

SIRIOS RESOURCES INC.

(an exploration company)

Consolidated Annual Financial Statements

JUNE 30, 2012, 2011 AND JULY 1st, 2010

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Independent Auditor's Report

To the Shareholders of
Sirios Resources Inc.

Raymond Chabot Grant Thornton LLP

Place du Québec
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We have audited the accompanying consolidated financial statements of Sirios Resources Inc., which comprise the consolidated statements of financial position as at June 30, 2012 and 2011 and as at July 1, 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years ended June 30, 2012 and 2011 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 International Financial Reporting Standards (IFRS) 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 in our audits 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 Sirius Resources Inc. as at June 30, 2012 and 2011 and July 1, 2010 and its financial performance and its cash flows for the years ended June 30, 2012 and 2011 in accordance with International Financial Reporting Standards (IFRS).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company has not generated any income or cash flows from operations and the Company's deficit amount to \$13,863,924 as at June 30, 2012. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP

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Val-d'Or

October 29, 2012

¹ Chartered accountant auditor permit no. A112664

SIRIOS RESOURCES INC.
Consolidated Statement of Financial Position

(in Canadian dollars)

	Notes	June 30, 2012	June 30, 2011	July 1 st , 2010
		\$	\$	\$
ASSETS				
Current				
Cash		156 892	2 088 509	29 583
Other receivables	7	67 110	18 440	32 701
Investments	8	390 375	371 289	1 555 221
Goods and services tax receivable		22 405	89 584	34 695
Tax credits and credit on duties receivable		437 774	201 291	168 433
Prepaid expenses		58 268	23 437	24 161
		1 132 824	2 792 550	1 844 794
Non-current				
Property and equipment	9	5 031	6 237	12 386
Exploration and evaluation assets	10	5 580 936	7 248 446	6 099 738
Investments accounted for using the equity method	12	468 634	-	-
Total assets		7 187 425	10 047 233	7 956 918
LIABILITIES				
Current				
Trade and other liabilities	13	247 387	729 766	236 204
Non-current				
Liability component of convertible debenture	14	-	143 302	126 762
Deferred tax liabilities		-	-	38 562
Total liabilities		247 387	873 068	401 528
EQUITY				
Share capital	15	19 022 281	20 179 695	18 047 789
Shareholders' equity component of convertible debenture	14	-	31 580	31 580
Contributed surplus		1 781 681	1 729 596	1 319 744
Deficit		(13 863 924)	(12 766 706)	(11 843 723)
Total equity		6 940 038	9 174 165	7 555 390
Total liabilities and equity		7 187 425	10 047 233	7 956 918

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

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

(signed) Dominique Doucet
 Dominique Doucet, President

(signed) Frederic Sahyouni
 Frederic Sahyouni, Director

SIRIOS RESOURCES INC.
Consolidated Statement of Comprehensive Income

(in Canadian dollars)

	Notes	Years ended June 30	
		2012	2011
		\$	\$
EXPENSES			
Employee benefits expense	16.1	165 514	189 792
Professional fees		92 916	102 053
Trustees, registration fees and shareholder relations		33 663	30 302
Interest and bank charges		13 516	2 802
Publicity, travel and promotion		17 896	87 479
Rent expenses		17 571	17 955
Insurance		9 944	8 528
Office expenses		6 489	12 386
Income taxes of section XII.6		2 064	690
Write-off of exploration and evaluation assets		402 637	361 889
Amortization of property and equipment		1 206	6 149
OPERATIONAL LOSS		763 416	820 025
OTHER REVENUES AND EXPENSES			
Finance costs	18	(161 471)	(33 149)
Finance income	18	7 232	2 435
Gain on the distribution of subsidiary's shares		316 078	-
Devaluation of ownership in equity-accounted investment		(593 055)	-
Share of loss from equity-accounted investment		(95 571)	-
		(526 787)	(30 714)
LOSS BEFORE INCOME TAXES		(1 290 203)	(850 739)
Deferred Income Taxes	20	26 734	156 442
NET LOSS AND COMPREHENSIVE LOSS		(1 263 469)	(694 297)
NET LOSS PER SHARE - basic and diluted	19	(0,010)	(0,008)

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

SIRIOS RESOURCES INC.
Consolidated Statement of Changes in Equity

(in Canadian dollars)

	Notes	Share capital \$	Shareholders' equity component of convertible debenture \$	Contributed surplus \$	Deficit \$	Total Equity \$
Balance at July 1 st , 2011		20 179 695	31 580	1 729 596	(12 766 706)	9 174 165
Net loss and comprehensive loss for the year		-	-	-	(1 263 469)	(1 263 469)
Share-based payments	16.2	-	-	52 085	-	52 085
Issuance cost of units		-	-	-	(6 003)	(6 003)
Reimbursement of the convertible debenture	14-15	181 580	(31 580)	-	-	150 000
Distribution of non-cash dividend in shares of the subsidiary	12	(1 338 994)	-	-	-	(1 338 994)
Adjustment on shares issued of subsidiary	12	-	-	-	172 254	172 254
Balance at June 30, 2012		19 022 281	-	1 781 681	(13 863 924)	6 940 038
Balance at July 1 st , 2010		18 047 789	31 580	1 319 744	(11 843 723)	7 555 390
Net loss and comprehensive loss for the year		-	-	-	(694 297)	(694 297)
Share-based payments	16.2	-	-	50 478	-	50 478
Issuance cost of units		-	-	-	(204 110)	(204 110)
Brokers' warrants issued by flow-through private placements	15.2	-	-	19 878	(19 878)	-
Brokers' warrants issued by private placements	15.2	-	-	4 698	(4 698)	-
Units issued by private placements	15.1	620 266	-	77 532	-	697 798
Units issued by flow-through private placements	15.1	1 511 640	-	257 266	-	1 768 906
Balance at June 30, 2011		20 179 695	31 580	1 729 596	(12 766 706)	9 174 165

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

SIRIOS RESOURCES INC.
Consolidated Statement of Cash Flows

(in Canadian dollars)

	Years ended June 30	
	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Net loss	(1 263 469)	(694 297)
Adjustments		
Share-based payments	52 085	44 867
Interest on convertible debenture	6 698	16 540
Change in fair value of listed shares	136 651	40 331
Gain on the distribution of a subsidiary's shares	(316 078)	-
Loss (gain) from disposal of listed shares	11 415	(41 722)
Write-off of exploration and evaluation assets	402 637	361 888
Amortization of property and equipment	1 206	6 149
Deferred income taxes	(26 734)	(156 442)
Devaluation of ownership in equity-accounted investment	593 055	-
Share of loss from equity-accounted investment	95 571	-
Changes in working capital items	(147 766)	16 632
Cash flows from operating activities	(454 729)	(406 054)
INVESTING ACTIVITIES		
Tax credits received	28 636	100 198
Purchase of shares of an associate	(250 000)	-
Disposal of listed shares	140 889	432 773
Disposal of guaranteed investment certificates	1 360 000	752 550
Purchase of listed shares	(7 431)	-
Purchase of guaranteed investment certificates	(1 660 610)	-
Additions to exploration and evaluation assets	(1 082 369)	(1 279 291)
Cash flows from investing activities	(1 470 885)	6 230
FINANCING ACTIVITIES		
	-	2 662 860
Issuance of units by flow-through private placements and by private placements		
Issuance cost of units	(6 003)	(204 110)
Cash flows from financing activities	(6 003)	2 458 750
Net change in cash	(1 931 617)	2 058 926
Cash, beginning of year	2 088 509	29 583
Cash, end of year	156 892	2 088 509
Additional information		
Interests received from operating activities	7 232	2 435

For additional information on cash flows, see Note 21.

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

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

1. NATURE OF OPERATIONS

Sirios Resources Inc. (the "Company" or "Sirios") is an exploration company and its activities are located in Canada. Until January 16, 2012, Sirios owned more than 50% of shares of Khalkos Exploration Inc. ("Khalkos") and after a share distribution, the Company now owns about 30% of Khalkos' shares.

