

# **SIRIOS RESOURCES INC.**

(an exploration company)

## **Consolidated Interim Financial Statement**

**DECEMBER 31, 2011**

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The attached consolidated interim financial statements have been prepared by Sirius Resources Inc. and its external auditors have not reviewed these unaudited financial statements.

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**SIRIOS RESOURCES INC.** (an exploration company)  
**Consolidated Interim Statement of Financial Position (unaudited)**

(in Canadian dollars)

	Notes	December 31 2011	June 30 2011
<b>ASSETS</b>			
Current			
Cash		-	576,509
Cash held for exploration expenses	7	1,952,713	1,512,000
Other receivables	8	71,660	108,024
Other short-term financial assets	9	265,208	371,289
Tax credits and credit on duties receivable		201,291	201,291
Prepaid expenses and deposits		111,315	23,437
		<b>2,602,187</b>	<b>2,792,550</b>
Non-current			
Exploration and evaluation assets	10	7,728,649	7,248,446
Property and equipment	11	5,634	6,237
<b>Total assets</b>		<b>10,336,470</b>	<b>10,047,233</b>
<b>LIABILITIES</b>			
Current			
Bank overdraft	7	386,764	-
Trade accounts and other payables	13	16,125	634,508
Other liabilities		196,157	196,157
		<b>599,046</b>	<b>830,665</b>
Non-current			
Liability component of convertible debenture	14	-	143,302
<b>Total liabilities</b>		<b>599,046</b>	<b>973,967</b>
<b>EQUITY</b>			
Share capital	15.1	20,390,024	20,240,024
Equity component of convertible debenture		-	43,200
Contributed surplus		1,791,647	1,640,367
Deficit		(13,311,783)	(12,850,325)
<b>Total equity attributable to equity holders of the Company</b>		<b>8,869,888</b>	<b>9,073,266</b>
<b>Non-controlling interest</b>		<b>867,536</b>	
<b>Total equity</b>		<b>9,737,424</b>	
<b>Total liabilities and equity</b>		<b>10,336,470</b>	<b>10,047,233</b>

Going concern assumption (see Note 2)

The accompanying notes are an integral part of the consolidated interim financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 29, 2012.

*(signed) Dominique Doucet*  
 Dominique Doucet, President

*(signed) Frederic Sahyouni*  
 Frederic Sahyouni, Director

**SIRIOS RESOURCES INC.** (an exploration company)**Consolidated Statement of Comprehensive Income (unaudited)**

(in Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		December 31		December 31	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>EXPENSES</b>					
Professional fees		<b>33,869</b>	34,597	71,753	62,712
Salaries and employee benefits expense	16.1	<b>79,231</b>	39,939	148,846	83,256
Publicity, travel and promotion		<b>43,211</b>	14,871	51,729	27,900
Rent expenses		<b>6,984</b>	4,375	12,065	8,751
Insurance, Tax and permits		<b>1,978</b>	2,245	3,956	4,491
Office expenses		<b>1,755</b>	2,063	4,286	4,263
Trustees, registration fees and shareholders relations		<b>20,732</b>	9,900	31,689	12,510
Interest and bank charges		<b>6,395</b>	8,961	26,623	18,311
Income taxes of section XII.6		-	7,200	-	7,200
Property and equipment amortization		<b>269</b>	1,802	603	3,603
<b>OPERATING LOSS</b>		<b>194,424</b>	125,953	351,550	232,997
<b>OTHER REVENUES AND EXPENSES</b>					
Interest income	18	<b>4,914</b>	434	5,869	1,564
Unrealized gain (loss) on listed shares		<b>(92,822)</b>	87,737	(106,082)	71,606
Gain on disposal of exploration and evaluation assets		-	17,932	-	17,932
Disposal of exploration and evaluation assets		-	(153,192)	-	(153,192)
		<b>(87,908)</b>	(47,089)	(100,213)	(62,090)
<b>LOSS BEFORE INCOME TAXES</b>		<b>(282,332)</b>	(173,042)	(451,763)	(295,087)
Deferred Income Taxes		-	15,218	-	16,981
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(282,332)</b>	(157,824)	(451,763)	(278,106)
<b>NET GAIN (LOSS) PER SHARE - basic and diluted</b>	19	<b>(0.002)</b>	(0.002)	(0.004)	(0.003)

The accompanying notes are an integral part of the consolidated interim financial statements.

**SIRIOS RESOURCES INC.** (an exploration company)

**Consolidated Statement of Changes in Equity (unaudited)**

(in Canadian dollars)

	Share Capital	Equity component of convertible debenture	Non-controlling interest	Contributed Surplus	Deficit	Total Equity
Notes		\$		\$	\$	\$
Balance at July 1st, 2010	18,140,832	43,200	-	1,197,801	(11,826,443)	7,555,390
Net loss and comprehensive loss for the period			-		(278,106)	(278,106)
Share-based payments			-	32,238		32,238
Balance at December 31, 2010	<u>18,140,832</u>	<u>43,200</u>	<u>-</u>	<u>1,230,039</u>	<u>(12,104,549)</u>	<u>7,309,522</u>
Balance at July 1st, 2011	20,240,024	43,200	-	1,640,367	(12,850,325)	9,073,266
Net loss and comprehensive loss for the period	-	-	-	-	(451,763)	(451,763)
Share-based payments	16.2	-	-	50,387	-	50,387
Non-controlling interest		-	867,536	57,693	(9,695)	915,534
Reimbursement of the convertible debenture	14	150,000	(43,200)	43,200	-	150,000
Balance at December 31, 2011	<u>20,390,024</u>	<u>-</u>	<u>867,536</u>	<u>1,791,647</u>	<u>(13,311,783)</u>	<u>9,737,424</u>

The accompanying notes are an integral part of the consolidated financial statements.

