as follows:

Computer equipment	3 years
Computer software	1-2 years
Office equipment	4 years
Office furniture	8 years
Machinery and equipment	4 to 5 years
Mobile equipment	4 to 5 years
Buildings	4 to 30 years

When events or circumstances indicate potential impairment, long-lived assets such as property, plant and equipment are written-down to the fair value if the net carrying amount of the asset exceeds the net recoverable amount, calculated as the sum of the undiscounted cash flows related to the asset.

h) Mineral properties and deferred exploration expenditures

Mineral properties and deferred exploration expenditures are carried at cost, net of government assistance, option payments received and pre-production revenues, until they are brought into production, at which time they are depleted on a unit of production method based on proven and probable reserves. Costs include acquisition costs and exploration and development costs including cash consideration paid and the fair market value of shares issued, if any. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment. Government assistance is recorded when it is more likely than not to be received. If a property is subsequently determined to be significantly impaired in value, the property and related deferred costs are written down to their net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company reviews its mineral properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. An impairment loss is recognized when the carrying amount of the mineral properties is not recoverable and exceeds its fair value. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a change in the determination of the need for and amount of any write down.

i) Leases

Leases are classified as capital or operating depending on their terms and conditions. Payments under operating leases are expensed in the period in which they are incurred. The value of assets recorded under capital leases are amortized over their useful lives. A liability is established to reflect the future obligation under capital leases and reduced by principal payments.

j) Asset retirement obligations

Asset retirement obligations include the costs related to the abandonment of mineral properties, dismantling and removing tangible equipment such as milling facilities and returning the land to its original condition. The Company recognizes an asset retirement obligation ("ARO") in the period in which it is identified and a reasonable estimate of the fair value can be made. Fair value is estimated based on the present value of the estimated future cash outflows to abandon the asset, discounted at the Company's credit-adjusted risk-free interest rate. The fair value of the estimated ARO is recorded as a long-term liability with a corresponding amount capitalized to mineral properties. The amount capitalized is charged to earnings through the depletion and depreciation of mineral properties. The ARO liability is increased each reporting period due to the passage of time and the amount of accretion is charged to operations. Revisions to the original estimated cost or the timing of the cash outflows may result in a change to the ARO. Actual costs incurred to settle the ARO reduce the long-term liability.

k) Convertible debentures

The Company's convertible debentures are segregated into their debt and equity components at the date of issue, based on the relative fair market values of these components in accordance with the substance of the contractual agreements. The debt component of the instruments is classified as a liability, and recorded as the present value of the Company's obligation to make future interest payments and settle the redemption value of the instrument. The carrying value of the debt component is accreted to the original face value of the instruments, over the term of the convertible debenture, using the effective interest method. The value of the conversion option makes up the equity component of the instruments. The conversion option is recorded using the residual value approach.

l) Revenue recognition

Revenue from the sale of gold, silver, and doré bars is recognized when persuasive evidence of a sale arrangement exists, the risks and rewards of ownership passes to the purchaser including delivery of the product, the selling price is fixed or determinable, and collectability is reasonably assured.

m) Flow-through financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

n) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted or substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to share capital.

p) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted number of shares outstanding. Diluted earnings (loss) per share is calculated using the treasury stock method. In order to determine diluted earnings (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. Total shares issuable from options, warrants and convertible debentures excluded from the computation of diluted (loss) per share because they were anti-dilutive for the year ended December 31, 2010 were 14,940,630 (2009 – 13,938,000), 82,271,650 (2009 – 16,931,503) and 15,875,000 (2009 – 4,639,118), respectively.

q) Joint ventures

A portion of the Company's exploration activities are conducted jointly with others wherein the Company enters into agreements that provide for a specified percentage interest in exploration properties. Expenditures on these properties are capitalized to mineral properties. Joint venture accounting, which reflects the Company's proportionate interest in exploration properties is applied by the Company only when the parties have earned their respective interests and enter into a formal comprehensive agreement for joint ownership and exploration participation.

r) Financial instruments

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in operations for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive loss until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in operations for the period, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive loss.

s) Comprehensive loss

Comprehensive loss, composed of net loss and other comprehensive loss, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive loss ("OCL") includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive loss are disclosed in the statement of operations and comprehensive loss. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss ("AOCL") which is presented as a new category in shareholders' equity. The Company does not currently have any OCL items or AOCL. Therefore, comprehensive loss is equal to net loss for the years ended December 31, 2010 and 2009.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Equity Investments

Prior to acquiring a controlling interest in December 2009, the Company accounted for its investment in Garson Gold Corp. on the equity basis, as it exercised significant influence.

Future accounting changes

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact that this new standard may have on the financial statements of the Company.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS for its fiscal year beginning January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company's consolidated financial statements.

The Company expects a smooth transition to IFRS for reporting the first quarter of 2011.

3. ACQUISITION OF GARSON GOLD CORP.

On December 23, 2009, the Company acquired 89% of the issued and outstanding shares of Garson Gold Corp. ("Garson"). An initial 15% was acquired during the third quarter of 2009, with the purchase of 31,092,000 common shares of Garson for cash consideration of \$1,544,110. In October 2009, the Company offered 0.29 of a common share of the Company for each Garson common share held. On January 15, 2010, the Company acquired additional shares of Garson through the issuance of common shares of the Company at the same ratio. The Company completed the acquisition of Garson on April 29, 2010. As at December 31, 2010, some shareholders had not yet tendered their Garson shares, and consequently an amount of \$150,314 is recorded as a commitment to issue shares. The Company incurred \$1,155,298 in transaction costs as at December 31, 2010 related to the acquisition. On April 29, 2010, the Company also issued options and warrants to former Garson option and warrant holders valued at \$141,900 and \$423,051 respectively. The value of these options and warrants was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield: 0%; expected volatility: between 41.4% and 78.61%; risk-free interest rate: between 0.39% and 2.75%; and expected life: between 2.4 months and 4 years.