2. GOING CONCERN ASSUMPTION

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS") and 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 June 30, 2012, the Company has a deficit of \$13,863,924 (\$12,766,706 on June 30, 2011 and \$11,843,723 on July 1st, 2010). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent 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 amount of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the consolidated 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 financial statements have been prepared in accordance with IFRS. These are the first annual financial statement of the Company prepared in accordance with IFRS (Note 26 explains the transition to IFRS).

The Company is incorporated under the *Canada Business Corporations Act*. The address of the Company's registered office 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 financial statements have been prepared using accounting policies specified by those IFRS that are in effect at June 30, 2012.

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

These accounting policies have been used throughout all periods presented in the consolidated financial statements, except where the Company has applied certain accounting policies, exemptions and exceptions upon transition to IFRS. The exemptions and exceptions applied by the Company and the effects of transition to IFRS are presented in Note 26.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.2 Basis of evaluation

These consolidated financial statements are prepared using the historical cost method, except for the financial assets at fair value through profit or loss which are measured at fair value.

4.3 Presentation of financial statements in accordance with IAS 1

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

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

4.4 Currency for operation and presentation

The consolidated financial statements are presented in Canadian currency, which is also the operational currency of the Company.

4.5 Basis of consolidation

The Company's consolidated financial statements consolidate those of the Company and the participation in an associate. The Company owns 29.88% of the shares of the associate (100% on June 30, 2011 and July 1st, 2010). The associate's reporting date is February 28.

4.6 Jointly controlled exploration and evaluation activities and investment in associates

The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

Where the Company's activities are conducted through jointly controlled exploration and evaluation activities, the consolidated financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Company incurs and its share of the income that it earns from the joint operation.

Associates

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Any goodwill or adjustment of the fair value attributable to the Company's interest in an associate is included in the amount recognized as an interest accounted for using the equity method.

The carrying amount of the interest in an associate is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate adjusted where necessary to ensure consistency with the accounting policies of the Company.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.6 Jointly controlled exploration and evaluation activities and investment in associates (cont'd)

Unrealized gains and losses on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the entity.

Investment in the associate is tested for impairment, at a Company's point of view when there is evidence that the financial asset is impaired.

4.7 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

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

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

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Finance income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The cash, guaranteed investment certificates and other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss

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

Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.7 Financial instruments (cont'd)

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables would be presented in profit or loss within Other revenues and expenses, if applicable.

Financial liabilities

The Company's financial liabilities include trade and the liability component of the convertible debenture.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

Compound financial instruments

The component parts of compound financial instruments (convertible debenture) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issue, the liability component is recognized at fair value, which is estimated using the prevailing market interest rate for similar non convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

The value of the conversion option classified as shareholders' equity is determined at the date of issue by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. When and if the conversion option is exercised, the shareholders' equity component of convertible debenture will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debenture, the equity component of the convertible debenture will be transferred to contributed surplus. No gain or loss is recognised upon conversion or expiration of the conversion option.

A deferred tax liability is recorded for any timing differences from the initial recording of total equity and of liability component. The deferred tax is recorded at the carrying amounts of the equity component. Subsequent changes of the deferred tax liability are recorded in the statement of comprehensive income.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.7 Financial instruments (cont'd)

Transaction costs related to the issue of the convertible debenture are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs related to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible debenture using the effective interest method.

4.8 Loss per share - basic and diluted

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which include options, warrants and the convertible debenture. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The convertible debenture is antidilutive when its interest (after tax deductions and other variations of revenues and expenses) per share that could be obtained when converted exceeds the basic income per share. For the years presented, the diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options, warrants and the convertible debenture as explained in Note 19.

4.9 Tax credits and credit on duties

Tax credits

The Company is entitled to a refundable tax credit on qualified expenditures incurred. The refundable tax credit may reach 35% or 38.75% of qualified exploration expenditure incurred. The exploration tax credits are recognized against the costs incurred.

Credit on duties

The Company is entitled to a refundable credit on duties for losses under the *Mining Tax Act*. This refundable credit on duties for losses is applicable on eligible exploration costs incurred in the Province of Quebec at a rate of 15% and 16% and is recognized against the exploration cost incurred.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.10 Exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

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

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

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (See Note 4.13) and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

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

Disposal of interest in connection with option agreement

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

4.11 Property and equipment

Property and equipment are held at cost less accumulated amortization, and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.11 Property and equipment (cont'd)

Upon the transfer of exploration and evaluation assets to property and equipment under Mining assets under construction, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets.

Amortization is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. The periods generally applicable are as follows:

	<u>Useful life</u>
Office furniture	10 years
Computer equipment	3 years
Leasehold improvements	3 years

The amortization expense for each period is recognized as profit or loss.

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

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

4.12 Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged to the consolidated statement of comprehensive income as incurred.

4.13 Impairment of exploration and evaluation assets and property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- The right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- No further exploration or evaluation expenditures in the area are planned or budgeted;
- No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.13 Impairment of exploration and evaluation assets and property and equipment (cont'd)

- Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resources are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.14 Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. As at June 30, 2012, 2011 and July 1, 2010 there was no provision recorded in the consolidated statement of financial position.

4.15 Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave and bonuses) is recognized in the period in which the services are rendered and is not discounted.

The cost of bonus payments is recognized in profit or loss when there is a legal or constructive obligation to make such payments as a result of past performance.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.16 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

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

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

4.17 Equity

Share capital

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they were measured at their fair value according to the quoted price on the day immediately preceding the conclusion of the agreement.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued 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 warrants.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

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4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.17 Equity (cont'd)

Flow-through placements

Issuance of flow-through units represents in substance an issue of ordinary shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the consolidated statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the 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 the residual proceeds are allocated to warrants and to the liability, allocating a first amount to warrant measured at fair value using the Black-Scholes model and any residual, if any, is allocated to other liability. The liability component recorded initially on the issuance of shares is reversed on renouncement (or intention of renouncement) of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

Other elements of equity

The shareholder's equity component of the convertible debenture corresponds to the value attributed to the conversion option at the date of the issue of the convertible debenture. When conversion option is exercised, the shareholders' equity component of convertible debenture is transferred to the share capital.

Contributed surplus includes charges related to share options, warrants as well the shareholders' equity component of the convertible debenture, when the option of conversion has not been exercised at the convertible debenture's due date. When share options and warrants are exercised, the related compensation cost is transferred to share capital.

Deficit includes all current and prior period retained profits or losses, minus share issue expenses, deductions of all tax advantages on profit or loss of those share issue expenses.

4.18 Equity-settled share-based payments

The Company operates equity-settled share-based payment plans for its eligible directors, employees and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

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(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.18 Equity-settled share-based payments (cont'd)

The expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.19 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the President and the Board of Directors.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

4.20 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 these 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 consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's consolidated financial statements.

Management has not yet assessed the impact that those amendments are likely to have on the consolidated financial statements of the Company.

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 standards (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management does not expect to implement IFRS 9 until all of its chapters have been published and it can comprehensively assess the impact to all changes.

IFRS 10, *Consolidated Financial Statements*

IFRS 10 replaces IAS 27, *Consolidated and Separate Financial Statements*, and SIC 12, *Consolidation-Special Purpose Entities*. It revised the definition of control together with accompanying guidance to identify interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

As at June 30, 2012, 2011 and July 1st, 2010

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (cont'd)

4.20 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (cont'd)

IFRS 11, *Joint Arrangements*

IFRS 11 replaces IAS 31 Interests in Joint Ventures. It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

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 include subsidiaries, joint arrangements, associates and unconsolidated structured entities, which used to be previously in each individually applicable standard.

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. These chapter are affective for annual periods beginning on or after January 1, 2013.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement 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 measurement of assets, liabilities, income and expenses are discussed below.

Impairment of property and equipment and exploration and evaluation assets

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.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or cash-generating units must be estimated. In testing an individual asset or cash-generating units for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the 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.

The total write-off of exploration and evaluation asset recognized in profit or loss amounts to \$402,637 for the year ended June 30, 2012 (\$361,889 for the year ended June 30, 2011), for Baleine, Koala, Hipo and other properties. No reversal of impairment losses has been recognized for the reporting periods. No impairment losses of the property and equipment has been recognized for the years ended June 30, 2012 and 2011.