**SIRIOS RESOURCES INC.** (an exploration company)  
**Consolidated Statement of Cash Flows (unaudited)**

(in Canadian dollars)

		<b>Six-month period ended</b>	
		<b>December 31</b>	
	Notes	<b>2011</b>	2010
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		<b>(451,763)</b>	(278,106)
Adjustments			
Share-based payments		<b>50,387</b>	32,238
Interest on convertible debenture		<b>6,698</b>	8,270
Unrealized (gain) loss in listed shares		<b>106,082</b>	(71,606)
Disposal of exploration and evaluation assets		-	153,193
Amortization of non-financial assets		<b>603</b>	3,603
Deferred income taxes		-	(16,981)
Changes in working capital items	20	<b>(669,897)</b>	24,008
Cash flows from operating activities		<b>(957,890)</b>	(145,381)
<b>INVESTING ACTIVITIES</b>			
Acquisition of shares of the subsidiary		<b>(250,000)</b>	-
Cash held for exploration expenses		<b>(440,713)</b>	777,620
Addition to exploration and evaluation assets		<b>(480,204)</b>	(869,733)
Disposal of other short-term financial assets		-	100,251
Cash flows from investing activities		<b>(1,170,917)</b>	8,138
<b>FINANCING ACTIVITIES</b>			
Issuance of units through subsidiary's IPO		<b>1,547,502</b>	-
Share issue expenses		<b>(381,967)</b>	-
Cash flows from financing activities		<b>1,165,535</b>	-
<b>NET CHANGE IN CASH</b>		<b>(963,272)</b>	(137,243)
<b>CASH, BEGINNING OF THE PERIOD</b>		<b>576,509</b>	4,513
<b>BANK OVERDRAFT, END OF THE PERIOD</b>		<b>(386,763)</b>	(132,730)
<b>Cash transactions:</b>			
Interest received		5,869	1,564
Interest paid		10,974	283

The accompanying notes are an integral part of the consolidated statements.

**SIRIOS RESOURCES INC.** (an exploration company)  
**Notes to Consolidated Interim Financial Statement**  
**For the six-month period ended December 31, 2011 (unaudited)**

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(in Canadian dollars)

**1. NATURE OF OPERATIONS**

Sirios Resources Inc. and its subsidiary, Khalkos Exploration Inc. (the "Company") are an exploration company and its activities are located in Canada. As at December 31, 2011, the Company owned about 70% of the shares of Khalkos Exploraton Inc. A non-controlling interest of \$867,536 was included in equity.

**2. GOING CONCERN ASSUMPTION**

The consolidated interim financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable the Company has not yet generated income nor cash flows from its operations. As at December 31, 2011, the Company has a negative cumulated retained deficit of \$13,311,783 (\$12,850,325 as at June 30, 2011). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company' ability to continue as a going concern is dependant upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated interim financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

**3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS**

The consolidated interim financial statements of 2011-2012 were prepared in accordance with IFRS (CICA Handbook, Part I). As these consolidated interim financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, *Interim Financial Reporting*, and by IFRS 1, *First-time Adoption of IFRS*.

The Company is incorporated under the Canada Business Corporations Act. The address of the Company's registred office and its principal place of business is 1000, St-Antoine Street West, Suite 711, Montreal, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange.

**4. SUMMARY OF ACCOUNTING POLICIES**

**4.1 Overall considerations and first-time adoption of IFRS**

The consolidated interim financial statements have been prepared using accounting policies specified by those IFRS that are in effect at the end of the reporting period on June 30, 2012.

We can find the significant accounting policies used in preparing these consolidated interim financial statements from the consolidated interim financial statements dated September 30, 2011.

**SIRIOS RESOURCES INC.** (an exploration company)  
**Notes to Consolidated Interim Financial Statement**  
**For the six-month period ended December 31, 2011 (unaudited)**

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(in Canadian dollars)

**4.1 Overall considerations and first-time adoption of IFRS (cont'd)**

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.

**4.2 Basis of evaluation**

These consolidated interim financial statements on December 31, 2011 were prepared using the historical method, except for some financial instruments which are measured at fair value.

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

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

**IFRS 9, Financial Instruments:** The International Accounting Standards Board ("IASB") aims to replace IAS 39, *Financial Instruments: Recognition and Measurements* in its entirety. The replacement standard is being issued in phases. To date, the chapters dealing with recognition, classification, measurements and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1st, 2013. Further chapters dealing with impairment methodology and hedge account 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 to all changes.

**IFRS 12, Disclosure of Interests in Other Entities:** This new and comprehensive standard established disclosure requirements for all forms of interests in other entities. This includes subsidiaries, joint arrangements, associates and unconsolidated structured entities, which used to be previously in each individually applicable standard. Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Company.

**IFRS 13, Evaluation of fair value.** This amendment aims to clarify the definition of the fair value, to provide guidelines on the valuation of the fair value and to improve the requirements regarding information to be provided relating to the valuation of the fair value. Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Company.

**SIRIOS RESOURCES INC.** (an exploration company)  
**Notes to Consolidated Interim Financial Statement**  
**For the six-month period ended December 31, 2011 (unaudited)**

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(in Canadian dollars)

**5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

When preparing the consolidated interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurements of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurements of assets, liabilities, income and expenses are discussed below.

**Technical feasibility and commercial viability of the exploration and evaluation assets**

Decisions regarding the technical feasibility and commercial viability of the exploration and evaluation assets involves a number of assumptions, such as estimated reserves, resource price forecasts, expected production volumes and discount rates, which could all change

**Indications of impairment and of reversal of impairment loss and recoverable amount**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following : the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating unit for impairment and identifying a reversal of impairment losses, requires management to estimate the recoverable amount of the individual asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversal of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period. No impairment cost was accounted for during the reported periods.

**Deferred taxes**

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.



**SIRIOS RESOURCES INC.** (an exploration company)  
**Notes to Consolidated Interim Financial Statement**  
**For the six-month period ended December 31, 2011 (unaudited)**

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(in Canadian dollars)

**5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (cont'd)**

**Going concern**

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Further information regarding going concern is outlined in Note 2.

**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 share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation and binomial model.

**Provisions and contingent liabilities**

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated interim financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

**6. JOINTLY CONTROLLED ASSETS AND EXPLORATION ACTIVITIES**

**Jointly controlled assets**

The Company jointly controls five (5) of its exploration and evaluation assets:

- Aquilon: The Company controls 40% and Golden Tag Resources Ltd. 60%.
- Cheechoo & Sharks : The Company controls 40% and Golden Valley Mines Ltd. 60%.
- Murdoch : The subsidiary of the Company controls 50% and Freewest Resources inc. 50%.
- Pontax-Lithium : The subsidiary of the Company controls 50% and Dios Exploration inc. 50%.
- Upinor : The Company controls 50% and Dios Exploration inc. 50%.

