Annual Management Discussion and Analysis for 2011-2012

Sirios Resources Inc.

TSX V: SOI
www.sirios.com

SIRIOS RESOURCES INC.
ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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This Management Discussion and Analysis dated October 29th 2012 and provides an analysis of our financial results for the year ended June 30, 2012. This discussion and analysis of the financial position and results of operation should be read in conjunction with the audited financial statements for the year ended June 30, 2012 and the audited financial statements for the years ended June 31, 2011 and 2010.

Our report contains « forward-looking statements » not based on historical facts. Forward-looking statements express, as of the date of this report, our estimates, forecasts, projections, expectations and opinions as to future events or results. Forward-looking statements herein expressed are reasonable, but involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and requirements of additional financing and the capacity of the Company to obtain financing.

Moreover, these annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and in accordance with accounting policies that the Company proposes to adopt for the financial statements of the year ending June 30, 2012. These accounting policies are based on International Financing Reporting Standards which, according to the Company, will thus be in force.

CORPORATE PROFILE AND MISSION

Sirios Resources Inc.'s goal is to discover world-class precious metal deposits in the James Bay region of Eastern Canada. Sirios' efforts have led to the discovery of numerous gold, silver, lithium, copper, zinc and molybdenum showings and occurrences in that region of Quebec. In 2001, Sirios was granted the Prospector's Award by the Quebec Prospectors Association.

In 2011, Sirios began the procedures to launch its subsidiary Khalkos Exploration Inc. ("Khalkos") by transferring its base metal and other properties: Tilly (molybdenum), Murdoch (zinc-copper) and Pontax-Lithium (lithium). On December 31, 2011, following Khalkos' Initial Public Offering, Sirios held 11,480,269 shares of Khalkos, consisting of 69.3% of its share capital. On June 30, 2012, following the distribution of Khalkos' shares to Sirios' shareholders, Sirios holds 5,393,931 shares of Khalkos, consisting of 29.88% of its share capital.

Common Shares of Sirios, a Tier 1 company, trade on the TSX Venture Exchange under symbol SOI. As of June 30, 2012, there are 121,726,758 ordinary shares issued and outstanding.

Sirios owns numerous high potential properties such as:

- AQUILON (40%, increasing ownership to 50%), hosting a high-grade gold vein system;

- CHEECHOO (40%, increasing ownership to 45%) gold project located in the vicinity of the Opinaca Mines (Goldcorp) Eleonore gold deposit;

- PONTAX, polymetallic project with high grade silver and gold;

- KUKAMES, gold project located in the vicinity of the Opinaca Mines (Goldcorp) Eleonore gold deposit.

SUMMARY OF THE ACTIVITIES FOR THE PERIOD

- Transfer to Khalkos of the Tilly, Pontax-Lithium and Murdoch properties;
- Reimbursement, in shares, of the convertible debenture for $150,000;
- Distribution of 6,086,338 common shares of Khalkos, initially held by Sirios, to shareholders of Sirios. Each shareholder of Sirios received 1 common share of Khalkos for each tranche of 20 common shares of Sirios held;
- Agreement signed on the Cheechoo project, allowing Sirios to increase its participation;
- Exploration and evaluation expenses of $714,364, incurred mostly on the Baleine, Cheechoo & Sharks and Hipo properties.

RESULTS OF OPERATION

Summary of exploration activities

The following table consists of the main exploration and evaluation expenses incurred by the Company on its properties during the period:

Properties	Geology-prospecting $	Geo-chemistry, analysis $	Geophysics, line-cutting $	Transport, helicopter, lodging $	Drilling $	General expenses, drafting $	Total $
Aquilon	28,125	---	---	12,154	---	470	**40,749**
Cheechoo & Sharks	70,421	660	170	6,191	---	5,230	**82,672**
Pontax	17,856	9,944	---	---	34,440	2,513	**64,753**
Baleine	48,770	4,238	---	127,890	---	---	**180,898**
Koala	9,816	636	---	31,159	---	---	**41,611**
AAA	---	---	16,831	---	---	---	**16,831**
Nasa	5,172	42,239	---	433	---	---	**47,844**
Hipo	117,140	---	---	35,927	---	586	**153,653**
Others	21,798	---	9,180	16,898	---	37,477	**85,353**
TOTAL	319,098	57,717	26,181	230,652	34,440	46,276	**714,364**