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Notes to Consolidated Annual Financial Statements

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(in Canadian dollars)

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

For the other properties, no testing for impairment was conducted despite the fact that the carrying value of the company's net asset is superior to its market capitalization and despite the fact that no significant fieldwork was undertaken on certain properties during the year. Management judged that there was no testing for impairment required this year on those properties because despite an unfavourable change of the overall climate of the sector as well as the general situation of the economy that have had an impact on the company's capacity to raise additional capital in order to pursue its exploration activities, coupled with a decrease in the share price, the company has sufficient funds to respect its short term obligations and has both the intention and capacity to keep these properties until the economic context improves and the company can this pursue exploration activities on thus properties after raising additional capital.

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 model.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exit in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

6. JOINTLY CONTROLLED EXPLORATION AND EVALUATION ACTIVITIES

The Company jointly controls three of its exploration and evaluation assets with other mining exploration companies. The amounts recorded in Exploration and evaluation assets, for those properties, are equal to its share in those assets.

- Aquilon: The Company controls 40% and Golden Tag Resources Ltd 60%.
- Cheechoo & Sharks : The Company controls 40% and Golden Valley Mines Ltd. 60%.
- Upinor: The Company controls 50% and Dios Exploration inc. 50%.

Informations related to the share of the Company in those jointly controlled exploration and evaluation activities, are provided in Note 10.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

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(in Canadian dollars)

7. OTHER RECEIVABLES

	As at June 30 2012	As at June 30 2011	As at July 1st, 2010
	\$	\$	\$
Advances to directors, without interest	2 000	-	12
Advances to a listed company, 1% monthly interest	9 020	17 718	32 689
Advances to an associate, without interest or payment plan	56 090	-	-
Advances to a listed company, without interest or payment plan	-	722	-
	<u>67 110</u>	<u>18 440</u>	<u>32 701</u>

8. INVESTMENTS

	As at June 30 2012	As at June 30 2011	As at July 1st, 2010
	\$	\$	\$
Guaranteed investment certificate from a Canadian financial institution bearing interest varying between 1.30 % and 1.45 %, redeemable at any time with no penalty, maturing on May 8, 2013	300 610	-	752 550
Listed shares	89 765	371 289	802 671
	<u>390 375</u>	<u>371 289</u>	<u>1 555 221</u>

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

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(in Canadian dollars)

9. PROPERTY AND EQUIPMENT

	Office furniture	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance at June 30, 2011 and 2012	36 683	19 960	5 133	61 776
Accumulated depreciation				
Balance at June 30, 2011	31 455	18 951	5 133	55 539
Amortization	903	303	-	1 206
Balance at June 30, 2012	32 358	19 254	5 133	56 745
Carrying amount at June 30, 2012	4 325	706	-	5 031
Gross carrying amount				
Balance at June 30, 2010 and 2011	36 683	19 960	5 133	61 776
Accumulated depreciation				
Balance at June 30, 2010	30 552	15 213	3 625	49 390
Amortization	903	3 738	1 508	6 149
Balance at June 30, 2011	31 455	18 951	5 133	55 539
Carrying amount at June 30, 2011	5 228	1 009	-	6 237
Carrying amount at July 1st, 2010	6 131	4 747	1 508	12 386

All amortization expenses are presented in *Property and equipment amortization*.

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Notes to Consolidated Annual Financial Statements

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10. EXPLORATION AND EVALUATION ASSETS

Mining rights

	As at June 30, 2011	Additions	Disposal	Write-off		As at June 30, 2012
	\$	\$	\$	\$		\$
(a) Aquilon	30 346	-	-	-		30 346
(b) Tilly	91 998	-	(91 998)	-		-
(c) Pontax	238 683	6 470	-	-		245 153
(d) Murdoch	120 144	-	(120 144)	-		-
(e) Cheechoo & Sharks	37 146	37	-	-		37 183
(f) Kukames	155 077	984	-	-		156 061
(g) Pontax-Lithium	2 802	-	(2 802)	-		-
(h) Upinor	62 731	6 765	-	-		69 496
(l) Baleine (1)	16 290	-	-	(16 290)		-
(m) Koala (1)	11 640	-	-	(11 640)		-
(p) Hipo (1)	-	7 749	-	(7 749)		-
	<u>766 857</u>	<u>22 005</u>	<u>(214 944)</u>	<u>(35 679)</u>		<u>538 239</u>

Exploration and evaluation expenses

	As at June 30, 2011	Additions	Disposal	Write-off	Tax credits and credit on duties	As at June 30, 2012
	\$	\$	\$		\$	\$
(a) Aquilon	1 184 581	40 749	-	-	(14 737)	1 210 593
(b) Tilly	1 150 074	-	(1 150 074)	-	-	-
(c) Pontax	2 753 621	64 753	-	-	(23 797)	2 794 577
(d) Murdoch	249 680	-	(249 680)	-	-	-
(e) Cheechoo & Sharks	132 811	82 672	-	-	(30 374)	185 109
(f) Kukames	478 985	-	-	-	-	478 985
(g) Pontax-Lithium	118 083	-	(118 083)	-	-	-
(h) Upinor	266 132	-	-	-	-	266 132
(l) Baleine (1)	74 879	180 898	-	(185 679)	(70 098)	-
(m) Koala (1)	5 054	41 611	-	(30 540)	(16 125)	-
(n) Nasa	57 635	47 844	-	-	(18 540)	86 939
(o) AAA	10 054	16 831	-	-	(6 523)	20 362
(p) Hipo (1)	-	153 653	-	(94 112)	(59 541)	-
Others (1)	-	85 353	-	(56 627)	(28 726)	-
	<u>6 481 589</u>	<u>714 364</u>	<u>(1 517 837)</u>	<u>(366 958)</u>	<u>(268 461)</u>	<u>5 042 697</u>
TOTAL	<u><u>7 248 446</u></u>	<u><u>736 369</u></u>	<u><u>(1 732 781)</u></u>	<u><u>(402 637)</u></u>	<u><u>(268 461)</u></u>	<u><u>5 580 936</u></u>

SIRIOS RESOURCES INC.

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10. EXPLORATION AND EVALUATION ASSETS (cont'd)

Mining rights

	As at June 30, 2010	Additions	Write-off		As at June 30, 2011
	\$	\$	\$		\$
(a) Aquilon	15 346	15 000	-		30 346
(b) Tilly	75 147	16 851	-		91 998
(c) Pontax	228 622	10 061	-		238 683
(d) Murdoch	108 251	11 893	-		120 144
(e) Cheechoo & Sharks	3 760	33 386	-		37 146
(f) Kukames	143 365	11 712	-		155 077
(g) Pontax-Lithium	1 768	1 034	-		2 802
(h) Upinor	62 239	492	-		62 731
(i) Cognac (1)	13 566	-	(13 566)		-
(j) Phoenix (1)	20 000	-	(20 000)		-
(k) MTK (1)	10 000	624	(10 624)		-
(l) Baleine	-	16 290	-		16 290
(m) Koala	-	11 640	-		11 640
Others (1)	2 041	-	(2 041)		-
	<u>684 105</u>	<u>128 983</u>	<u>(46 231)</u>		<u>766 857</u>

Exploration and evaluation expenses

	As at June 30, 2010	Additions	Write-off	Tax credits and credit on duties	As at June 30, 2011
	\$	\$	\$	\$	\$
(a) Aquilon	693 767	503 553	-	(12 739)	1 184 581
(b) Tilly	1 150 074	-	-	-	1 150 074
(c) Pontax	2 274 469	571 881	-	(92 729)	2 753 621
(d) Murdoch	249 680	-	-	-	249 680
(e) Cheechoo & Sharks	6 913	126 708	-	(810)	132 811
(f) Kukames	478 681	304	-	-	478 985
(g) Pontax-Lithium	135 458	3 060	-	(20 435)	118 083
(h) Upinor	266 132	-	-	-	266 132
(i) Cognac (1)	83 835	-	(83 835)	-	-
(j) Phoenix (1)	63 264	2 241	(65 505)	-	-
(k) MTK (1)	13 360	43 515	(56 875)	-	-
(l) Baleine	-	80 053	-	(5 174)	74 879
(m) Koala	-	6 090	-	(1 036)	5 054
(n) Nasa	-	57 768	-	(133)	57 635
(o) AAA	-	10 054	-	-	10 054
Others (1)	-	109 443	(109 443)	-	-
	<u>5 415 633</u>	<u>1 514 670</u>	<u>(315 658)</u>	<u>(133 056)</u>	<u>6 481 589</u>
TOTAL	<u>6 099 738</u>	<u>1 643 653</u>	<u>(361 889)</u>	<u>(133 056)</u>	<u>7 248 446</u>

All write-off expenses are presented in *Write-off of exploration and evaluation assets* in the consolidated statement of comprehensive income.