**SIRIOS RESOURCES INC.** (an exploration company)  
**Notes to Consolidated Interim Financial Statement**  
**For the six-month period ended December 31, 2011 (unaudited)**

(in Canadian dollars)

**7. CASH AND CASH HELD FOR EXPLORATION EXPENSES**

	As at December 31 2011	As at December 31 2010
	<u>\$</u>	<u>\$</u>
Cash	1,565,950	(132,730)
Less: cash held for exploration expenses	<u>(1,952,713)</u>	<u>-</u>
Bank overdraft	<u>(386,763)</u>	<u>(132,730)</u>

Cash held for exploration expenses consists of the unspent product of the flow-through portion of financings. In accordance with the restrictions imposed by the financings, the Company must spend these funds for exploration of mining properties.

**8. OTHER RECEIVABLES**

	As at December 31 2011	As at June 30 2011
	<u>\$</u>	<u>\$</u>
Goods and services tax receivable	64,695	89,584
Other receivables	6,965	18,440
	<u>71,660</u>	<u>108,024</u>

**9. OTHER SHORT-TERM FINANCIAL ASSETS**

	As at December 31 2011	As at June 30 2011
	<u>\$</u>	<u>\$</u>
Listed shares held for trading (market value)	<u>265,208</u>	<u>371,289</u>

**SIRIOS RESOURCES INC.** (an exploration company)  
**Notes to Consolidated Interim Financial Statement**  
**For the six-month period ended December 31, 2011 (unaudited)**

(in Canadian dollars)

**10. EXPLORATION AND EVALUATION ASSETS**

**Properties of Sirios Resources inc.**

<i>Mining rights</i>	As at June 30 2011	Acquisition (Disposal)	Additions	As at December 31 2011
	\$	\$	\$	\$
(a) Aquilon	30,346	-	-	30,346
(b) Pontax	238,683	-	-	238,683
(c) Cheechoo & Sharks	37,146	-	(463)	36,683
(d) Kukames	155,077	-	-	155,077
(e) Upinor	62,731	-	6,765	69,496
(f) Baleine	16,290	-	-	16,290
(g) Koala	11,640	-	-	11,640
(j) Murdoch	120,144	(120,144)	-	-
(k) Pontax-Lithium	2,802	(2,802)	-	-
(l) Tilly	91,998	(91,998)	-	-
Other	-	-	7,749	7,749
	<u>766,857</u>	<u>(214,944)</u>	<u>14,051</u>	<u>565,964</u>

*Exploration and evaluation*

	As at June 30 2011	Acquisition (Disposal)	Additions	As at December 31 2011
	\$	\$	\$	\$
(a) Aquilon	1,184,581	-	27,188	1,211,769
(b) Pontax	2,753,621	-	31,957	2,785,578
(c) Cheechoo & Sharks	132,811	-	23,997	156,808
(d) Kukames	478,985	-	-	478,985
(e) Upinor	266,132	-	-	266,132
(f) Baleine	74,879	-	180,362	255,241
(g) Koala	5,054	-	41,612	46,666
(h) Nasa	57,635	-	38,096	95,731
(i) AAA	10,054	-	6,332	16,386
(j) Murdoch	249,680	(249,680)	-	-
(k) Pontax-Lithium	118,083	(118,083)	-	-
(l) Tilly	1,150,074	(1,150,074)	-	-
Other	-	-	57,186	57,186
	<u>6,481,589</u>	<u>(1,517,837)</u>	<u>406,729</u>	<u>5,370,481</u>

**SIRIOS RESOURCES INC.** (an exploration company)  
**Notes to Consolidated Interim Financial Statement**  
**For the six-month period ended December 31, 2011 (unaudited)**

(in Canadian dollars)

**10. EXPLORATION AND EVALUATION ASSETS (cont'd)**

**Properties of Khalkos Exploration inc. ("the subsidiary")**

<i>Mining right</i>	As at June 30 2011	Acquisition (Disposal)	Additions	As at December 31 2011
	\$	\$	\$	\$
(j) Murdoch	-	369,824	-	369,824
(k) Pontax-Lithium	-	120,885	530	121,415
(l) Tilly	-	1,242,072	-	1,242,072
	-	1,732,781	530	1,733,311
<i>Exploration and evaluation</i>				
	As at June 30 2011	As at June 30 2011	Additions	As at December 3 2011
	\$	\$	\$	\$
(j) Murdoch	-	-	4,208	4,208
(k) Pontax-Lithium	-	-	27,155	27,155
(l) Tilly	-	-	27,320	27,320
Other	-	-	(4,114)	(4,114)
	-	-	54,569	54,569
<b>TOTAL</b>	<b>7,248,446</b>	<b>-</b>	<b>475,879</b>	<b>7,724,325</b>

**(a) Aquilon**

This 104 claims gold property is located near the LA-1 hydro-electric complex in the James Bay area (Qc).

In 2004, the Company signed a formal agreement with Golden Tag Resources Ltd. ("Golden Tag") and Soquem Inc. ("Soquem") relating to this property. According to the agreement, Golden Tag completed, in May 2011, the acquisition of 60% stake in the property. The Company has now a 40% stake in the property and Soquem has a 1% NSR ("Net Smelter Return").

On October 22, 2010, the Company and Golden Tag signed an agreement in which Sirios is to pay \$15,000 to Golden Tag (completed) at the signing of the agreement as well as to incur over \$600,000 in expenditures on the property before June 15, 2012, in order to increase the ownership of the Company in the property from 40% to 50%. Golden Tag will remain operator of the future 50/50 joint venture and retain a casting vote in all management decisions.

**(b) Pontax**

In 2005, the Company acquired, in a partnership with Dios Exploration Inc. ("Dios"), the Pontax property which counts now 358 claims. This property covers close to 250 square km in the James Bay area (Qc), 250 km north of Matagami along the road going to Radisson.

Under the agreement with Dios, each company holds a 50% interest, and the acquisition and exploration expenses are to be equally shared according to the agreement between both companies.

**SIRIOS RESOURCES INC.** (an exploration company)  
**Notes to Consolidated Interim Financial Statement**  
**For the six-month period ended December 31, 2011 (unaudited)**

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(in Canadian dollars)

**10. EXPLORATION AND EVALUATION ASSETS (cont'd)**

Depending on the future results, if the project should focus specifically on diamonds exploration, Dios will then have the option to repurchase the Company's carrying interest, by reimbursing in cash or shares its acquisition and exploration costs and the Company will keep 1% gross overriding royalty that can be repurchased for \$1 million. However, if it turns out as a gold or base metals project, the Company will then have the option to repurchase Dios' carrying interest by reimbursing the acquisition and exploration costs and Dios will hold a 1% NSR that can be repurchased for \$1 million.