The transaction was accounted for as an acquisition of assets and liabilities in accordance with the Emerging Issues Committee ("EIC") Abstracts 124 "Definition of a Business". The allocation of the purchase price to the fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition, December 23, 2009, and adjusted for the incremental purchase, is as follows:

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

3. ACQUISITION OF GARSON GOLD CORP. (continued)

Consideration paid:		
Cash	\$	1,544,110
Value of common shares issued		21,218,547
Transaction costs		1,155,298
Value of options granted		141,900
Value of warrants granted		423,051
less: Equity loss recognized		(93,251)
	\$	24,389,655

Net assets acquired:		
Cash	\$	30,482
Restricted cash		5,767,000
Accounts receivable and prepaid expenses		128,744
Investments		109,800
Property, plant and equipment		9,259,000
Exploration properties		17,463,248
Accounts payable		(1,959,501)
Asset retirement obligations		(2,346,000)
Convertible debenture		(2,085,036)
Future income taxes		(1,978,082)
	\$	24,389,655

The Company incurred an equity loss of \$93,251 from the period September 9, 2009 through to December 23, 2009 while it held a 15% interest in Garson.

4. INVENTORY

	2010	2009
Material and supplies	\$ 643,753	\$ 426,494
Stockpiled ore	239,035	4,354,454
Gold brick or doré bars	939,579	1,386,735
	\$ 1,822,367	\$ 6,167,683

During the year ended December 31, 2010, the Company recognized \$34,925,813 of inventory as an expense (2009: \$30,406,309).

All inventory is carried at the lower of cost and net realizable value. Material and supplies inventory is recorded at cost as at December 31, 2010 and 2009. As at December 31, 2010, \$239,035 (December 31, 2009: \$700,000) in stockpiled ore and \$939,579 (December 31, 2009: \$1,300,000) in finished gold brick and doré bars are recorded at net realizable value, while the remainder is recorded at cost.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

5. PROPERTY, PLANT AND EQUIPMENT

	2010		
	Cost (\$)	Accumulated Amortization (\$)	Net (\$)
Computer equipment	176,940	(121,102)	55,838
Office equipment and furniture	69,858	(59,583)	10,275
Machinery and equipment	7,344,376	(1,484,006)	5,860,370
Mobile equipment	4,758,761	(2,410,301)	2,348,460
Buildings	2,804,012	(513,256)	2,290,756
Mill	4,237,868	(954,869)	3,282,999
	<u>19,391,815</u>	<u>(5,543,117)</u>	<u>13,848,698</u>

	2009		
	Cost (\$)	Accumulated Amortization (\$)	Net (\$)
Computer equipment	103,775	(86,192)	17,583
Computer software	209,945	(209,945)	-
Office equipment and furniture	69,020	(43,667)	25,353
Machinery and equipment	8,989,812	(896,201)	8,093,611
Mobile equipment	4,759,125	(1,692,268)	3,066,857
Buildings	2,988,282	(262,020)	2,726,262
Mill	6,038,490	-	6,038,490
	<u>23,158,449</u>	<u>(3,190,293)</u>	<u>19,968,156</u>

As a result of the acquisition of Garson on December 23, 2009, the Company acquired various assets at the Snow Lake mine site, including a mill which is on care and maintenance and various machinery and equipment. No amortization expense has been recorded in relation to the Snow Lake mill. The fair value of these acquired assets totaled \$9,259,000.

During the year ended December 31, 2010, the Company expensed \$2,432,019 in amortization to the statement of operations (2009: \$962,548) and charged \$288,931 to deferred exploration properties (2009: \$116,665).

Included in property, plant and equipment is the Val-d'Or mill that had been under care and maintenance. The Company had been refurbishing the mill, and during the second quarter of 2010, the mill began commissioning with crushing low-grade ore and has been operating throughout the rest of the year. Accordingly, amortization expense, calculated on a unit-of-production basis of \$954,869 has been recorded for the year ended December 31, 2010 (2009: \$nil).

Included in mobile equipment and buildings are assets under capital leases throughout the year totalling \$1,449,326 (2009: \$1,366,759). Accumulated amortization on these assets totalled \$590,318 (2009: \$569,096) with a net book value of approximately \$859,008 (2009 - \$1,367,000). Amortization of \$231,444 was charged to operations on these leased assets for the year ended December 31, 2010 (2009: \$253,987).

During the year ended December 31, 2010, the Company disposed of equipment with a net book value of \$121,108 and received cash proceeds of \$20,000 related to this equipment.

As a result of the impairment of the Lac Herbin property described in Note 6, the Company re-assessed the value of the mill and various mining equipment at the Lac Herbin mine site and determined that the carrying value was impaired. Consequently, the Company wrote down the value of the mill and equipment by \$7,708,213.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Description	PRODUCING PROPERTIES	NON-PRODUCING PROPERTIES						TOTAL
	Lac Herbin Quebec (\$)	Rouyn Quebec (\$)	Lac Pelletier Quebec (\$)	VMS Quebec (\$)	Aurbel Quebec (\$)	Snow Lake Manitoba (\$)	Herblet Lake Manitoba (\$)	
Balance, December 31, 2009	24,245,177	13,607,148	12,775,705	9,617,443	5,607,990	18,929,945	-	84,783,408
Acquisition and property maintenance	-	45,961	30,384	15,990	44,626	(1,355,389)	50,390	(1,168,038)
Development costs	354,592	-	-	-	-	-	-	354,592
Exploration costs	627,073	1,337,982	9,403,521	2,187,056	1,332,309	7,722,131	-	22,610,072
Asset retirement obligations adjustment	798,000	-	-	-	-	(539,000)	-	259,000
Amortization	48	2,109	188,086	4,297	3,254	91,137	-	288,931
	26,024,890	14,993,200	22,397,696	11,824,786	6,988,179	24,848,824	50,390	107,127,965
Less:								
Government assistance	(296,754)	(365,848)	(1,885,404)	(572,056)	(328,919)	-	(76,205)	(3,525,186)
Net gold sales from bulk sample	-	-	(3,075,951)	-	-	-	-	(3,075,951)
Sale of ore applied against project costs	-	-	-	-	-	(794,615)	-	(794,615)
Depletion of deferred exploration and development costs	(4,612,407)	-	-	-	-	-	-	(4,612,407)
Write-down of mineral properties	(21,115,729)	-	(12,824,723)	-	-	-	-	(33,940,452)
Balance, December 31, 2010	-	14,627,352	4,611,618	11,252,730	6,659,260	24,054,209	25,815	61,179,354