- (1) During the period, management wrote-off the mining rights and exploration and evaluation expenses for the Baleine, Hipo, Koala and Other properties (Cognac, Phoenix, MTK and Others in 2011) for the following reasons: Abandonment of mining rights, and insignificant results following exploration fieldwork.

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10. EXPLORATION AND EVALUATION ASSETS (cont'd)

(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 (amended in 2012), 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, 2013, 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) 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 Company and consists of 101 claims covering 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 Archean tonalitic complex.

On October 7, 2011, the Company signed an agreement with an associate company, to transfer this property in exchange of 6,210,360 shares, for a value of \$1,242,072.

(c) Pontax

In 2005, the Company acquired, in a partnership with Dios Exploration Inc. ("Dios"), the Pontax property. This property is located in the James Bay area and totaled 144 claims.

In August 2012, Sirios and Dios cancelled their initial agreement in order to create two distinct properties with each company wholly-owning one property. The Pontax property, wholly-owned by Sirios, now consists of 128 claims including two main non-contiguous blocks of 74 and 15 claims. Moreover, Sirios will keep exclusive rights on all substances other than diamonds on one claim held by Dios, and Dios will keep exclusive rights on diamonds on six claims held by Sirios.

(d) Murdoch

The Murdoch copper-nickel property is located 150 km south of Kuujuaq and 230 km north of Schefferville (Qc). The property consist of 169 claims covering 80 square km and is held at 50% by the Company and 50% by Freewest Resources Canada Inc.

On October 7, 2011, the Company signed an agreement with an associate company, to transfer this property in exchange of 1,849,120 shares, for a value of \$369,824.

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10. EXPLORATION AND EVALUATION ASSETS (cont'd)

(e) 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 at approximately 3 km east of the main Goldcorp Eleonore property, approximately 13 km east of the discovery area which is itself located 320 km north of Matagami (Qc).

On June 15, 2012, the Company signed an agreement with Golden Valley Mines Ltd. The agreement allows Sirios to increase its interest to 45% by undertaking fieldwork for a minimum of \$800,000 by the end of 2012. Moreover, the completion of this program gives Sirios until June 15, 2013 the possibility to inform Golden Valley of its intent to acquire the total remaining 55% interest from Golden Valley. In that case, Sirios would have to pay or issue to Golden Valley the lesser of 9.9% of its share capital or \$1M in cash or shares by December 31, 2013, and NSR relevant to gold mineral products varying between 2.5% and 4% depending on the price of gold as well as a 4% NSR from all mineral products mined. Sirios would also have to undertake \$4.2M in exploration work and pay \$500,000 in cash or in shares to Golden Valley over a period of three years.

(f) Kukames

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

(g) Pontax-Lithium

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

On October 7, 2011, the Company signed an agreement with an associate company, to transfer this property in exchange of 604,425 shares, for a value of \$120,885.

(h) Upinor

The Upinor uranium property consists of 315 claims covering around 160 square km and is equally owned (50%) by the Company and Dios Exploration Inc. It is located at less than 30 km north of the Opinaca North project and 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 fieldwork campaigns.

(i) Cognac

This copper-gold property consists of 133 contiguous claims covering an area of 66 square km and is located in the James Bay area, at around 15 km northwest of the Caniapiscou reservoir, and at approximately 50 km from the Brisay hydroelectric complex. It is held at 100% by the Company.

(j) Phoenix

The Phoenix property consists of 30 claims and is located in the Chibougamau region.

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10. EXPLORATION AND EVALUATION ASSETS (cont'd)

(k) MTK

The MTK property consists of 31 claims and is located in the Chibougamau region.

(l) Baleine

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

(m) Koala

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

(n) et (o) Nasa et 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.

(p) Hipo

The Hipo property consists of 63 claims separated in three non-adjacent blocks located at around 50 km south of the LG-4 hydroelectric complex in James Bay, Quebec. The property is centered on a volcano-sedimentary belt that has undergone little or no exploration until now. It is held at 100% by the Company.

11. LEASES

The Company's future minimum operating lease payments are as follows:

	Minimum lease payments due		
	Within 1 year	1 to 5 years	Total
June 30, 2012	17 571	16 107	33 678
June 30, 2011	17 955	33 678	51 633
July 1st, 2012	17 881	51 633	69 514

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

Lease payments recognized as an expense during the period amount to \$17,571 (\$17,955 on June 30, 2011 and \$17,881 on July 1st, 2010). This amount consists of minimum lease payments. The Company's operating lease agreements do not contain any contingent rent clauses, renewal options or escavation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On June 30, 2012, the Company holds a 29.88% voting and equity interest in Khalkos. The investment is accounted for using the equity method since January 2012. Khalkos has a reporting date of February 28. This date was chosen to allow the personnel to adequately meet filing deadlines, in order not to conflict with other administrative tasks at the same time of year. Shares of Khalkos are listed on the TSX Venture Exchange. On June 30, 2012, the fair value of the participation is amount to \$512,423.

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(in Canadian dollars)

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

The aggregate amount of the associate can be summarized as follows:

	June 30 2012
	\$
Assets	2 987 058
Liabilities	202 539
Profit/Loss	(663 314)
Profit/Loss attributable to the Company	(435 046)

The Company has not incurred any contingent liabilities or other commitments relating to its investments in this associate.

Owenship dilution

During the period ending June 30, 2012, Khalkos issued shares as part of its Initial Public Offering as well as for acquisition of mining properties. These issuances resulted in the decrease of the Company's ownership of Khalkos from 100% to 63,59%. On January 16, 2012, the Company announced the distribution of 6,086,338 common shares of its subsidiary, Khalkos, to its shareholders registered as at January 25, 2012. Each shareholder of Sirios received one share of its subsidiary for each 20 common shares held of the Company. A total amount of \$1,338,994 representing the fair value of the shares was deducted from the Company's share capital as reduction of the stated capital. The carrying value of the distributed shares was \$1,022,916 and an amount of \$316,078 was recorded in the consolidated statement of comprehensive income as gain on the distribution of subsidiary's shares. The distribution resulted in the decrease of Sirios' ownership of Khalkos down to 29,88%.

13. TRADE AND OTHER LIABILITIES

	June 30, 2012	June 30, 2011	July 1st, 2010
	\$	\$	\$
Trade accounts	178 863	634 508	219 222
Other liabilities	68 524	95 258	16 982
	<u>247 387</u>	<u>729 766</u>	<u>236 204</u>

14. 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. The debenture is convertible at the option of the holder into common shares and warrants, at conversion prices varying between \$0.10 and \$0.11 per share.

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 per share, in addition to a cash payment of \$9,074 for accrued interest.

SIRIOS RESOURCES INC.

Notes to Consolidated Annual Financial Statements

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15. EQUITY

15.1 Share capital

The share capital of the Company consists of fully paid common and preferred shares.

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. The preferred shares, serie A, are redeemable at the Company's option at their issuance price, non-voting and not entitled to dividends.

	Number of shares	
	2012	2011
Shares issued and fully paid at beginning of the period	118 726 758	92 077 920
Private placements (a)	-	7 753 332
Flow-through private placements (a)	-	18 895 506
Reimbursement of the convertible debenture (b)	3 000 000	-
	<u>121 726 758</u>	<u>118 726 758</u>
Preferred shares, Serie A (c)	<u>100 000</u>	<u>100 000</u>
Total shares issued and fully paid at the end of the period	<u><u>121 826 758</u></u>	<u><u>118 826 758</u></u>

(a) On March 23, 2011, the Company completed the closing of a private placement. An amount of \$528,300 was subscribed and is composed of 3,854,444 A Units, at a price of \$0.09 each, and 1,511,668 B Units, at a price of \$0.12 each. Each A Unit is composed of one common share and one warrant. Each B Unit is composed of one common flow-through share and one quarter of a warrant.