On April 3, 2006, the Company acquired from Dios additional mining claims that are subject to a 1% NSR repurchased for \$1 million.

**(c) Cheechoo & Sharks**

The Cheechoo project is comprised of the Cheechoo and Sharks gold properties and is own by the Company (40%) and Golden Valley Mines Ltd. (60%). The property consists of 242 claims covering 12,200 acres in three distincts blocks with two of them adjoining the Eleonore gold deposit owned by Goldcorp. It is located approximately 3 km east of the main Goldcorpo Eleonore property, approximately 13 km east of the discovery area which is itself located 320 km north of Matagami (Qc).

During December 2004, the Company signed agreements with Golden Valley Mines Ltd. granting this company the right to earn a 60% interest in the Cheechoo project by spending, over a four-year period, a total of \$2 millions in exploration expenses (\$1 million on each property) and other obligations. Golden Valley Mines Ltd. has prevailed of its right by respecting all conditions, in 2009. Following the exercise of its right, the property if held jointly by Sirios (40%) and Golden Valley Mines Ltd. (60%). Golden Valley Mines Ltd. can earn a further 20% interest, for a total of 80% interest in Cheechoo, by completing before March 31, 2012 a bankable feasibility study and by reimbursing Sirios the double of the exploration expenses spent between March 31, 2009 and the deliverv of the feasibility studv.

The Company must pay from hereon its 40 % share of exploration programs on the property, except if Golden Valley Mines Ltd. begins a feasibility study within the prescribed time. During the period, the Company informed Golden Valley Mines Ltd that it will keep its interest in only 121 claims.

**(d) Kukames**

This gold property, owned at 100 % by the Company, totals 142 claims covering approximately 70 square km. It is located approximately 25 km southeast of the Eleonore gold deposit owned by Goldcorp

**(e) Upinor**

The Upinor uranium property comprises 315 claims covering around 160 square km and is equally owned (50%) by the Company and Dios Exploration Inc. It is located at about 50 km south of the all-weather Trans-Taiga road, James Bay, Quebec.

In September 2009, the Company gave a notice to its partner Dios that it will not contribute for the renewal of certain claims of the property and that it wished to reserve the right to start or not a dilution process on some other central claims depending on its future participation in fieldworks campaigns.

**SIRIOS RESOURCES INC.** (an exploration company)  
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**10. EXPLORATION AND EVALUATION ASSETS (cont'd)**

**(f) Baleine**

Located near the Great Whale River, this property covers 152 claims.

**(g) Koala**

Located near the Robert Bourassa Reservoir, this property covers 97 claims.

**(h) and (i) Nasa and AAA**

The Nasa and AAA projects are conceptual projects in areas that have barely been explored, if not explored at all, in James Bay, Quebec. They are incubators for new future projects and will eventually be subject to claim acquisition by Sirios.

**(j) Murdoch**

The Murdoch copper-nickel property is located 150 km south of Kuujjuaq and 230 km north of Schefferville (Qc). The property consists of 169 claims covering approximately 80 square km. In September 2005, the Company entered into an agreement with Freewest Resources Canada Inc., whereby the Company was granted the right to earn a 50 % interest in this property by spending a total of \$400,000 in exploration expenses and by issuing a total of 300,000 common shares to Freewest Resources Canada Inc. by September 30, 2008.

On October 11, 2011, Khalkos issued shares to Sirios in exchange of 50% of the property. On January 23, 2012, when Khalkos became listed on the Stock Exchange, it acquired the other 50% of the property by issuing 500,000 common shares to Freewest Resources Canada Inc. and Cliff Chromite Ontario Inc. (see the details of the agreement included in the financial statements on September 30, 2011).

**(k) Pontax-Lithium**

In 2005, the Company acquired, in a partnership with Dios, the Pontax property. Following a lithium discovery, in 2009, the company formed a new property by subdivided around 89 claims specific to lithium, equally held with Dios, with Sirios as operator.

On October 11, 2011, Khalkos transferred shares to Sirios in exchange of 50% of the property. On January 23, 2012, when Khalkos became listed on the Stock Exchange, it acquired the other 50% of the property by issuing 1,000,000 common shares to Dios Exploration Inc. (see details of the agreement included in the financial statement on September 30, 2011).

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**10. EXPLORATION AND EVALUATION ASSETS (cont'd)**

**(l) Tilly**

Located 30 km west of the LG-4 complex located in the James Bay area (Qc), this property is held at 100 % by the subsidiary and covers 101 claims for 51 square km.

The property is host to a major polymetallic hydrothermal system Mo-Cu (Ag-Au-Bi) discovered by Sirios in 1997 into an Achean tonalitic complex.

On October 11, 2011, the subsidiary transferred shares to its parent company, Sirios, in exchange of this property. Khalkos owns 100% of the property.

**11. PROPERTY AND EQUIPMENT**

	Office furniture	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Balance at June 30, 2011	36,683	19,959	5,133	61,775
Additions	-	-	-	-
Balance at December 31, 2011	<u>36,683</u>	<u>19,959</u>	<u>5,133</u>	<u>61,775</u>
<b>Accumulated depreciation and impairment</b>				
Balance at June 30, 2011	31,455	18,951	5,133	55,539
Amortization	451	151	-	602
Balance at December 31, 2011	<u>31,906</u>	<u>19,102</u>	<u>5,133</u>	<u>56,141</u>
<b>Carrying amount at December 31, 2011</b>	<u><u>4,777</u></u>	<u><u>857</u></u>	<u><u>-</u></u>	<u><u>5,634</u></u>

All amortization expenses are presented in *Property and equipment amortization* of the statement of comprehensive loss.

**12. LEASES**

The Company's 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	39,121	55,765	-	94,886
June 30, 2011	39,121	74,982	-	114,103

The Company's leases its offices under a lease expiring on May 30, 2014.

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**12. LEASES (cont'd)**

Lease payments recognized as an expense during the reporting period amount to \$12,065 (\$8,751 on December 31, 2010). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. The Company's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing.