Description	PRODUCING PROPERTIES	NON-PRODUCING PROPERTIES						TOTAL
	Lac Herbin Quebec (\$)	Rouyn Quebec (\$)	Lac Pelletier Quebec (\$)	VMS Quebec (\$)	Aurbel Quebec (\$)	Snow Lake Manitoba (\$)		
Balance, December 31, 2008	26,630,201	13,298,025	3,851,288	8,151,292	3,724,063	-	55,654,869	
Acquisition and property maintenance	-	20,854	177,309	23,631	46,737	18,917,174	19,185,705	
Development costs	1,934,930	-	-	-	-	-	1,934,930	
Exploration costs	1,740,821	321,704	10,397,791	1,643,371	2,230,705	12,771	16,347,163	
Asset retirement obligations	278,000	-	98,000	-	-	-	376,000	
Amortization	(1,300)	(14,116)	137,003	(6,636)	1,714	-	116,665	
	30,582,652	13,626,467	14,661,391	9,811,658	6,003,219	18,929,945	93,615,332	
Less:								
Government assistance	71,808	(19,319)	(1,885,686)	(194,215)	(395,229)	-	(2,422,641)	
Depletion of deferred exploration and development costs	(6,409,283)	-	-	-	-	-	(6,409,283)	
Balance, December 31, 2009	24,245,177	13,607,148	12,775,705	9,617,443	5,607,990	18,929,945	84,783,408	

The Company has accrued approximately \$3,100,000 in government assistance receivable related to eligible expenditures in the province of Québec for the year ended December 31, 2010. An amount of \$680,000 in government assistance is accrued for the year ended December 31, 2009 while approximately \$3,000,000 is accrued for the year ended December 31, 2008. During the year ended December 31, 2010, the Company received approximately \$1,980,000 in assistance related to the year ended December 31, 2007 and approximately \$2,200,000 related to the year ended December 31, 2009. The assistance has been applied to the properties to which it pertains. The Company receives this assistance in the form of refundable tax credits from the Québec Provincial Government and mining duties returns from Québec Ministry of Natural Resources.

The Company also applies for government assistance from the province of Manitoba related to exploration at its Snow Lake Mine. The Company received \$76,000 in assistance during the year ended December 31, 2010.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

Aurbel Property (Including Lac Herbin), Québec

The Company holds a 100% interest in the Aurbel Property (including Lac Herbin), subject to a 4.5% Net Smelter Royalty ("NSR"). A corporation for which a director of the Company is both an officer and director holds 2% of the NSR. See Note 15.

On October 1, 2008, the Company declared the commencement of commercial production at Lac Herbin.

During the fourth quarter of 2010, the Company wrote off the value of the Lac Herbin Property by an amount of \$21,115,729 reflecting an impairment in value after reassessment of reserves and a revised life-of-mine plan.

Rouyn Noranda Properties, Québec

Pursuant to the June 15, 2004 binding letter of intent with Falconbridge Ltd., now referred to as Xstrata Copper ("Xstrata"), a business unit of Falconbridge Ltd., the Company has a 50% interest in all of Xstrata's properties in the prospective Rouyn-Noranda Base Metal and Gold Camp. See Note 20.

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

Lac Pelletier Property, Rouyn-Noranda, Québec

Pursuant to the September 2005 option agreement with Thundermin Resources Inc. ("Thundermin"), the Company was entitled to acquire a 100% interest in the Lac Pelletier Property, subject to a 3.5% NSR royalty and \$1/tonne Toll Charge, by spending \$1,000,000 in exploration expenditures by September 1, 2008. During 2007, the Company met its expenditure obligations.

Pursuant to the agreement, the Company extended its decision deadline and was required to make a production decision by September 1, 2009 and reach commercial production by September 1, 2010. The Company further amended this agreement such that the production decision deadline had been extended to September 1, 2010 with a payment of \$100,000 in 2009. Prior to September 1, 2010, the Company issued a production commitment notice to Thundermin, thereby exercising its option to acquire the Lac Pelletier Property. The Company is in discussions with Thundermin regarding the transfer of full title and ownership of the Lac Pelletier Property to the Company. Thundermin has advised that they are not prepared to accept the production commitment notice from the Company as valid under the option agreement. The Company has been advised that Thundermin intends to initiate arbitration pursuant to the Option Agreement in the absence of a resolution to this matter.

During 2009, the Company entered into a property acquisition agreement to acquire a 100% interest in four mining claims located near Lac Pelletier, subject to a 2% NSR. The Company has the option to purchase, at any time, 50% of the NSR for US\$1,000,000.

In the fourth quarter of 2010, the Company wrote down the value of the Lac Pelletier property by an amount of \$12,824,723 to reflect an impairment in value as a result of a revised cash flow estimate.