Amounts of \$38,544, for A Units, and \$21,088, for B Units, related to warrants, were recorded as an increase in contributed surplus. An amount of \$39,379, related to the liability component, was recorded in trade and other liabilities, in the consolidated statement of financial position.

On May 5, 2011, the Company completed the closing of a private placement. An amount of \$300,960 was subscribed and is composed of 325,555 A Units, at a price of \$0.09 each, and 2,263,838 B Units, at a price of \$0.12 each. Each A Unit is composed of one common share and one warrant. Each B Unit is composed of one common flow-through share and one quarter of a warrant.

Amounts, related to warrants, of \$3,255, for A Units, and \$29,034 for B Units, were recorded as an increase in contributed surplus. An amount of \$61,520, related to the liability component, was recorded in trade and other liabilities, in the consolidated statement of financial position.

On June 23, 2011, the Company completed the closing of a private placement. An amount of \$1,833,600 was subscribed and is composed of 3,753,333 A Units, at a price of \$0.09, and 15,120,000 B Units, at a price of \$0.10. Each A Unit is composed of one common share and one warrant. Each B Unit is composed of one common flow-through share and one quarter of a warrant.

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Notes to Consolidated Annual Financial Statements

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15.1 Share capital (cont'd)

Amounts, related to warrants, of \$35,733, for A Units, and \$207,144, for B Units, were recorded as an increase in contributed surplus. An amount of \$95,258, related to the liability component, was recorded in trade and other liabilities, in the consolidated statement of financial position.

- (b) 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.
- (c) An amount of \$50,000 was subscribed at issuance, for 100,000 preferred shares, at a price of \$0.50 each share.

15.2 Warrants

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

	2012		2011	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, at beginning	15 886 010	0,14	13 351 554	0,18
Granted	-	-	13 706 010	0,14
Expired	(3 408 800)	0,15	(11 171 554)	0,14
Balance, at the end	<u>12 477 210</u>	<u>0,18</u>	<u>15 886 010</u>	<u>0,14</u>

During the reporting period ended June 30, 2011, the Company issued 1,228,800 brokers' warrants and an amount of \$24,576 was recorded in issuance cost of units. When granted, the fair value of the brokers' warrants, based on the fair value measured indirectly, by reference to the fair value of the equity instruments granted; the fair value of services received cannot be estimated reliably. The fair value was recorded as an increase of the contributed surplus and issuance cost of units. The fair value of the brokers' warrant of \$0.02 was estimated using the Black-Scholes model and based on the following assumptions:

Average share price at date of issuing	<u>2011</u> \$0.08
Risk-free interest average rate	1.7%
Expected average life	1 year
Expected wheighted volatility	62%
Expected dividend yield	0%
Average exercise price at date of issuing	\$0.09

The underlying expected volatility was determined by reference to historical data of the Company's shares over one year.

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15.2 Warrants (cont'd)

On June 30, 2012, the number of outstanding warrants is as follows:

Number		Exercise price	Expiration date
2012	2011	\$	
	640 000	0,18	September 2011
	810 000	0,18	November 2011
	730 000	0,17	December 2011
4 232 362	4 232 362	0,14/0,18	March 2012/March 2013
891 515	891 515	0,14/0,18	May 2012/May 2013
	1 228 800	0,09	June 2012
7 353 333	7 353 333	0,14/0,18	June 2012/June 2013
<u>12 477 210</u>	<u>15 886 010</u>		

16. EMPLOYEE REMUNERATION

16.1 Employee benefits expense

Employee benefits expense recognized for employee benefits are analyzed below:

	2012	2011
	\$	\$
Salaries and benefits	203 965	293 568
Share-based payments	52 085	50 478
	<u>256 050</u>	<u>344 046</u>
Less: salaries and share-based payments capitalized in Exploration and evaluation assets	(90 536)	(154 254)
Employee benefits expense	<u>165 514</u>	<u>189 792</u>

16.2 Share-based payments

The Company has a share-based payments plan for eligible directors, employees and consultants. 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:

- the maximum number of shares that can be reserved for a beneficiary is limited to 5% of issued and outstanding shares;
- 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;
- 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;
- the options granted to directors, 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.

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.

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16.2 Share-based payments (cont'd)

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The Company's share options are as follows for the period presented:

	2012		2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, at the beginning	4 471 000	0,17	5 656 000	0,19
Granted	1 400 000	0,10	1 100 000	0,10
Expired	(872 000)	0,36	(2 285 000)	0,20
Outstanding, at the end	<u>4 999 000</u>	0,12	<u>4 471 000</u>	0,17
Exercisable, at the end	<u>3 424 000</u>	0,12	<u>3 203 500</u>	0,19

The table below summarizes the information related to outstanding share options as at June 30, 2012 and 2011.

Range of exercise price \$	2012		2011	
	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
De 0,10 à 0,20	4 999 000	3,09	3 656 000	3,38
De 0,35 à 0,45	-	-	815 000	0,71
	<u>4 999 000</u>		<u>4 471 000</u>	

On June 18, 2012, the Company granted 1,400,000 stock options under its Stock Option Incentive Plan to directors and employee, at an exercise price of \$0.10 per share. The options expire five years from the date of grant, are vested quarterly over an 18-month period and are subject to the required four month hold period following the grant.

On May 12, 2011, the Company granted 1,100,000 stock options to directors and employees at an exercise price of \$0.10 per share. Those options expire on May 11, 2016.

The weighted average fair value of stock options granted in 2012 is \$0.01 each (\$0.05 in 2011) and was estimated using the Black-Scholes model and the assumptions below:

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16.2 Share-based payments (cont'd)

	2012	2011
Average share price at date of grant	0,03 \$	0,08 \$
Expected dividend yield	0%	0%
Expected weighted volatility	98%	87%
Risk-free interest average rate	1,02%	1,70%
Expected average life	5 ans	5 ans
Average exercise price at date of grant	0,10 \$	0,10 \$

The underlying expected volatility was determined by reference to historical data of the Company's share over a period of 5 years. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, \$52,085 of share-based payments (all of which related to equity-settled share-based payment transactions) were included, in employee benefits expense, in profit or loss for the reporting period ended June 30, 2012 (\$44,867 was recorded in profit or loss and \$5,611 capitalized in exploration and evaluation assets in 2011) and credited to contributed surplus.

17. FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and liabilities

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

	June 30, 2012		June 30, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
<i>Loans and receivables</i>				
Cash	156 892	156 892	2 088 509	2 088 509
Guaranteed investment certificates	300 610	300 610	-	-
Other receivables	67 110	67 110	18 440	18 440
<i>Financial assets at fair value through profit or loss</i>				
Listed shares	89 765	89 765	371 289	371 289
Financial liabilities				
<i>Financial liabilities measured at amortized cost</i>				
Trade	178 863	178 863	634 508	634 508
Liability component of the convertible debenture	-	-	143 302	143 302

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17. FINANCIAL ASSETS AND LIABILITIES (cont'd)

	July 1st, 2010	
	Carrying amount	Fair value
	\$	\$
Financial assets		
<i>Loans and receivables</i>		
Cash	29 583	29 583
Guaranteed investment certificates	752 550	752 550
Other receivables	32 701	32 701
<i>Financial assets at fair value through profit or loss</i>		
Listed shares	802 671	802 671
Financial liabilities		
<i>Financial liabilities measured at amortized cost</i>		
Trade	219 222	219 222
Liability component of the convertible debenture	126 762	126 762

The carrying amount of cash, guaranteed investment certificates, other receivables, trade and the liability component of the convertible debenture are considered to be reasonable of the fair value because of the short-term maturity of these financial instruments.

See Note 4.7 for a description of the accounting policies for each category of financial instruments. The Company's financial instruments risks are detailed in Note 24.

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the consolidated 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 data.

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.