The technical data included in the following text have been revised by Dominique Doucet, Professional Engineer and President of Sirios. He is a qualified person, as defined by National Instrument 43-101.

PROJECTS

<u>AQUILON PROPERTY</u>

In October 2010, the Company and Golden Tag signed an agreement that the Company has to incur over $610,000 in expenditures on the property before June 15, 2012, thus allowing Sirios to increase its ownership 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. The Company has paid all expenditures on the property since the agreement.

Golden Tag and Sirios plan on undertaking a trenching and bulk sampling on the *Lingo* showing, and possibly on the *Moman* and *Fleur de Lys* showings as well. The program will be designed to evaluate the potential of those showings to bare very high grade pods of gold mineralization. The permitting process started in August 2011 with the various regulating authorities. Since the final authorisation was not received in time for the program to commence last March, the bulk sampling program was postponed until winter 2012-2013. Moreover, Sirios obtained a one-year extension, bringing the deadline to June 15, 2013, to complete its 10% additional interest acquisition.

Fieldwork financed by Sirios on Aquilon totalled $40,749 for the period. On the date of this report, approximately $60,000 remains to be incurred in exploration expenses on the property in order for Sirios to complete its interest earn-in to 50%. The Company continues its permitting process in order to proceed with the bulk sampling program.

CHEECHOO PROJECT

The Cheechoo project is comprised of the Cheechoo and Sharks gold properties held by the Company (40%) and Golden Valley Mines Ltd. (“Golden Valley”) (60%).

The claims are located adjacently to the east of the Eleonore gold property of Opinaca Mines Ltd. (a subsidiary of Goldcorp Inc.), approximately 13 km east of the discovery area, and 320 km north of Matagami, in James Bay, Quebec. The Cheechoo and Sharks properties consist of 242 claims covering 126 km^2 in the 33B12 NTS sheet (218 claims) and 33C09 NTS sheet (24 claims).

A small prospecting program was completed during the second quarter of the period in areas located to the north and to the south-east of the area prospected in 2010. Results from the fieldwork were insignificant. Fifty-one samples were collected during the program.

In June 2012, Sirios signed an agreement with Golden Valley allowing the start of an exploration program of a minimum $800,000. The agreement allows Sirios to increase its interest in the Cheechoo Project, which is currently 40%, to 45% by undertaking fieldwork for a minimum of $800,000 by the end of 2012. Moreover, the completion of this program would give Sirios until June 15, 2013 the option 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. 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.

Should Sirios acquire full ownership of the Cheechoo Project, Golden Valley would keep a net return royalty relevant to gold mineral products varying between 2.5% and 4% depending on the price of gold as well as a 4% of the net returns from all mineral products mined or removed from the Cheechoo Project.

During the last quarter of the year, the Company began fieldwork with line cutting and an induced polarisation and magnetometric geophysical survey. Those exploration activities continued until October 2012 and a diamond drilling program is now in progress at the date of this report. Fieldwork is concentrated on a 12 km^2 area which is adjacent to the Eleonore South property, currently held and explored by Opinaca Mines, Eastmain and Azimut. The area is located around 10 km to the south-east of the future Eleonore gold mine. Exploration expenses for the period totalled $82,672.

PONTAX PROPERTY

In 2005, the Company acquired claims in partnership with Dios Exploration Inc. ("Dios") to form the Pontax property. This property is located in the James Bay area, Quebec, at around 350 km north of Matagami, Quebec.

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.