VMS Properties, Québec

The Company holds a 100% interest in the VMS properties, subject to Teck Cominco Ltd. (formerly Aur Resources Ltd.) retaining between a 2% and a 2.5% NSR on the properties depending on pre-existing underlying royalties. Certain claims forming part of this property are subject to NSR royalties of 1% to 2.5%, net profits royalties of 5% or net proceeds of production royalties of 10% or 25 cents charge per ton milled. Certain of the properties were held under previously existing joint venture agreements. The other party to these agreements has opted to no longer fund the properties.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

Snow Lake, Manitoba

Through the acquisition of Garson (Note 3), the Company acquired a 100% interest in the New Britannia Gold Mine ("NBM") in Snow Lake, Manitoba. The Company has since renamed the mine "Snow Lake Mine". A total of \$5,767,000 in financial assurances is posted with both the Government of Manitoba and Kinross Gold Corporation ("Kinross") (the former owners of the New Britannia Mine) refundable upon commercial production of the mine. The letter of credit with the Manitoba government is financial assurance that the site will ultimately be closed according to the terms of the existing and approved closure plan. Once closure is complete, all or a portion of the letter of credit will be refunded to the Company. Should a National Instrument 43-101 compliant resource of 3 million ounces be proven, Kinross retains a back-in right for a 60% interest for consideration of the equivalent of three-times the exploration costs incurred to that date.

NSR royalties totaling 2.88% on various portions of the Snow Lake Property are held by third parties.

Herblet Lake, Manitoba

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

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

The exercise of the option is subject to an NSR of 3% payable from the date of commencement of commercial production. Upon exercise of the option, the Company will be required to make advanced royalty payments of \$50,000 annually up to \$250,000 to be credited against future NSR payments. The Company has the right to purchase up to 50% of the NSR for a total of \$1,500,000, with each 0.5% of the 3% NSR requiring a \$500,000 payment.

7. CAPITAL LEASE OBLIGATIONS

During the year ended December 31, 2010, the Company entered into capital leasing arrangements for mobile equipment for terms of 24 months at interest rates of between 8.9% and 32.8%. Existing leases for mobile equipment and buildings are at interest rates of 7.75% and 7.95%

As at December 31, 2010, the future minimum lease payments under the capital lease arrangements were:

<u>Capital lease obligations</u>	
December 2011	146,414
December 2012	<u>52,638</u>
	199,052
Less: Amounts representing interest	<u>(11,340)</u>
	187,712
Less: Current portion	<u>(137,045)</u>
Long-term portion	<u>50,667</u>

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

8. LONG-TERM DEBT

In July 2006, the Company purchased a building, being the Val-d'Or office, from Aur Resources Ltd. (now Teck Cominco Ltd.). The Company made a payment of \$100,000 towards the purchase price, with the balance payable in 45 monthly instalments of \$10,000 and recorded as a non-interest bearing long-term debt, discounted at a rate of 6.28%. Accretion expense related to this loan for the year ended December 31, 2010 totalled \$4,444 (2009 - \$13,333). This loan was paid down in full as at December 31, 2010.

The Company had entered into a financing contract to purchase mobile equipment at an interest rate of 7.75% repayable over four years. The balance of \$51,333 is payable in 2011.

9. CONVERTIBLE DEBENTURE

a) During 2006, the Company completed a private placement debenture financing with Industrial Alliance Securities Inc. ("Industrial Alliance") raising \$4,210,000 in gross proceeds. Pursuant to the terms of the private placement, the Company issued units comprised of \$1,000 principal convertible debentures (the "Debentures") maturing April 28, 2010 and 150 common share purchase warrants (the "Warrants"). The \$1,000 face value Debentures were unsecured and subordinated obligations of the Company, had a coupon rate of 6.0% and were convertible at the option of the holder, any time after 12 months from the date of closing, into common shares of the Company at an exercise price of \$0.75 for the second year, \$0.825 for the third year and \$0.9075 for the fourth year (the "Conversion Prices"). Interest on the loan was payable in cash or in common shares of the Company at the option of the Company based on a price equal to 90% of the average closing price of the common shares of the Company on the TSX Exchange for a period of 20 consecutive trading days ending 5 days before the payment date. The Warrants expired unexercised.

On April 28, 2010, the Company entered into agreements with the current holders of the expiring \$4,210,000 convertible debentures to roll over the existing 6% convertible debentures into units comprised of \$1,000 principal amount 10% convertible unsecured subordinated debentures due April 28, 2014. Interest will be payable in equal semi-annual instalments on April 30 and October 30 at 10% per annum commencing October 30, 2010. At the option of the Company, interest shall be payable in cash or in shares. If payment is in shares, it will be based on a price equal to 90% of the average closing price of the common shares of the Company on the Toronto Stock Exchange for a period of 20 consecutive trading days ending five trading days before payment date. Each debenture is convertible at the option of the holder into common shares of the Company at any time after the issue date at the conversion price of \$0.40 per share. Except in the event of a change of control, the debentures are not redeemable prior to April 28, 2012. On or after April 28, 2012 and up to and including April 28, 2014, the debentures may be redeemed by the Company at the option of the Company at par plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' notice prior to the date fixed for redemption provided that the average closing price of the Company's common shares during the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. A charge of \$94,000 was incurred in relation to the roll-over agreements.

The Debentures are classified as a liability, with the exception of the portion relating to the conversion features, resulting in the carrying value of the Debentures being less than its face value. The discount is being accreted over the term of the Debentures, utilizing the effective interest rate method at a 15% discount rate. For the year ended December 31, 2010, accretion of the discount totalled \$570,059 (2009 - \$576,948).

Financing charges associated with the Debentures were prorated between the debt and equity components of the Debentures. Those allocated to the debt portion of the Debentures were deferred and are being accreted over the term of the Debentures. For the year ended December 31, 2010, \$39,380 (2009 - \$83,101) in deferred financing charges were accreted to operations.