Listed shares, in the consolidated statement of financial position on June 30, 2012, 2011 and July 1st, 2010, are classified in Level 1. Their fair value was based on the market value at the date of the end of the reporting date.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods. There have been no significant transfers between the levels in the period.

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18. FINANCE COSTS AND INCOME

Finance costs can be analyzed as follows for the reporting periods presented:

	<u>2012</u>	<u>2011</u>
	\$	\$
Interest on convertible debenture	13 405	34 540
Change in fair value of listed shares	136 651	40 331
Loss (gain) from disposal of listed shares	11 415	(41 722)
	<u>161 471</u>	<u>33 149</u>

Finance income can be analyzed as follows for the reporting periods presented:

	<u>2012</u>	<u>2011</u>
	\$	\$
Interest income from cash	1 617	1 029
Interest income from guaranteed investment certificates	5 615	1 406
	<u>7 232</u>	<u>2 435</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 issued, warrants issued and the convertible debenture that could potentially dilute earnings per share in the future are given in Notes 14, 15.2 and 16.2.

	Reporting period ended June 30,	
	<u>2012</u>	<u>2011</u>
Net loss for the period	(1 263 469) \$	(694 297) \$
Weighted average number of outstanding shares	120 620 201	92 362 176
Basic and diluted loss per share	(0,010) \$	(0,008) \$

There have been no other transactions involving ordinary shares between the reporting date and the date of authorization of these consolidated financial statements.

SIRIOS RESOURCES INC.

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20. INCOME TAXES

Major components of tax income

The major components of tax income are outlined below:

	2012	2 011
	\$	\$
Current tax income		
Inception and reversal of temporary differences	(263 212)	(279 562)
Changes in tax rates (deferred and statutory)	7 389	18 332
Tax effect of issuance of flow-through shares	63 651	256 472
Reversal of the other liabilities attributable to issuance of flow-through shares	(26 734)	(117 880)
Prior period adjustments	1 289	-
Temporary difference unrecognized	190 883	(33 804)
Total of deferred tax income	<u>(26 734)</u>	<u>(156 442)</u>

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive income can be reconciled as follows:

	2012	2 011
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 27.65% (29,15% in 2011)	(356 741)	(247 990)
Adjustments for the following items:		
Share-based payments	14 402	13 079
Income tax rate variation	7 389	18 330
Tax effect of issuance of flow-through shares	63 651	256 472
Reversal of the other liabilities attributable to issuance of flow-through shares	(26 734)	(117 880)
Fiscal effect from deconsolidation of the subsidiary	54 652	-
Variation of nondeductible fair value (nontaxable)	20 470	(203)
Temporary difference not recorded	190 883	(33 804)
Other non-deductible expenses	5 294	(44 446)
Deferred income taxes in the income statements	<u>(26 734)</u>	<u>(156 442)</u>

The effective tax rate in 2012 was lower than the effective tax rate in 2011 because of a change in the federal tax rate.

Deferred tax assets and liabilities and variation of recognized amounts during the period

The following differences between the carrying amounts and tax bases from timing differences and unused tax losses give rise to the following recognized and unrecognized deferred taxes:

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20. INCOME TAXES (cont'd)

	Balance at July 1st, 2011 \$	Recognized in profit or loss \$	Balance at June 30, 2012 \$
Amounts recognized			
Exploration and evaluation assets	(309 909)	83 281	(226 628)
Tax credits receivable	(11 857)	(20 090)	(31 947)
Debenture	(1 802)	1 802	-
Issuance costs of shares	(5 351)	5 351	-
Non-capital losses	328 919	(70 344)	258 575
Recognized deferred income tax assets and liabilities	-	-	-
Reversal of the other liabilities attributable to issuance of flow-through shares		26 734	
Variation of deferred income tax in profit or loss		26 734	
		\$	
	Balance at July 1st, 2010 \$	Recognized in profit or loss \$	Balance at June 30, 2011 \$
Amounts recognized			
Exploration and evaluation assets	(166 161)	(143 748)	(309 909)
Tax credits receivable	-	(11 857)	(11 857)
Debenture	(6 261)	4 459	(1 802)
Listed shares	(10 775)	5 424	(5 351)
Non-capital losses	183 197	145 722	328 919
Others	(38 562)	38 562	-
Recognized deferred income tax assets and liabilities	(38 562)	38 562	-
Recognized deferred income tax assets and liabilities			
Reversal of the other liabilities relative to flow- through shares		117 880	
Variation of deferred income tax in profit or loss		156 442	
		\$	
		June 30, 2012	
		Federal \$	Provincial \$
Deductible temporary differences and unused and unrecognized fiscal losses			
Listed shares		97 043	97 043
Exploration and evaluation assets		-	824 199
Property and equipment		61 105	61 105
Issuance costs of shares		196 155	196 155
Investments accounted for using the equity method		284 762	284 762
Non-capital losses		1 138 382	2 342 327
		1 777 447	3 805 591

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20. INCOME TAXES (cont'd)

	June 30, 2011	
	Federal	Provincial
	\$	\$
Deductible temporary differences and unused and unrecognized fiscal losses		
Property and equipment	58 009	58 009
Issuance costs of shares	317 584	317 584
Non-capital losses	794 711	2 407 381
	<u>1 170 304</u>	<u>2 782 974</u>

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax assets has been recorded in the consolidated statement of financial position, that can be carried over the following years:

	Federal	Provincial
	\$	\$
2026	-	45 790
2027	-	291 378
2028	-	435 071
2029	43 439	477 700
2030	479 082	478 222
2031	615 861	614 166
	<u>1 138 382</u>	<u>2 342 327</u>

The Company has resource tax credits to receive for an amount of \$253,644 that are not recognized. Thoses credits can be applied to reduce federal income tax and expired between 2023 and 2031.

The Company has resource tax credits to receive for an amount of \$290,378 that are not recognized. Thoses credits can be applied to reduce federal income tax and expired between 2013 and 2018.

21. ADDITIONAL INFORMATION - CASH FLOWS

The changes in working capital items are detailed as follows:

	Reporting period	
	ended June 30,	
	2012	2011
	\$	\$
Other receivables	(48 670)	14 261
Goods and services tax receivable	67 179	(54 889)
Prepaid expenses	(34 831)	724
Trade accounts	(131 444)	56 536
	<u>(147 766)</u>	<u>16 632</u>

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21. ADDITIONAL INFORMATION - CASH FLOWS

Non-monetary operation in the consolidated statement of financial position are as follows:

	2012	2011
	\$	\$
Listed shares received in payment for the disposal of exploration and evaluation assets	1 732 781	-
Tax credits and credit on duties receivable credited to exploration and evaluation assets	265 119	133 056
Trade credited to exploration and evaluation assets	155 436	504 778
Issuance costs of units financed by warrants	-	24 576
Share-based payments included in exploration and evaluation assets	-	5 611
Distribution of subsidiary's shares to the Company's shareholders	1 022 916	-
Investment in an associate	-	226 800
Advance to an associated company included in trade accounts	-	25 142

22. RELATED PARTY TRANSACTIONS

The Company's related parties includes an associated company and its 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. During the period, there was no transaction with the associated company, other than advances describe at Note 7. Transactions with key management personnel are described below.

22.1 Transactions with key management personnel

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

	2012	2011
	\$	\$
Salaries and benefits	97 990	179 253
Share-based payments	41 566	35 825
Total remuneration	<u>139 556</u>	<u>215 078</u>

23. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern
- To increase the value of the assets of the business; and
- To provide an adequate return to shareholders.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in Note 15 and in the statement of changes in equity.

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23. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (cont'd)

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow through shares, the proceeds of which must be used for exploration activities. See all details in Notes 15.1 and 25.

The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

24. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 17. The main types of risks the Company is exposed to are market risk, credit risk and liquidity risk. The financial instruments of the Company are exposed to the following market risk, interest risk and other price risk.

The Company manages risks by working closely with the Board of Directors. The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial instruments for speculative purposes. No changes were made in the objectives, policies and processes related to financial instruments risk management during the reporting periods.

The most significant financial risks to which the Company is exposed are described below.

24.1 Interest rate sensitivity

Interest rate sensitivity is the risk that the fair value of the future cash flows of an financial instrument fluctuate because of the changes in interest rates.