Exploration expenses were incurred for $64,753 on the property. The expenses represent the finals costs related to transportation, sampling, core sample assaying from the drilling campaign completed in the last quarter of last year. A re-evaluation of this project is underway.

AAA and NASA PROJECTS

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. During the period, a remote sensing (teledetection) program was granted to specialized firms for studies on two territories of 10,000 km^2 (AAA research project) and 3,000 km^2 (NASA research project). An amount of $16,831 was incurred, in the period, for the AAA project. A regional till sampling program was incurred, during the period, on the NASA project totalling $47,844.

BALEINE, KOALA and HIPO PROPERTIES

Prospecting work was done on those properties during the period for an amount of $376,162. Results from the prospecting fieldwork were insignificant. The Company decided to write-off these three properties.

Other properties

Sirios generates new exploration projects from scientific hypothesis and most of the time, its mining property acquisitions are completed without any intermediate, directly by map designation from the government. This way of proceeding is considered by Sirios' management as the least expensive method and the most profitable for all shareholders as it does not cause any excessive dilution of the share-capital. When preliminary work is initiated on a new project without any results deemed favourable, a write-off is therefore taken into account during the current quarter, explaining the write-off of exploration expenses in «Other Properties » in the annual or quarterly financial statements. Write-offs totalled $85,353 in 2011-2012.

PLANIFICATION – SUMMARY OF EXPLORATION PROGRAMS FOR 2012-2013

PROPERTY	PLANNED WORK 2012-2013	BUDGET	NEXT STEP
CHEECHOO	Camp, line cutting, geophysics (I.P., Mag), diamond drilling	$800,000 to $1,000,000	To be determined depending on results
AQUILON	Permit requests, bulk sampling	To be determined with partner in the first quarter of 2012-2013	To be determined depending on results
AAA	Remote-sensing surveying, translation, claim acquisition	$125,000	Regional geophysical, geochemical and geological surveys
TOTAL 2012-2013		$925,000 to $1,125,000	

COMPARISON BETWEEN PLANNED BUDGET AND ACTUAL EXPENSES INCURRED IN 2011-2012

(lower budget properties are not shown in this table)

PROPERTY	PLANNED WORK 2011-2012	BUDGET	INCURRED EXPENSES
AQUILON	Bulk sampling	$400,000 to $600,000 (50% share of the project)	$40,749
PONTAX	Data processing to come	To be determined depending on results	$64,753
CHEECHOO	Processing to come for 2011 prospecting, geophysics, drilling	To be determined depending on results, minimum of $300,000 estimated (40% share of the project)	$82,672
OTHERS (AAA, NASA)	Remote-sensing, surveying, till sampling, claim acquisition	$200,000	(Hipo, Baleine, Koala, others) $461,515 (AAA, Nasa) $64,675
TOTAL 2011-2012		$900,000 to $1,100,000	$714,364

The difference between the initially planned budget and the actual incurred expenses can be explained by:

- Since the final authorisation permits for the bulk sampling program on Aquilon were not received in time for winter 2011-2012, the program was postponed until winter 2012-2013. Consequently, the initial budget planned on this property was transferred to the Cheechoo project for fieldwork to be completed in 2012-2013, which is currently in progress at the date of this report.

- Following the negotiations, and ultimately the new agreement between Sirios and Golden Valley, the original budget for Cheechoo was transferred the “Others” properties, notable the Baleine, Koala and Hipo projects.

OPERATION RESULTS AND SELECTED ANNUAL INFORMATION

The net loss of the company was $1,263,469 ($0.01 per share) for the year ended June 30, 2012 in comparison to a net loss of $694,297 ($0.008 per share) for the preceding year and $400,310 ($0.005 per share) for the year ended in 2010. For 2010, the net loss can be explained by the sale of the Escale property, which caused a loss of $906,699. For 2011, it is the write-offs of the Cognac, Phoenix and MTK properties, which caused an increase of the net loss, as well as an increase in the administrative expenses with an increase in *Employee benefits expense* and *Publicity, travel and promotion*.