During the second quarter of 2010, the Company issued 397,099 common shares of the Company in lieu of the 6% cash interest payment due to the debenture holders on April 28, 2010. The shares were valued at a weighted average price of \$0.3137 per share for a total amount of \$124,570. During the fourth quarter of 2010, 1,003,447 common shares were issued, valued at a weighted average price of \$0.2138 per share, in lieu of the 10% cash interest payment due to the debenture holders on October 30, 2010. The total value of these shares was \$214,537. In 2009, the Company issued a total of 607,912 shares in lieu of cash interest payments on these debentures for a total value of \$252,600.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

9. CONVERTIBLE DEBENTURE (continued)

b) As a result of the acquisition of Garson, the Company is carrying a convertible debenture with a face value of \$2,150,000. This debenture has a coupon rate of 10%, and interest is compounded monthly and paid quarterly in cash. The debenture matured on July 28, 2010. On July 15, 2010, the Company entered into an agreement to extend the term of this debenture to July 31, 2012. The debenture is convertible into common shares of the Company at a price of \$0.40 per share at the option of the holder. There were 4,000,000 Garson warrants issued to the debenture holder at the time of the original agreement, which were converted to warrants of the Company at a ratio of 0.29 on April 29, 2010. These were cancelled during the third quarter of 2010 and 4,000,000 warrants were re-issued at an exercise price of \$0.50 with an expiry date of July 15, 2012. The Company paid an arrangement fee of \$53,750 to extend the term of the debenture.

The debenture has been re-valued as a result of the extension. It has been classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value being less than its face value. The discount is being accreted over the remaining term of the debenture. For the year ended December 31, 2010, accretion expense related to this debenture totalled \$126,042.

10. ASSET RETIREMENT OBLIGATIONS

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

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

	2010	2009
Balance, beginning of year	\$ 3,667,865	\$ 541,000
Liabilities incurred	-	376,000
Change in estimates	259,000	(102,000)
Liabilities acquired through acquisition of subsidiary (Note 3)	(482,865)	2,828,865
Accretion expense	115,000	24,000
Balance, end of year	\$ 3,559,000	\$ 3,667,865

The Company has estimated its total asset retirement obligations to be \$3,559,000 at December 31, 2010 based on a total future liability of approximately \$7,500,000 and a credit adjusted risk-free rate ranging between 13% and 15.45%. Reclamation is expected to occur between five to eight years. As a result of reduced reserves and a shorter mine life at its Lac Herbin property, the Company revised the asset retirement obligation estimate as at December 31, 2010.

Through Garson, the Company has term deposits amounting to \$5,767,000 restricted for the reclamation of the Snow Lake property. The Company has placed funds on deposit as collateral for letters of credit issued to the vendor of the NBM, Kinross, as well as to the Government of Manitoba, for Garson's share of assumed reclamation and operating obligations. The Company pays an annual fee of 1% of the face value of the letter. Funds on deposit are invested in short term GICs earning interest at HSBC floating rates of interest. The GICs can be redeemed prior to maturity without penalty.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

Common Shares issued	Number of Shares	Stated Value
Balance, December 31, 2008	128,084,827	\$ 63,134,869
Private placement (iv)	39,106,000	20,000,000
Warrant valuation (iv)	-	(752,600)
Exercise of stock options	325,000	140,250
Stock option exercise - valuation reallocation		96,675
Shares issued for acquisition of subsidiary (Note 3)	45,612,929	18,920,025
Shares issued to settle liabilities in acquisition of subsidiary	1,231,947	563,000
Shares issued for payment of interest (Note 9(a))	607,912	252,600
Cost of issue	-	(2,473,136)
Tax effect of cost of issue (iii)	-	681,000
Flow-through share tax effect	-	(1,505,000)
Balance, December 31, 2009	214,968,615	\$ 99,057,683
Public offering (i)	95,833,333	14,375,000
Private placement (ii)	50,774,998	12,186,000
Warrant and broker warrant valuation (i)	-	(1,650,059)
Exercise of broker warrants	2,000,000	300,000
Broker warrant exercise -- valuation reallocation	-	127,600
Shares issued for acquisition of subsidiary (Note 3)	6,550,200	2,274,544
Shares issued to settle liabilities (i)	19,027,619	2,854,143
Value of warrants attached to shares issued to settle liabilities (i)	-	(266,902)
Shares issued for payment of interest (Note 9(a))	1,400,546	339,107
Cost of issue	-	(2,463,592)
Tax effect of cost of issue	-	672,660
Flow-through share tax effect (iii)	-	(4,245,000)
Adjustment	(23)	-
Balance, December 31, 2010	390,555,288	\$ 123,561,184

(i) In September 2010, the Company closed a public offering of 95,833,333 units of the Company raising a gross amount of \$14,375,000. Each unit, priced at \$0.15 per unit, was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of \$0.40 expiring on September 2, 2013. If at any time commencing on the 20th trading day after the closing date of the offering the weighted average trading price of the common shares of the Company listed on the Toronto Stock Exchange ("TSX") is or exceeds \$0.55 for a period of 20 consecutive trading days, the Company may accelerate the expiry of the warrants by giving prior notice to the holders of the warrants within 10 business days immediately following such 20 day trading period. In such an event, the warrants, if unexercised, will expire on the 30th calendar day following the date on which such notice will be deemed to have been received by such holders of warrants. The notice will be deemed to be received five days following the date such notice was sent. As well, 19,027,619 units under the same terms were issued to settle liabilities totalling \$2,854,143. The fair value of the warrants, an amount of \$1,611,161, was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield: 0%; expected volatility: 70.99%; risk-free interest rate: 1.55%; and expected life: approximately 3 years.

The underwriters received a commission of 7% of the total proceeds, as well as 4,791,666 broker warrants which are exercisable into one common share at a price of \$0.15 and expire September 2, 2012. The fair value of the broker warrants, an amount of \$305,800, was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield: 0%; expected volatility: 77.52%; risk-free interest rate: 1.55%; and expected life: approximately 2 years. Additional issue costs included legal fees and other disbursements.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

11. SHARE CAPITAL (continued)

(ii) In December 2010, the Company closed a private placement financing through the issuance of 50,774,998 flow-through common shares at a price of \$0.24 per flow-through common share for gross proceeds of \$12,186,000. The underwriters received a commission of 7% of the total proceeds. Total issue costs related to this financing was \$984,711.