**13. TRADE ACCOUNTS AND OTHER PAYABLES**

	As at December 31 2011	As at June 30 2011
	\$	\$
Trade accounts	4,524	611,815
Credit cards	6,504	6,974
Accrued	5,097	15,719
	<u>16,125</u>	<u>634,508</u>

**14. LIABILITY COMPONENT OF CONVERTIBLE DEBENTURE**

The debenture with a nominal value of \$150,000, bearing annual interest of 12% (effective rate of 27%), payable each semester in cash or in common shares if half-yearly the share price, does not exceed \$0.18 for the first year and \$0.22 for the second and third years, maturing November 2011 and reimbursable in cash or common shares, at the Company's option.

On November 14 2011, the Company reimbursed the convertible debenture by issuing \$150,000 worth of shares. As specified in the original terms of the debenture, a total of 3,000,000 shares were issued at a price of \$0.05 each, in addition to a cash payment of \$9,074 for accrued interest.

**15. EQUITY**

**15.1 Share capital**

**Authorized**

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

Unlimited number of preferred shares, issuable in one or several series, composed of the number of shares, rights, liens, conditions and restrictions as determined before issuance by resolutions of directors of the Company, without par value.



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**15.1 Share capital (cont'd)**

	Number of shares		Year ended June 30 2011
	For the six-month period ended		
	December 31 2011	December 31 2010	
Shares issued and fully paid at beginning of the period	118,726,758	92,077,920	92,077,920
Private placements	-	-	7,753,332
Flow-through private placements	-	-	18,895,506
Reimbursement of the convertible debenture (a)	3,000,000	-	-
Total shares issued and fully paid at the end of the period	<u>121,726,758</u>	<u>92,077,920</u>	<u>118,726,758</u>

(a) On November 14 2011, the Company reimbursed the convertible debenture by issuing \$150,000 worth of shares. As specified in the original terms of the debenture, a total of 3,000,000 shares were issued at a price of \$0.05 each, in addition to a cash payment of \$9,074 for accrued interest.

**15.2 Warrants**

Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows:

	December 31, 2011	
	Number of warrants	Weighted average exercise price
Balance, at beginning	14,657,215	\$ 0.14
Expired	(2,180,000)	-
Balance, at the end	<u>12,477,215</u>	0.14

The number of outstanding warrants which could be exercised for an equivalent number of ordinary shares is as follows:

Expiration date	December 31, 2011	
	Number	Exercise price
March 2012/March 2013	4,232,362	\$ 0,14/0,18
May 2012/May 2013	891,520	0,14/0,18
June 2012/June 2013	7,353,333	0,14/0,18
	<u>12,477,215</u>	

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**15.3 Brokers warrants**

Outstanding brokers' warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows:

	Number of brokers' warrants	Weighted average exercise price
		\$
Balance, at beginning	1,228,800	0.09
Balance, at the end	<u>1,228,800</u>	<u>0.09</u>

**16. EMPLOYEE REMUNERATION**

**16.1 Employee benefits expense**

	Three-month period ended December 31		Six-month period ended December 31	
	2011	2010	2011	2010
	\$	\$	\$	\$
Salaries	76,795	64,997	173,421	126,491
Social security costs	2,636	2,002	7,537	4,027
Share-based payments	27,552	11,691	50,387	32,238
Defined contribution State plans	1,782	1,084	6,805	3,322
	<u>108,765</u>	<u>79,774</u>	<u>238,150</u>	<u>166,078</u>
Less: Salaries capitalized in Exploration and evaluation assets	(29,533)	(39,835)	(89,304)	(82,822)
Salaries and employee benefits expenses	<u>79,231</u>	<u>39,939</u>	<u>148,847</u>	<u>83,256</u>

**16.2 Share-based payments**

The Company has a share-based payments plan for directors, officers, key-employees and service suppliers. The maximum number of shares that can be issued pursuant to this plan is limited to 6,000,000 common shares. The most important terms of the plan are as follows:

- i) the maximum number of shares that can be reserved for a beneficiary is limited to 5% of issued and outstanding shares;
- ii) the maximum number of shares that can be reserved for a consultant during any 12 months period is limited to 2% of issued and outstanding shares;
- iii) the maximum number of shares that can be reserved for a supplier of investor's relation services during any 12 months period is limited to 2% of issued and outstanding shares; moreover, the options granted may be exercised by steps over a period of 12 months after the grant, at the rate of 25% per quarter;
- iv) the options granted to directors, officers, employees and consultants may be exercised by steps over a period of 18 months at the rate of 15% per quarter and 10% at the day of the grant.

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**16.2 Share-based payments (cont'd)**

The options' term cannot exceed five years. The option exercise price is established by the Board of directors and may not be lower than the market price of the common shares at the time of the grant.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options. The Company's share option are as follows for the period ended December 31, 2011:

	Number of options	Weighted average exercise price
		\$
Outstanding as at June 30, 2011	4,471,000	0.17
Outstanding as at December 31, 2011	4,471,000	0.17

The table below summarizes the information related to share options as at December 31, 2011:

Range of exercise price	Outstanding options			Exercisable options	
	Number of options	Weighted average exercise price	Remaining life (years)	Number of options	Weighted average exercise price
\$		\$			\$
0,10 à 0,30	3,656,000	0.12	2.80	2,996,000	0.12
0,31 à 0,50	815,000	0.38	0.20	815,000	0.45
	<u>4,471,000</u>	<u>0.16</u>		<u>3,811,000</u>	<u>0.19</u>

The weighted average fair value of stock options granted in the period is \$0 (\$0 for options granted on December 31, 2010) and the fair value was estimated using the Black-Scholes and binomial model.

A total of \$50,387 has been accounted in Salaries and employee benefits expenses during the six-month period ended December 31, 2011 and in Contributed Surplus (\$32,238 for the six-month period ended December 31, 2010).

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**17. FINANCIAL ASSETS AND LIABILITIES**

**Categories of financial assets and liabilities**

The carrying value and fair values of financial instruments presented in the consolidated interim statement of financial position are as follows:

	D�cember 31, 2011		June 30, 2011	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Cash	-	-	576,509	576,509
<i>Available-for-sale financial assets</i>				
Other short-term financial assets	265,208	265,208	371,289	371,289
<b>Financial liabilities</b>				
<i>Financial liabilities measured at amortized cost</i>				
Trade accounts and other payables	16,125	16,125	634,508	634,508

The carrying amount of cash, trade accounts and other payables are considered to be reasonable of fair value because of the short-term maturity of these financial instruments.