For the current year, the net loss can be explained by the write-offs of the Baleine, Koala and Hipo properties. Also, since the Company owns 29.88% of the shares of Khalkos, it absorbs a part of Khalkos’ net loss for the period, in addition to the devaluation of its shares. Conversely, since both companies have employees and management personnel in common, this helps reduce certain administrative expenses for each company for the year ended in 2012 in comparison to the years ended in 2011 and 2010.

Annual Results Summary	June 30, 2012 $	June 30, 2011 $	June 30, 2010 $
	$	$	$
Finance income	7,232	2,435	3,288
Write-off of exploration and evaluation assets	402,637	361,889	302,524
Loss from property disposal	---	---	906,699
Share-based payments	52,085	50,478	46,787
Net loss	1,263,469	694,297	400,310
Net loss per share	(0.010)	(0.008)	(0.005)
Total assets	7,187,425	10,047,233	7,956,918

Finance income

Revenues of the company normally comprise of gain on disposal of the subsidiary’s shares and interest on cash.

Net loss

Net loss changes from year to year are mainly due to administrative expenses, write-off of exploration and evaluation assets, future income tax variations and share-based payments. For the current year, the write-offs of Baleine, Koala and Hipo properties caused an increase of the net loss of $402,637. Also, since the Company owns 29.88% of Khalkos’ shares, in addition to absorbing a part of its net loss, the fair value of its shares decreased during the period, causing an increase in the net loss of $593,055.

General and Administrative expenses analysis

General and administrative expenses, for the period ended in 2012, totalled $360,779 in comparison with $458,136 in 2011 and $376,841 in 2010.

General and administrative expenses	2012 $	2011 $	2010 $
Employee benefits expenses	**165,514**	189,792	145,221
Professional fees	**92,916**	102,053	66,628
Trustees, registration fees and shareholders' relations	**33,663**	30,302	40,976
Publicity, travel and promotion	**17,896**	87,479	24,232
Rent expenses	**17,571**	17,955	17,881
Interests and bank charges	**13,516**	2,802	36,004
Insurance	**9,944**	8,528	9,097
Office expenses	**6,489**	12,386	10,334
Income taxes of section XII.6	**2,064**	690	18,505
Amortization of property and equipment	**1,206**	6,149	7,963
Total	**360,779**	458,136	376,841

Comparing years 2012 and 2011, we see a decrease in *Employee benefits expense*, *Professional fees*, *Publicity, travel and promotion* and *Office expenses*. The greater decrease, in *Publicity, travel and promotion*, can be explained by the fact that management decided, to minimize administrative expenses, to reduce its appearance to gold show. Also, since December 2011, the Company shares its office, employees and certain administrative expenses with Khalkos. Common expenses have decrease salaries, rent, office and promotion expenses for the Company.

Write-off of Exploration and evaluation assets

During the year 2010, the sale of Escale property combined with the $102,735 of exploration and evaluation write-off on new preliminary projects, both caused a total write-off of $302,524. For 2011, there was write-off of three properties: Cognac, Phoenix and MTK as well as a write-off of embryonic projects for $111,484, thus resulting in a total write-off of $361,889. For the current year, the Company wrote-off three properties, Baleine, Koala and Hipo, as well as embryonic projects, for a total of $402,637.

Total Assets

Total assets of the Company fluctuated from $7,956,918 in 2010, to $10,047,233 in 2011 and to $7,187,425 in 2012.

Cash, including cash held for exploration charges, totalled $29,583 in 2010, $2,088,509 in 2011 and $156,892 in 2012; the cash variations are directly linked to exploration fieldwork and private placements.

Other receivables fluctuated from $32,701 in 2010, to $18,440 in 2011, ad to $67,110 in 2012.

Investments totalled $1,555,221 in 2010, in comparison to $371,289 in 2011 and to $390,375 in 2012.