As at June 30, 2012, the guaranteed investment certificates bears interest at fixed rates.

Interest rate movements may affect the fair value of the fixed interest financial assets. Because these financial assets are recognized at amortized cost, the fair value variation has no impact on profit or loss.

24.2 Other price risk sensitivity

The Company is exposed to fluctuations in the market prices of its listed shares. The fair value of the listed shares represents the maximum exposure to price risk.

If the quoted stock price for these listed shares had changed by $\pm 20\%$ as at June 30, 2012 and 2011, other comprehensive income and equity would have changed by \$17,953 (\$74,258 in 2011).

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24.3 Credit risk

The maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	June 30, 2012	June 30, 2011	July 1st, 2010
	\$	\$	\$
Cash	156 892	2 088 509	29 583
Guaranteed investment certificates	300 610	-	752 550
Other receivables	67 110	18 440	32 701
Carrying amounts	524 612	2 106 949	814 834

The Company has no trade accounts. Other accounts receivables are mainly advances to an associate company, to mineral companies and to a director, therefore, the exposure to credit risk for the Company's receivables is considered immaterial. The Company continuously monitors defaults of counterparties. All financial assets past due and there is no impairment on June 30, 2012, 2011 and on July 1st, 2010. No impairment loss has been recognized in the periods presented.

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

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

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

24.4 Liquidity risk

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

During the year, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through non flow-through and flow-through private placements of past years.

Trade for an amount of \$178,863, have contractual maturities of less than 3 months on June 30, 2012 (\$634,508 on June 30, 2011 and \$219,222 July 1, 2010). The company's cash and investments exceed its current cash expenditure needs.

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25. CONTINGENCIES AND COMMITMENTS

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is committed to realizing mining exploration work.

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

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

However, there is no guarantee that the Company's exploration 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. Commitments to carry out exploration work that are not respected are subject to a combined tax rate of 30% (Canada and Quebec).

During the last period ended June 30, 2011, the Company received \$1,965,060 from flow-through placements (\$1,170,300 on July 1st, 2010) for which the Company renounced tax deductions on December 31, 2011. Management is required to fulfill its commitments within the stipulated deadline of one year from the renunciation date.

The product of unspent funding related to flow-through financings totals \$1,087,658 (\$1,512,000 on June 30, 2011 and \$777,620 on July 1st, 2010). According to the fiscal legislations imposed restrictions, the Company has to dedicate these funds to the exploration of Canadian mining properties.

26. FIRST-TIME ADOPTION OF IFRS

These financial statements are the Company's first annual financial statements prepared in accordance with IFRS. The date of transition to IFRS is July 1st, 2010. Before the transition to IFRS, the Company's financial statements were prepared using Canadian generally accepted principles effective before the transition to IFRS, hereinafter "pre-change accounting standards" or "previous GAAP".

The Company's IFRS accounting policies, presented in Note 4 have been applied in preparing the consolidated financial statements for the period ended June 30, 2012, the comparative information and the opening consolidated statement of financial position at the date of transition.

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

26.1 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:

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.

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26.1 First-time adoption - exemptions applied (cont'd)

Financial assets and liabilities that were derecognized before January 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 Payment*, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS.

The Company has elected not to apply IFRS 3, *Business Combinations*, retrospectively to business combinations that occurred before the date of transition, July 1st, 2010.

26.2 Reconciliation of consolidated equity

Consolidated equity on July 1st, 2010 and June 30, 2011 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Notes	<u>June 30, 2011</u>	<u>July 1st, 2010</u>
		\$	\$
Consolidated equity under pre-change accounting standards		9 269 423	7 572 372
Variations in consolidated equity reported in accordance with prechange accounting standards, as a results of the following differences between pre-change accounting standards and IFRS			
Share capital: Shares issued by flow-through private placement	26.5 (a)	(868 297)	(528 231)
Shareholders' equity component of the convertible debenture	26.5 (d)	(11 620)	(11 620)
Contributed surplus: Shares issued by flow-through private placements	26.5 (a)	189 940	46 030
Contributed surplus: Share-based payments	26.5 (c)	8 723	2 440
Deficit: Shares issued by flow-through private placements	26.5 (a)	583 099	465 219
Deficit: Share-based payments	26.5 (c)	(8 723)	(2 440)
Deficit: Deferred taxes from shareholders' equity component of the convertible debenture	26.5 (d)	11 620	11 620
Consolidated equity under IFRS		<u>9 174 165</u>	<u>7 555 390</u>

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26.3 Reconciliation of consolidated comprehensive loss

Total consolidated comprehensive loss for the reporting period ended June 30, 2011 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Notes	<u>June 30, 2011</u>
		\$
Consolidated comprehensive loss under pre-change accounting standards		(805 894)
Variations in consolidated comprehensive loss reported in accordance with pre-change accounting standards, as a results of the following differences between pre-change accounting standards and IFRS		
Share-based payments	26.5 (c)	(6 283)
Deferred taxes (shares issued by flow-through private placements)	26.5 (a)	<u>117 880</u>
Total consolidated comprehensive loss under IFRS		<u><u>(694 297)</u></u>

26.4 Presentation differences

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported consolidated loss or total consolidated 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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26.4 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 ACCOUNTING STANDARDS DESCRIPTION	Notes	June 30, 2011			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
ASSETS					ASSETS
Current assets					Current
Cash	26.5 (b)	576 509	1 512 000	2 088 509	Cash
Accounts receivables	26.5 (b)	309 315	(290 875)	18 440	Other receivables
	26.5 (b)	-	371 289	371 289	Investment
	26.5 (b)	-	89 584	89 584	Goods and services tax receivables
	26.5 (b)	-	201 291	201 291	Tax credits and credits on duties receivable
Prepaid expenses		23 437		23 437	Prepaid expenses
		909 261		2 792 550	
					Non-current
Listed shares held for trading	26.5 (b)	371 289	(371 289)	-	
Exploration funds	26.5 (b)	1 512 000	(1 512 000)	-	
Fixed assets		6 237		6 237	Property and equipment
Mineral properties	26.5 (b)	766 857	6 481 589	7 248 446	Exploration and evaluation assets
Deferred exploration expenses	26.5 (b)	6 481 589	(6 481 589)	-	
		10 047 233		10 047 233	Total assets
LIABILITIES					LIABILITIES
Current liabilities					Current
Accounts payable and accrued liabilities	26.5 (a)	634 508	95 258	729 766	Trade and other liabilities
					Non-current
Liability component of convertible debenture		143 302		143 302	Liability component of convertible debenture
		777 810		873 068	Total liabilities
SHAREHOLDERS' EQUITY					EQUITY
Capital stock	26.5 (a)	21 047 992	(868 297)	20 179 695	Share capital
Shareholders' equity component of convertible debenture	26.5 (d)	43 200	(11 620)	31 580	Equity's component of convertible debenture
Contributed surplus	26.5 (a), (c)	1 530 933	198 663	1 729 596	Contributed surplus
Deficit	26.5 (a), (c), (d)	(13 352 702)	585 996	(12 766 706)	Deficit
		9 269 423		9 174 165	Total equity
		10 047 233		10 047 233	Total liabilities and equity

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26.4 Presentation differences (cont'd)

The following table shows the total effect of the transition on the consolidated statement of financial position on July 1, 2010:

PRE-CHANGE ACCOUNTING STANDARDS

DESCRIPTION	Notes	July 1st, 2010			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
ASSETS					ASSETS
Current assets					Current
Cash	26.5 (b)	4 513	25 070	29 583	Cash
Amounts receivables	26.5 (b)	230 140	(197 439)	32 701	Other receivables
Amounts receivables from a related mining company	26.5 (b)	5 689	(5 689)	-	
	26.5 (b)		1 555 221	1 555 221	Investment
	26.5 (b)		34 695	34 695	Goods and services tax receivable
	26.5 (b)		168 433	168 433	Tax credits and credits on duties
Prepaid expenses		24 161		24 161	Prepaid expenses
		<u>264 503</u>		<u>1 844 794</u>	
					Non-current
Listed shares held for trading	26.5 (b)	802 671	(802 671)	-	
Exploration funds	26.5 (b)	777 620	(777 620)	-	
Fixed assets		12 386		12 386	Property and equipment
Mineral properties	26.5 (b)	684 105	5 415 633	6 099 738	Exploration and evaluation assets
Deferred exploration expenses	26.5 (b)	5 415 633	(5 415 633)	-	
		<u>7 956 918</u>		<u>7 956 918</u>	Total assets
LIABILITIES					LIABILITIES
Current liabilities					Current
Accounts payable and accrued liabilities	26.5 (a)	219 222	16 982	236 204	Trade and other liabilities
					Non-current
Liability component of convertible debenture		126 762		126 762	Liability component of convertible debenture
Future income taxes		38 562		38 562	Deferred income tax
		<u>384 546</u>		<u>401 528</u>	Total liabilities
SHAREHOLDERS' EQUITY					EQUITY
Capital stock	26.5 (a)	18 576 020	(528 231)	18 047 789	Share capital
Shareholders' equity component of convertible debenture	26.5 (b)	43 200	(11 620)	31 580	Equity's component of convertible debenture
Contributed surplus	26.5 (a), (c)	1 271 274	48 470	1 319 744	Contributed surplus
Deficit	26.5 (a), (c), (d)	(12 318 122)	474 399	(11 843 723)	Deficit
		<u>7 572 372</u>		<u>7 555 390</u>	Total equity
		<u>7 956 918</u>		<u>7 956 918</u>	Total liabilities and equity

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26.4 Presentation differences (cont'd)

The following table shows the total effect of the transition on the consolidated statement of comprehensive loss for the period ended June 30, 2011:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	Twelve-month period ended June 30, 2011			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
ADMINISTRATIVE EXPENSES					EXPENSES
Stock-based compensation	26.5 (b)	38 584	(38 584)	-	
Salaries and fringe benefits	26.5 (b), (c)	144 925	44 867	189 792	Employee benefits expense
Professional fees		102 053		102 053	Professional fees
Marketing, travel and public relation		87 479		87 479	Publicity, travel and promotion
Shareholders' information	26.5 (b)	11 985	(11 985)	-	
Trustees and registration fees	26.5 (b)	18 317	(18 317)	-	
	26.5 (b)		30 302	30 302	Trustees, registration fees and shareholder relations
Rental expenses		17 955		17 955	Rent expenses
Office expenses		12 386		12 386	Office expenses
Insurance, taxes and licinsing fees		8 528		8 528	Insurance
Bank charges		2 802		2 802	Interest and bank charges
Amortization of fixed assets		6 149		6 149	Amortization of property and equipment
			361 889	361 889	Write-off of exploration and evaluation assets
Income taxes of section XII.6		690		690	Income taxes of section XII.6
Interest on convertible debenture	26.5 (b)	34 540	(34 540)	-	
		<u>486 393</u>		<u>820 025</u>	OPERATIONAL LOSS
OTHER INCOME AND EXPENSES					OTHER REVENUES AND EXPENSES
	26.5 (b)		(33 149)	(33 149)	Finance cost
	26.5 (b)		2 435	2 435	Finance income
Write-off of mineral properties	26.5 (b)	(46 230)	46 230	-	
Write-off of deferred exploration expenses	26.5 (b)	(315 659)	315 659	-	
Changes in value of held-for-trading assets	26.5 (b)	3 825	(3 825)	-	
		<u>(358 064)</u>		<u>(30 714)</u>	
NET LOSS AND COMPREHENSIVE LOSS BEFORE TAXES		<u>844 457</u>		<u>850 739</u>	LOSS BEFORE INCOME TAXES
Future income taxes	26.5 (a)	38 562	117 880	156 442	Deferred Income Taxes
NET LOSS AND COMPREHENSIVE LOSS		<u>(805 895)</u>		<u>(694 297)</u>	NET LOSS AND COMPREHENSIVE LOSS
NET LOSS PER SHARE - basic and diluted		<u>(0,009)</u>		<u>(0,008)</u>	NET LOSS AND COMPREHENSIVE LOSS - basic and diluted

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

26.5 Notes to reconciliation

(a) Shares issued by flow-through placements

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

Under IFRS, issuance of flow-through shares represents an issue of ordinary shares, warrants and the sale of tax deductions to the investors. When the flow-through shares are issued, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital, warrants and the 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 the residual proceeds are allocated to warrants and the liability. The fair value of warrants is calculated using the Black-Scholes model and all residual is allocated to the liability component. The liability component recorded initially on the issuance of shares is reversed on renouncement (or intention of renouncement) of tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

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.

According to the provisions of tax legislation relating to flow-through placements, the Company has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. Under IFRS, when the Company has fulfilled its obligation to transfer its right, which happens when the Company has renounced its right to tax deductions and has incurred eligible expenditure, a deferred tax liability is recognized for the temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

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

The impact on the Company's transition to IFRS is to decrease share capital by \$528,231 (\$868,297 on June 30, 2011), recorded an other liabilities of \$16,982 (\$95,258 on June 30, 2011), to decrease retained deficit by \$465,219 (\$583,099 on June 30, 2011), to increase contributed surplus by \$46,030 (\$189,940 on June 30, 2011) and to decrease comprehensive loss by \$16,982 (\$117,882 on June 30, 2011).

(b) Reclassification

Exploration funds is now included in *Cash* and, if applicable, in *Investments*.

Tax credits and credits on duties and *Goods and services tax receivables* are now presented separately.

Amounts receivables from a related mining company is included, for presentation, in *Other receivables*.

Listed shares held for trading is now included in *Investments*, in current assets. In the past, it was recorded in non-current assets.

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

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26.5 Notes to reconciliation (cont'd)

Stock-based compensation and *Salaries and fringe benefits* were combined for presentation and are now called *Employee benefits expenses*.

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 *Write-off of exploration and evaluation assets*.

Interest on convertible debenture and *Changes in value of held-for-trading assets* were combined for presentation and are now recorded in *Finance costs*.

Changes in value of held-for-trading assets is now recorded separately between *Finance costs* and *Finance income*.

(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.

The impact on the Company's transition to IFRS is to increase contributed surplus by \$2,440 (\$8,723 on June 30, 2011) and to decrease deficit (\$8,723 on June 30, 2011) and comprehensive loss by the same amount (\$6,283 on June 30, 2011).

(d) Convertible debenture

Under Canadian GAAP, if a compound financial instrument like a convertible debenture can be settled without incurring taxes, there is no temporary difference. The component of a compound financial instrument classified as a liability will normally be different from the tax basis of the instrument. If the liability component were to be settled for its carrying amount, this would otherwise give rise to taxable or deductible amounts that would be included in the determination of taxable income. However, Canadian GAAP recognizes that settlement of the instrument in accordance with its terms, either through settlement on maturity or conversion, might not result in the incidence of tax to the issuer. Therefore, when an entity is able to settle the instrument without the incidence of tax, the tax basis of the liability component is considered to be the same as its carrying amount and there is no temporary difference.

IFRS does not contain any special exemption relating to the recognition of deferred taxes arising on compound financial instruments. Hence, a deferred tax liability is recognized with respect to any temporary difference that arises from the initial recognition of the equity component separately from the debt component. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized through the statement of comprehensive income.

The impact on the Company's transition to IFRS is to decrease equity's component of convertible debenture by \$11,620 (\$11,620 on June 30, 2011) and to decrease deficit by \$11,620 (\$11,620 on June 30, 2011).

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26.5 Notes to reconciliation (cont'd)

(e) 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.

(f) Deferred taxes

Deferred taxes have been adjusted for the changes to net book values arising as a result of the adjustments for first-time adoption of IFRS as discussed above.

27. SUBSEQUENT EVENT

On October 12, 2012, during a Special Meeting, shareholders of the Company approved the resolution allowing the consolidation of the common shares of the Company. The consolidation consists of one (1) new share of Sirios for each tranche of seven (7) common shares of Sirios currently issued and outstanding. The consolidation reduced the number of Sirios's shares issued and outstanding to around 17.4 million shares. On October 17, 2012, new shares of Sirios, whose name and symbol remain unchanged, began to trade on the TSX Venture Exchange.