**Financial instruments measured at fair value**

The following presents financial assets and liabilities measured at fair value in the consolidated interim statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 : inputs for the assets or liabilities that are not based on observable market date.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

There have been no significant transfers between the levels in the period.

Other short-term financial assets in the statement of financial position are classified as Level 1.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

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**18. INTEREST INCOME**

	Three-month period ended December 31		Six-month period ended December 31	
	2011	2010	2011	2010
Interest income from cash	374	166	\$ 863	\$ 237
Interest income from guaranteed investment certificats	4,540	268	5,006	1,327
	<u>4,914</u>	<u>434</u>	<u>5,869</u>	<u>1,564</u>

**19. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential ordinary shares such as share options, warrants and the convertible debenture have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options, warrants, brokers' warrants and the convertible debenture that could potentially dilute earnings per share in the future are given in Notes 14, 15.2, 15.3 and 16.2.

	Three-month period ended December 31		Six-month period ended December 31	
	2011	2010	2011	2010
Loss for the period	(282,332) \$	(157,824) \$	(451,763) \$	(278,106) \$
Weighted average number of outstanding shares	120,342,143	92,077,920	119,525,671	92,077,920
Basic and diluted loss per share	(0.002) \$	(0.002) \$	(0.004) \$	(0.003) \$

**20. ADDITIONAL INFORMATION - CASH FLOWS**

The changes in working capital items are detailed as follows:

	Six-month period ended December 31	
	2011	2010
Goods and services tax receivable	\$ 24,889	\$ (44,374)
Tax credits and credit on duties receivable	-	-
Prepaid expenses	(87,878)	12,666
Trade accounts and other payables	(618,383)	36,378
Other receivables	11,475	19,338
	<u>(669,897)</u>	<u>24,008</u>

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**21. RELATED PARTY TRANSACTIONS**

The Company's related parties include another company, its subsidiary, and directors and key management personnel, as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and guarantees were given or received. Outstanding balances are usually settled in cash.

**21.1 Transactions with key management personnel**

The Company's key management personnel are the president and the chief financial officer. Key management personnel remuneration includes the following expenses:

	Three-month period ended		Six-month period ended	
	December 31		December 31	
	2011	2010	2011	2010
	\$	\$	\$	\$
Short-term employee benefits				
Salaries including bonuses and benefits	38,773	38,773	86,807	77,545
Social security costs	1,894	1,757	4,591	3,515
Total short-term employee benefits	40,667	40,530	91,398	81,060
Share-based payments	4,666	3,792	12,856	10,446
Total remuneration	45,333	44,321	104,254	91,506

**22. FIRST-TIME ADOPTION OF IFRS**

These consolidated interim financial statements, and those on September 30, 2011, are the Company's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is July 1st, 2010.

The Company's IFRS accounting policies presented in Note 4, in the interim financial statements on September 30, 2011, have been applied in preparing the consolidated interim financial statements for the period ended December 31, 2011, the comparative information and the opening consolidated statement of financial position at the date of transaction.

The Company has applied IFRS 1 in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity, total comprehensive loss and reported cash flows already established are presented in this section and are further explained in the notes that accompany the tables.

**22.1 First-time adoption - exemptions applied**

Upon transition, IFRS 1 dictate certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Company are set out below:

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**22.1 First-time adoption - exemptions applied (cont'd)**

**Mandatory exceptions**

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

Financial assets and liabilities that were derecognized before July 1st, 2010 pursuant to Canadian GAAP were not recognized under IFRS. The Company has early applied the change in IFRS 1 in this respect regarding the application date of the exception, i.e. July 1st, 2010.

**Optional exemptions**

The Company has chosen not to apply IFRS 2, *Share-based payments*, retrospectively to options granted before February 4, 2009 or granted after February 4, 2009 and vested before the date of transition to IFRS.

The Company decided not to retroactively apply IFRS 3, *Business combination*, for business combinations that were completed prior to the date of transition, which was July 1st, 2010. Note 21.5 further explains the implications of the exemption.

**22.2 Reconciliation of equity**

	December 31 2010	July 1st 2010	June 30 2011
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Equity under pre-change accounting standards	7,309,523	7,572,372	9,269,423
Variations in equity reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS			
Share capital: Share issued by flow-through private placements (Note 22.5 (a))	(435,188)	(435,188)	(807,968)
Contributed surplus: Flow-through shares (Note 22.5 (a))	(75,913)	(75,913)	100,711
Contributed surplus: Share-based payments (Note 22.5 (c))	12,109	2,440	8,723
Retained deficit: Flow-through shares (Note 22.5 (a))	511,100	494,119	511,100
Retained deficit: Share-based payments (Note 22.5 (c))	(12,109)	(2,440)	(8,723)
Equity under IFRS	<u>7,309,522</u>	<u>7,555,390</u>	<u>9,073,266</u>

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**22.3 Reconciliation of comprehensive loss**

Total comprehensive loss for the period ended December 31, 2010, for three and six months, and the reporting period ended June 30, 2011 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	June 30 2011 <u>12 months</u> \$	December 31 2010 <u>6 months</u> \$	December 31 2010 <u>3 months</u> \$
Comprehensive loss under pre-change accounting standards	(805,894)	(285,418)	(169,414)
Variations in total comprehensive income reported in accordance with pre-change accounting standards, as a results of the following differences			
Share-based payments	(6,283)	(9,669)	(3,628)
Future taxes	16,981	16,981	15,218
Total comprehensive loss under IFRS	<u>(795,196)</u>	<u>(278,106)</u>	<u>(157,824)</u>

**22.4 Presentation differences**

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.