Cash held for exploration expenses totalled $1,087,658 in 2012, in comparison to $1,512,000 in 2011 and to $777,620 in 2010.

Exploration and evaluation assets fuctuated from $6,099,738 in 2010, to $7,248,446 in 2011 and to $5,580,936 in 2012. This decrease can be explained by the transfer, to Khalkos, of the Tilly, Pontax-Lithium and Murdoch properties, in exchange of shares.

<u>Summary of quarterly results</u>

	2012				2011			
	Q4 $	**Q3 $**	**Q2 $**	**Q1 $**	**Q4 $**	**Q3 $**	**Q2 $**	**Q1 $**
Other revenues and expenses	(143,517)	(283,057)	(87,908)	(12,305)	39,741	(21,807)	(47,089)	(15,001)
Net loss	295,189	515,897	282,332	170,051	422,461	136,531	154,242	114,241
Net loss per share	0.003	0.004	0.002	0.001	0.005	0.001	0.002	0.001

Other revenues and expenses consist mainly of changes in value of listed shares as well as interest income on cash of the Company. For 2012, it also includes the devaluation of Khalkos' shares.

In the last eight quarters, the quarterly net loss varies from $116,004 to $515,897.

During Q1-2011, Q3-2011, Q2-2012, Q3-2012 and Q4-2012, there is a variation in the value of the listed shares for an amount of $16,131, $46,363, $92,822, $563,265 and $729,706 respectively, which significantly diminish the revenue to a negative amount of $15,001, $21,807, $87,908, $283,057 and $526,787 respectively.

The net loss during Q2-2011 can be explained by the write-off of two properties, Phoenix and MTK for an amount of $122,380 in exploration expenses and $30,624 in mining properties. The increase of the net loss of $383,900 in the Q4-2011 can be explained by the write-off of the Cognac property, for an amount of $97,401, and an increase in the three following elements: *Employee benefits expense*, *Professional fees* and *Publicity, travel and promotion*. The increase to those three categories of expenses are related to an increase in publicity and promotion undertaken by the Company in Toronto, Calgary and Vancouver, which assisted in completing private placements during the same quarter.

The net loss during Q4-2012 can be explained by the write-off of the Baleine, Koala, Hipo properties and embryonic projects for a total amount of $402,637.

WORKING CAPITAL AND CASH FLOW

The working capital, including cash held for exploration expenses, varies from an amount of $885,437 on June 30, 2012 to $2,062,784 on June 30, 2011 and to and amount of $1,608,590 on June 30, 2010. During the period, cash was used for exploration and administrative activities.

Management of Sirios evaluates that the amount of liquidity is low and still controls very strictly its general and administrative expenses. The Company is considered to be in the exploration stage, thus it is dependent on obtaining regular financing in order to continue exploration. Despite previous success in acquiring sufficient financing, there is no guarantee of obtaining any future financing. **Moreover, the current economic climate requires larger efforts than before to obtain funds from investors.**

INFORMATION ON ISSUED AND OUTSTANDING SHARES

As at June 30, 2012:

- 121,726,758 common shares were issued.
- 4,999,000 options were granted and 3,424,000 of which can be exercised, at prices between $0.10 and $0.18 between 2013 and 2017. Each option can be exchanged by its holder thereof for one common share of the Company.
- 12,477,210 warrants were issued. Each warrant can be exchanged by its holder thereof for one common share of the Company.

As at October 29, 2012:

- Following the consolidation of the Company's shares, on October 12, 2012, shareholders received one (1) common share of the new company for each tranche of seven (7) shares of the previously issued and outstanding shares of the Company (see SUBSEQUENT EVENT).
- The consolidation reduced the number of Sirios' shares issued and outstanding to around $17,389,537.