(iii) In February 2010, the Company renounced \$14,172,000 of Canadian exploration expenditures related to proceeds from flow through shares with an effective date of December 31, 2009. As a result, an amount of \$4,245,000 was debited to common stock, increasing the future income tax liability by this amount. In February 2009, the Company renounced \$5,000,000 of Canadian exploration expenditures related to proceeds from flow through shares with an effective date of December 31, 2008. As a result, an amount of \$1,505,000 was debited to common stock, increasing the future income tax liability by this amount.

(iv) In July 2009, the Company closed a brokered private placement financing raising gross proceeds of \$10,000,000 through the issuance of 11,656,000 units of the Company at a price of \$0.50 per unit and 7,450,000 flow-through common shares of the Company at a price of \$0.56 per share. Each unit is comprised of one common share of the Company plus one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.70 expiring on July 9, 2011. The underwriters were paid a cash commission of 6% in relation to this financing. As well, 699,360 broker units and 447,000 broker warrants were issued. Each broker unit is exercisable into one common share of the Company and one-half of one common share purchase warrant for an exercise price of \$0.50 until July 9, 2011. Then, each whole warrant will be exercisable into one common share of the Company at an exercise price of \$0.70 until July 9, 2011. Each broker warrant is exercisable into one common share at an exercise price of \$0.56 until July 9, 2011.

The fair value of the warrants, an amount of \$752,600, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 79%, risk-free interest rate of 1.2% and an expected life of 2 years. The values of the broker units and broker warrants were estimated at \$150,400 and \$57,700 respectively, using the Black-Scholes option pricing model under the same assumptions.

In December 2009, the Company closed a brokered private placement financing raising gross proceeds of \$10,000,000 through the issuance of 20,000,000 flow-through common shares of the Company at a price of \$0.50 per share. The underwriters were paid a cash commission of 7% and were issued 1,000,000 broker warrants in relation to this financing. Each broker warrant is exercisable into one common share of the Company at an exercise price of \$0.50 until June 23, 2011. The fair value of the broker warrants, an amount of \$135,000, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 78%, risk-free interest rate of 1.37% and an expected life of 18 months.

12. WARRANTS

Summary of warrant activity:

	2010		2009	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year	16,931,503	\$ 0.82	21,457,143	\$ 1.20
Granted	66,222,143	0.39	7,974,360	0.65
Granted on acquisition of subsidiary	11,990,037	0.41	-	-
Exercised	(2,000,000)	0.15	-	-
Expired	(10,872,033)	0.89	(12,500,000)	1.35
Balance, end of year	82,271,650	\$ 0.42	16,931,503	\$ 0.82

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

12. WARRANTS (continued)

Summary of warrants outstanding as at December 31, 2010:

	Number of warrants	Exercise price	Grant date fair value of warrants	Date of expiry
	2,650,915	\$0.345	81,383	March 4, 2011
	637,420	\$0.345	19,888	March 20, 2011
	1,000,000	\$0.500	135,000	June 23, 2011
	553,842	\$0.414	17,335	June 26, 2011
*	699,360	\$0.500	150,400	July 9, 2011
	447,000	\$0.560	57,700	July 9, 2011
	5,828,000	\$0.700	752,600	July 9, 2011
**	295,220	\$0.345	38,792	September 10, 2011
***	398,750	\$0.414	29,428	September 10, 2011
	5,539,000	\$0.414	225,991	September 10, 2011
	4,000,000	\$0.500	107,200	July 15, 2012
	2,791,666	\$0.150	178,200	September 2, 2012
	57,430,477	\$0.400	1,611,161	September 2, 2013
	82,271,650		\$ 3,405,078	

The Company granted 11,990,037 warrants to the former warrant holders of Garson replacing those Garson warrants they held. The estimated fair value of these warrants was \$423,051 (see Note 3). The fair value was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions, quoted at their weighted averages: expected dividend yield: 0%; expected volatility: 49.99%; risk-free interest rate: 1.08%; and expected life: approximately 2 to 18 months.

* The Company granted 699,360 broker units to the agents involved in the Company's private placement in July 2009. These broker units are exercisable into one common share of the Company, plus one-half of one common share purchase warrant, each whole warrant exercisable into one common share of the Company at a price of \$0.70 until July 9, 2011.

** On September 10, 2010, the exercise price of these warrants increased from \$0.207 to \$0.345.

*** On September 10, 2010, the exercise price of these warrants increased from \$0.276 to \$0.414.

13. STOCK-BASED COMPENSATION

The shareholders of the Company approved the Company's existing stock option plan, "the Plan", to be administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed 5 years. The options currently granted under the plan vest immediately pending any regulatory hold period. The plan provides that, it is solely within the discretion of the board to determine who should receive stock options and in what amounts. In no case (calculated at the time of grant) shall the plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

13. STOCK-BASED COMPENSATION (continued)

Summary of stock option activity

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	13,938,000	\$ 0.59	10,186,500	\$ 0.65
Granted	717,500	0.28	5,395,000	0.43
Granted on acquisition of subsidiary	1,930,130	0.79	-	-
Exercised	-	-	(325,000)	0.43
Expired	(1,645,000)	0.76	(1,287,500)	0.50
Forfeited	-	-	(31,000)	0.57
Balance, end of year	14,940,630	\$ 0.58	13,938,000	\$ 0.59

As at December 31, 2010, the following stock options were outstanding:

DATE OF EXPIRY	NO. OF OPTIONS OUTSTANDING	NO. OF OPTIONS EXERCISABLE	EXERCISE PRICE	GRANT DATE FAIR VALUE OF OPTIONS GRANTED (\$)
1-Feb-11	480,000	480,000	\$0.42	151,680
1-Nov-11	100,000	100,000	\$0.52	33,900
8-Dec-11	115,000	115,000	\$0.50	37,490
4-Jan-12	415,243	415,243	\$0.97	12,600
4-Jan-12	522,000	522,000	\$1.03	14,300
5-Mar-12	25,000	25,000	\$0.91	15,075
9-Apr-12	100,000	100,000	\$1.14	75,800
24-Aug-12	186,687	186,687	\$1.03	6,800
27-Aug-12	3,125,000	3,125,000	\$0.79	1,753,125
17-Sep-12	400,000	400,000	\$0.84	238,400
11-Oct-12	10,000	10,000	\$0.94	6,990
19-Oct-12	155,000	155,000	\$0.91	104,780
1-Nov-12	2,500	2,500	\$0.89	1,650
24-Jan-13	131,950	131,950	\$1.21	5,000
30-Jan-13	100,000	100,000	\$0.88	61,100
5-Aug-13	2,285,500	2,285,500	\$0.49	735,931
9-Jan-14	500,000	500,000	\$0.45	144,255
4-Feb-14	543,750	543,750	\$0.35	82,700
4-May-14	130,500	130,500	\$0.35	20,500
14-Jul-14	447,500	447,500	\$0.41	116,350
21-Dec-14	4,447,500	4,166,250	\$0.43	1,145,990
23-Feb-15	200,000	100,000	\$0.40	39,758
9-Jun-15	467,500	358,125	\$0.23	65,428
4-Nov-15	50,000	50,000	\$0.22	7,365
	14,940,630	14,450,005		

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

13. STOCK-BASED COMPENSATION (continued)

During the year ended December 31, 2010, 717,500 stock options (2009: 5,395,000) were granted to directors, officers, employees and consultants of the Company with a weighted-average grant date fair value of \$0.18 per option (2009: \$0.26). Of these options, 375,000 vest 1/8th every quarter from the date of grant (2009: 1,250,000), while the remainder vested immediately. Stock-based compensation expense of \$207,243 (2009: \$1,286,690) relating to these options and others that vested during the year was recorded in professional, consulting and management fees, while \$35,590 (2009: \$nil) was charged to exploration properties. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions, quoted at their weighted averages:

	<u>2010</u>	<u>2009</u>
Expected dividend yield	0%	0%
Expected volatility	75.60%	76.15%
Risk-free interest rate	1.92%	1.49%
Expected life	5 years	5 years

The Company granted 1,930,130 stock options to former option holders of Garson replacing those Garson options they held. The estimated fair value of these options was \$141,900 (see Note 3). The fair value was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions, quoted at their weighted averages: expected dividend yield: 0%; expected volatility: 76.83%; risk-free interest rate: 2.14%; and expected life: approximately 1.5 to 4 years.

The weighted average exercise price of stock options exercisable as at December 31, 2010 is \$0.58 (2009: \$0.60) and the weighted average remaining contractual life is 2.7 years (2009: 3.22 years).

14. CONTRIBUTED SURPLUS

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 14,064,892	\$ 7,962,377
Stock options granted and/or vested during the period		
Directors, officers and employees	171,228	1,051,638
Consultants	71,605	235,052
Options granted on acquisition of subsidiary	141,900	
Exercise of stock options, reallocation of valuation	-	(96,675)
Expiry of warrants and broker warrants, reallocation of valuation	1,777,577	4,912,500
Balance, end of year	\$ 16,227,202	\$ 14,064,892

15. RELATED PARTY TRANSACTIONS

The Company was charged \$60,000 for administration services during the year ended December 31, 2010 (2009: \$60,000) by a company for which Mr. Stan Bharti, a director of the Company, is an officer and director. This amount is included in Professional, consulting and management fees on the statement of operations.

An amount of \$160,000 is payable to directors of the Company as at December 31, 2010 (2009: \$80,000) and is included in accounts payable and accrued liabilities.

NSR royalties of US\$238,152 (\$253,325) were paid during the year ended December 31, 2010 to a company for which Mr. Stan Bharti, a director of the Company, is an officer and director, all of which was accrued at December 31, 2009. An additional US\$528,693 (\$548,315) has been accrued at December 31, 2010 in accounts payable and accrued liabilities for royalties on gold sales. (See Note 6.)

The Company shares its premises with other corporations that have common directors and officers, and the Company reimburses the related corporations for their proportional share of the expenses. As at December 31, 2010, the Company has advanced \$76,291 to such corporations to cover shared expenses and has included these amounts in prepaid expenses (2009: \$87,978). The Company owes \$26,604 included in accounts payable and accrued liabilities as at December 31, 2010 (2009: \$nil) related to these expenditures. As well, as at December 31, 2010, the Company is owed \$nil from such corporations for shared expenses (2009: \$3,466). This amount is included in amounts receivable.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

15. RELATED PARTY TRANSACTIONS (continued)

All of the above transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts owing to and from the related parties are unsecured, non-interest bearing with no fixed terms of repayment.

16. FUTURE INCOME TAX LIABILITIES

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 30% (December 31, 2009 - 32%) were:

	2010 \$	2009 \$
Loss before income taxes	(55,066,035)	(3,468,686)
Expected income tax recovery at statutory rates	(16,501,000)	(1,108,000)
Adjustments resulting from:		
Change in tax rates	14,000	83,000
Stock-based compensation	58,000	411,000
Share-issuance costs	(716,000)	-
Difference in tax rates	1,118,000	-
Non-deductible amounts for tax purposes		142,000
Other	(2,274,422)	1,377,000
Valuation allowance	11,684,000	-
Future income tax expense/(recovery)	(6,617,422)	905,000

b) Future income tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2010 and December 31, 2009 are as follows:

	2010 \$	2009 \$
Future income tax assets (liabilities)		
Non-capital losses	6,597,000	3,531,000
Resource properties	2,476,000	(4,425,141)
Property, plant and equipment	918,000	(3,675,000)
Share issue costs	1,693,000	1,311,000
Valuation allowance	(11,684,000)	-
	-	(3,258,141)

c) The Company has approximately \$70,000,000 of Canadian development and exploration expenditures as at December 31, 2010 which under certain circumstances can be used to reduce the taxable income of future years.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

16. FUTURE INCOME TAX LIABILITIES (continued)

d) The Company has approximately \$24,000,000 of non-capital losses in Canada as at December 31, 2010 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows:

<u>Expiry Date</u>	<u>Amount (\$)</u>
2011	259,000
2013	222,000
2014	529,000
2015	1,068,000
2016	140,000
2025	980,000
2026	1,650,000
2027	200,000
2028	9,888,000
2029	4,153,000
2030	5,837,000
	<hr/>
	24,926,000

17. CAPITAL MANAGEMENT

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

The Company is in production and has been generating cash flows to support the ongoing and longer term strategy focused on regional exploration. However, the Company may continue to rely on capital markets to support continued growth. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the years ended December 31, 2010 and 2009. The Company and its subsidiary are not subject to externally imposed capital requirements.

18. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's consolidated financial instruments are summarized below. There have been no changes to the risks, objectives, policies and procedures from the previous period.

Credit risk

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a cash and cash equivalents balance of \$9,410,889 (2009 - \$6,106,007) to settle current liabilities of \$9,536,580 (2009 - \$20,341,302). Approximately \$6,800,000 of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

18. FINANCIAL RISK FACTORS (continued)

Market risk

(a) Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company carries convertible debentures on which interest is payable quarterly or semi-annually at fixed rates of 10% per annum. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. All gold sales revenues are denominated in US dollars. The Company is exposed to currency risk with fluctuations in the Canadian dollar relative to the US dollar. The Company currently does not use derivatives to mitigate its foreign currency risk.

(c) Price risk

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

(d) Securities price risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these investments as held-for-trading where price volatility is reflected in earnings.

Financial instruments

The Company has designated its cash equivalents, restricted cash and investments as held-for-trading, measured at fair value. Cash, amounts receivable and tax credits receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, the liability component of convertible debentures, capital lease obligations and long-term debt are classified as other financial liabilities and measured at amortized cost.

The carrying value of cash equivalents, restricted cash equivalents, amounts receivable, tax credits receivable and accounts payable and accrued liabilities reflected in the consolidated balance sheet approximate fair value because of the limited term of these instruments. The carrying values of the liability component of convertible debentures, capital lease obligation and long-term debt approximate their fair values as current interest rates have not changed significantly.

Section 3862 "Financial Instruments – Disclosures" establishes a fair value hierarchy that prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the balance sheet. These have been prioritized into three levels.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

18. FINANCIAL RISK FACTORS (continued)

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at December 31, 2010.

	Level 1	Level 2	Level 3
Cash equivalents	\$ -	\$ 8,019,438	\$ -
Restricted cash equivalents	\$ -	\$ 5,767,000	\$ -
Investments	\$ 641,116	\$ -	\$ -

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year:

- The Company does not hold interest bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- Based on the gold brick and doré inventory held by the Company as at December 31, 2010, 10% fluctuations in the exchange rate from US\$ to CDN\$ will generate increases or decreases in value of approximately \$93,000.
- Based on the gold brick and doré inventory held by the Company at December 31, 2010, an increase or decrease in the market price of gold of US\$100 per ounce would generate a respective increase or decrease in value of approximately \$66,000.
- The Company has not currently hedged its future gold sales.
- The Company does not hold significant cash balances in foreign currencies to give rise to foreign exchange risk.

19. COMMITMENTS AND CONTINGENCIES

(a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$3,300,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately \$800,000, all due within one year.

(b) The Company is committed to minimum amounts under long-term capital lease agreements for equipment, which expire in October 2012. Minimum commitments remaining under these leases were approximately \$199,000, including imputed interest of approximately \$11,000, over the following years:

December 2011	\$ 146,000
December 2012	53,000
	<u>\$ 199,000</u>

(c) Pursuant to the issuance of 50,774,998 flow-through shares in December 2010, the Company has renounced \$12,186,000 of qualified exploration expenditures in February 2011. As at December 31, 2010, the Company has spent approximately \$333,000 and is required to spend an additional \$11,853,000 by December 31, 2011.

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

(d) The Company had been charged approximately \$300,000 in professional fees related to proposed financing ventures. These amounts were in dispute. During the year ended December 31, 2010, the Company settled this dispute with a payment of approximately \$162,000.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

19. COMMITMENTS AND CONTINGENCIES (continued)

(e) The Company had an amount payable with a contractor in the amount of approximately \$6.3 million. The contractor has placed a lien on the Company's Pelletier property pending resolution of the amount payable. The amount, as well as interest, has been paid down according to an agreed upon payment schedule and as at December 31, 2010, the balance payable is approximately \$794,000.

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

20. INTEREST IN JOINT VENTURE

The Company is party to a 50% joint venture interest in the Rouyn Properties. Xstrata is the operator of this joint venture. The Company's proportionate share of the assets, liabilities and cash flows of this joint venture included in these consolidated financial statements are as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Current assets	-	-
Mineral properties and deferred exploration expenditures	994,497	882,100
Current liabilities	(12,041)	(75,297)
Revenues	-	-
Expenses	-	-
Cash flows from operating activities	-	-
Cash flows from investing activities	(982,456)	(806,803)

21. SUBSEQUENT EVENTS

Subsequent to the end of the year, the Company granted 3,115,000 stock options to employees of the Company at an exercise price of \$0.18 expiring five years from the date of expiry. As well, approximately 62,500 options were forfeited and 4,351,618 options expired unexercised subsequent to the end of the year.

Also, 3,288,335 warrants with an exercise price of \$0.345 expired unexercised subsequent to December 31, 2010.