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**22.4 Presentation differences (cont'd)**

The following table shows the total effect of the transition on the consolidated statement of financial position on June 30, 2011:

PRE-CHANGE DESCRIPTION	ACCOUNTING STANDARDS	Notes	June 30, 2011			IFRS DESCRIPTION
			Previous GAAP	Effect of transition to IFRS	IFRS	
ASSETS			\$	\$	\$	ASSETS
Current assets						Current
Cash			576,509		576,509	Cash
Accounts receivable		b)		1,512,000	1,512,000	Cash held for exploration expenses
		b)	309,315	(201,291)	108,024	Other receivables
		b)		371,289	371,289	Other short-term financial assets
		b)		201,291	201,291	Tax credit and credit on duties receivable
Prepaid expenses			23,437		23,437	Prepaid expenses and deposit
			<u>909,261</u>		<u>2,792,550</u>	
Listed shares held for trading		b)	371,289	(371,289)	-	
Exploration funds		b)	1,512,000	(1,512,000)	-	Non-current
Fixed assets			6,237		6,237	Property and equipment
Mineral properties		b)	766,857	6,481,589	7,248,446	Exploration and evaluation assets
Deferred exploration expenses		b)	6,481,589	(6,481,589)	-	
			<u>10,047,233</u>		<u>10,047,233</u>	
LIABILITIES						LIABILITIES
Current liabilities						Current
Accounts payable and accrued liabilities			634,508		634,508	Trade accounts and other payables
		a)		196,157	196,157	Other liabilities
					<u>830,665</u>	
Liability component of convertible debenture			143,302		143,302	Non-current
			<u>777,810</u>		<u>973,967</u>	Liability component of convertible debenture
SHAREHOLDERS' EQUITY						EQUITY
Capital stock		a)	21,047,992	(807,968)	20,240,024	Share capital
Shareholders' equity component of convertible debenture			43,200		43,200	Equity's component of convertible debenture
Contributed surplus		a); c)	1,530,933	109,434	1,640,367	Contributed surplus
Deficit		a); c)	(13,352,702)	502,377	(12,850,325)	Deficit
			<u>9,269,423</u>		<u>9,073,266</u>	
			<u>10,047,233</u>		<u>10,047,233</u>	

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**22.4 Presentation differences (cont'd)**

The following table shows the total effect of the transition on the consolidated statement of financial position on December 31, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	December 31, 2010			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
<b>ASSETS</b>					<b>ASSETS</b>
Current assets					Current
Amount receivable	b)	256,904	(164,473)	92,431	Other receivables
Listed shares	b)	349,695	424,331	774,026	Other short-term financial assets
	b)	-	168,433	168,433	Tax credits and credit on duties receivable
Accounts receivable from a mining company	b)	3,960	(3,960)	-	
Prepaid expenses		11,496		11,496	Prepaid expenses and deposits
		<u>622,055</u>		<u>1,046,386</u>	
Listed shares held for trading	b)	424,331	(424,331)	-	Non-current
Fixed assets		8,783		8,783	Property and equipment
Mining properties	b)	724,342	(724,342)	-	
Deferred exploration expenses	b)	6,091,936	724,342	6,816,278	Exploration and evaluation assets
		<u>7,871,447</u>		<u>7,871,447</u>	
<b>LIABILITIES</b>					<b>LIABILITIES</b>
Current liabilities					Current
Bank overdraft		132,730		132,730	Bank overdraft
Accounts payable and accrued liabilities		255,600		255,600	Trade accounts and other payables
	a)	-	1	1	Other liabilities
		<u>388,330</u>		<u>388,331</u>	
Liability component of convertible debenture		135,032		135,032	Non-current
Future income taxes		38,562		38,562	Liabilities component of convertible debenture
		<u>561,924</u>		<u>561,925</u>	Deferred income tax
<b>SHAREHOLDERS' EQUITY</b>					<b>EQUITY</b>
Share capital	a)	18,576,020	(435,188)	18,140,832	Share capital
Shareholders' equity component of convertible debenture		43,200		43,200	Equity component of convertible debenture
Contributed surplus	a); c)	1,293,843	(63,804)	1,230,039	Contributed surplus
Deficit	a); c)	(12,603,540)	498,991	(12,104,549)	Deficit
		<u>7,309,523</u>		<u>7,309,522</u>	
		<u>7,871,447</u>		<u>7,871,447</u>	

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**22.4 Presentation differences (cont'd)**

The following table shows the total effect of the transition on the statement of earnings and comprehensive loss for the three-month period ended December 31, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	Three-month period ended December 31, 2010			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
<b>ADMINISTRATIVE EXPENSES</b>					<b>EXPENSES</b>
Professional fees		34,597		34,597	Professional fees
Salaries and fringe benefits	b); c)	28,248	11,691	39,939	Salaries and employee benefits expenses
Public relations		14,871		14,871	Publicity, travail and promotion
Stock-based compensation	b)	8,063	(8,063)	-	
Registrations and listing fees	b)	6,167	3,733	9,900	Trustees, registration fees and shareholders' relations
Shareholder information	b)	3,733	(3,733)	-	
Insurance, taxes and licensing fees		2,245		2,245	Insurance, Tax and permits
Rental fees		4,375		4,375	Rent
Office and communications expenses		2,063		2,063	Office expenses
Income taxes of section XII.6		7,200		7,200	Income taxes of section XII.6
Interest and bank charges		8,961		8,961	Interest and bank charges
Amortization of fixed assets		1,802		1,802	Property and equipment amortization
		<u>122,325</u>		<u>125,953</u>	
<b>OTHER INCOME AND EXPENSES</b>					<b>OTHER REVENUES AND EXPENSES</b>
Interests income		434		434	Interest income
Write-off of mineral properties	b)	(30,624)	30,624	-	
Write-off of deferred exploration expenses	b)	(122,568)	(30,624)	(153,192)	Disposal of exploration and evaluation assets
Gain from disposal of listed shares		17,932		17,932	Gain on diposal of exploration and evaluation assets
Unrealized gain (loss) on listed shares		87,737		87,737	Variation in Other short-term financial assets
		<u>(47,089)</u>		<u>(47,089)</u>	
<b>LOSS BEFORE INCOME TAXES</b>		<u>(169,414)</u>		<u>(173,042)</u>	<b>LOSS BEFORE INCOME TAXES</b>
	a)	-	15,218	15,218	Deferred income tax
<b>NET LOSS AND COMPREHENSIVE INCOME</b>		<u>(169,414)</u>		<u>(157,824)</u>	<b>NET LOSS AND COMPREHENSIVE LOSS</b>
<b>NET LOSS PER SHARE</b>		(0.002)		(0.002)	Basic and diluted loss per share

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**22.4 Presentation differences (cont'd)**

The following table shows the total effect of the transition on the statement of earnings and comprehensive loss for the six-month period ended December 31, 2010:

PRE-CHANGE ACCOUNTING STANDARDS

DESCRIPTION	Notes	Six-month period ended December 31, 2010			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
<b>ADMINISTRATIVE EXPENSES</b>					<b>EXPENSES</b>
Professional fees		62,712		62,712	Professional fees
Salaries and fringe benefits	b)	51,018	32,238	83,256	Salaries and employee benefits expenses
Public relation		27,900		27,900	Publicity, travel and promotion
Stock-based compensation	b)	22,569	(22,569)	-	
Registration and listing fees	b)	7,417	5,093	12,510	Trustees, registration fees and shareholders' relations
Shareholders information	b)	5,093	(5,093)	-	
Insurance, taxes and licensing fees		4,491		4,491	Insurance, Tax and permits
Rental fees		8,751		8,751	Rent
Office and communications expenses		4,263		4,263	Office expenses
Income taxes of section XII.6		7,200		7,200	Income taxes of section XII.6
Interest and bank charges		18,311		18,311	Interest and bank charges
Amortization of fixed assets		3,603		3,603	Property an equipment amortization
		<u>223,328</u>		<u>232,997</u>	
<b>OTHER INCOME AND EXPENSES</b>					<b>OTHER REVENUES AND EXPENSES</b>
Interest income		1,564		1,564	Interest income
Write-off of mineral properties	b)	(30,624)	30,624	-	
Write-off of deferred exploration expenses	b)	(122,568)	(30,624)	(153,192)	Disposal of exploration and evaluation assets
Gain from disposal of listed shares		17,932		17,932	Gain on diposal of exploration and evaluation assets
Unrealized gain (loss) on listed shares		71,606		71,606	Variation in Other short-term financial assets
		<u>(62,090)</u>		<u>(62,090)</u>	
<b>LOSS BEFORE INCOME TAXES</b>		<u>(285,418)</u>		<u>(295,087)</u>	<b>LOSS BEFORE INCOME TAXES</b>
	a)		16,981	16,981	Deferred income tax
<b>NET LOSS AND COMPREHENSIVE INCOME</b>		<u>(285,418)</u>		<u>(278,106)</u>	<b>NET LOSS AND COMPREHENSIVE LOSS</b>
<b>NET LOSS PER SHARE</b>		(0.003)		(0.003)	Basic and diluted loss per share

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**22. FIRST-TIME ADOPTION OF IFRS (cont'd)**

**22.5 Notes to reconciliation**

**(a) Shares issued by flow-through placement**

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.

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 of the transition to the IFRS is as follow:

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**22.5 Notes to reconciliation (cont'd)**

Statement of Financial Position

	As at December 31 2010	As at July 1st, 2010	As at June 30, 2011
	6 months		12 months
	\$	\$	\$
<u>Share capital</u>			
Increase (decrease)	-	(435,188)	(372,780)
Total	(435,188)	(435,188)	(807,968)
<u>Deficit</u>			
Increase (decrease)	(16,981)	(494,119)	(16,981)
Total	(511,100)	(494,119)	(511,100)
<u>Other liabilities</u>			
Increase (decrease)	(16,981)	16,982	179,175
Total	1	16,982	196,157
<u>Contributed surplus</u>			
Increase (decrease)	(75,913)	-	176,624
Total	(75,913)	(75,913)	100,711

Statement of Comprehensive income

	For the period ended December 31, 2010	
	3 months	6 months
<u>Deferred income tax</u>		
Increase (decrease)	(15,218)	(16,981)
Total	(16,981)	(16,981)

**(b) Presentation differences**

Statement of Financial Position

*Mineral Properties* and *Deferred exploration expenses* were combined for presentation and are now called *Exploration and evaluation assets*.

*Tax credits and credit on duties receivable* is now presented separately from *Other receivables*.

*Cash held for exploration expenses* was presented as long-term with the GAAP, but under IFRS, it is presented as a current asset.

*Other short-term financial assets* include the previous *Shares held for trading*. Also, it is now presented as a current asset.

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**22.5 Notes to reconciliation (cont'd)**

Statement of Comprehensive income

Salaries and employee benefits expenses for IFRS was adjusted as follows:

	December 31, 2010	
	3 months	6 months
	\$	\$
Balance, before the transition date	28,248	51,018
Grouping:		
Stock-based compensation	8,063	22,569
Share-based payments adjustment	3,628	9,669
Balance as per IFRS	<u>39,939</u>	<u>83,256</u>

*Trustees and registration fees* and *Information to shareholders* were combined and are now presented as *Trustees, registration fees and shareholders relations*.

*Write-off of mineral properties* and *Write-off of deferred exploration expenses* were combined and are now presented as *Disposal of exploration and evaluation assets*.

**(c) Stock-based payments**

Under Canadian GAAP, the entity can consider the entire award as a group, determine the fair value using the average term of the instruments and then recognize the compensation expense on a straight-line basis over the vesting period. Additionally, under Canadian GAAP, forfeitures must be recognized as they occur.

Pursuant to IFRS 2, each portion of an award with graded vesting options must be considered as a separate award with its own vesting date and fair value and must be recognized on that basis. Additionally, under IFRS, entities are required to estimate awards that are expected to vest and to revise that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates.

As a result, the Company adjusted its expense for share-based payments to reflect these accounting method differences, resulting in an increase of contributed surplus as follows:

	As at December 31, 2010	As at July 1st 2010	As at June 30 2011
	6 months		12 months
	\$	\$	\$
<u>Contributed surplus</u>			
Increase (decrease)	9,669	2,440	6,283
Total	12,109	2,440	8,723
<u>Deficit</u>			
Increase (decrease)	(9,669)	(2,440)	(8,723)
Total	(12,109)	(2,440)	(8,723)

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**22.5 Notes to reconciliation (cont'd)**

**(d) Business Combination**

The Company has elected not to restate business combinations that occurred before the date of transition to IFRS, July 1st, 2010. Although, there are significant differences in accounting for business combination under previous GAAP and IFRS 3, no adjustments were identified.

**22.6 Impairment losses recognized at the date of transition**

The Company applied IAS 36, Impairment of assets, in determining whether any impairment losses arose at the date of transition to IFRS. No impairment losses (or reversals) were identified.

**23. 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 Group 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).

**24. SUBSEQUENT EVENTS**

- (a) On January 16, 2012, the board of directors authorized the distribution of 6,086,338 common shares of Khalkos Exploration inc. (the subsidiary), currently held by the Company, to the shareholders of Sirios registered as at January 25, 2012. The common shares of Sirios will trade on an ex-dividend basis as of January 23, 2012. Each shareholder of Sirios received 1 common share of Khalkos for each tranche of 20 common shares of Sirios held. Shares of Khalkos will be issued in whole numbers only, rounded down.