Table of variation in issued and outstanding shares

	2012		2011		2010	
	Quantity	Amount $	Quantity	Amount $	Quantity	Amount $
Common Shares						
Issued						
Balance, beginning	118,726,758	20,129,695	92,077,920	18,185,954	77,823,309	17,326,278
IFRS Adjustment	---	---	---	(528,231)	---	(528,231)
Flow-through shares	---	---	18,895,506	1,851,706	12,549,111	1,054,592
Paid in cash	---	---	7,753,332	620,266	1,705,500	145,150
Reimbursement of convertible debenture	3,000,000	181,580	---	---	---	---
Distribution of an associate company's shares	---	(1,338,994)	---	---	---	---
Preferred shares, Series A						
Issued and fully paid	100,000	50,000	100,000	50,000	100,000	50,000
Total	121,826,758	19,022,281	118,826,758	20,179,695	92,177,920	18,047,789

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.

On January 16, 2012, the Company distributed 6,086,338 Khalkos' shares, previously held by Sirios, to its shareholders as at January 25, 2012. Each shareholder received one common share of Khalkos for each tranche of twenty Sirios' shares held.

Description	Number of shares	Amount $
As at June 30, 2012	121,726,758	18,951,030
Consolidation of the share capital	(104,337,221)	---
As at October 29, 2012	17,389,537	18,951,030

INFORMATION ON OUTSTANDING OPTIONS

Variation of options in circulation

	2012		2011		2010	
	Number of options	Average exercise price $	Number of options	Average exercise price $	Number of options	Average exercise price $
Balance, beginning	4,471,000	0.17	5,656,000	0.19	4,663,000	0.19
Granted	1,400,000	0.10	1,100,000	0.10	1,075,000	0.10
Expired	(872,000)	0.36	(2,285,000)	0.20	(82,000)	0.19
As at June 30	4,999,000	0.12	4,471,000	0.17	5,656,000	0.19
Consolidation	(4,284,857)	0.12				
As at October 29, 2012	**714,143**	**0.78**				

During the period, 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.

Options granted to directors and officers and exercisable as at October 29, 2012:

Expiry date	Options granted	Options exercisable	Exercise price ($)
February 14, 2013	107,714	107,714	1.26
February 3, 2014	124,286	124,286	0.70
April 22, 2015	132,143	132,143	0.70
May 11, 2016	150,000	105,000	0.70
June 17, 2017	200,000	20,000	0.70
	714,143	**489,143**	**0.78**

INFORMATION ON OUTSTANDING WARRANTS

Table of variation of outstanding warrants

Date	Number of warrants	Average exercise price ($)
As at June 30, 2011	15,886,010	0.14
Expired	(3,408,800)	0.15
As at June 30, 2012	12,477,210	0.18
Consolidation	(10,694,751)	---
As at October 29, 2012	**1,782,459**	**1.26**

During the period, no warrants were exercised.

FOURTH QUARTER

Exploration expenses incurred during the fourth quarter totalled around $250,000, of which $150,000 was incurred for the prospecting campaign on the Hipo property. Other amounts were related to the compiling of drilling work and report-writing fir the Pontax property as well as the establishment of a camp for the Cheechoo project.

SUBSEQUENT EVENT

On October 12, 2012, shareholders of the Company approved the resolution allowing the consolidation of the common shares of the Company, during the Special Meeting of shareholders. 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.

RELATED PARTY TRANSACTIONS

The remuneration paid or payable to key management personnel, President, CFO and Board of Directors, is as follows:

	June 30, 2012 $	June 30, 2011 $
Employee benefits expense	97,990	179,253
Share-based payments	41,566	35,825
	139,556	215,078

The significant decrease in Employee benefits expense can be explained by the fact that officers of the Company are now sharing their time between the Company and its associate, Khalkos.

SUSTAINABLE DEVELOPMENT PRINCIPALES

The Prospectors and Developers Association of Canada (PDAC) established a framework for responsible exploration called *E3 Plus*. The *E3 Plus* serves as a framework for exploration companies to continue their activities while improving their environmental, social and health and safety performance as well integrating these three aspects in all their exploration work. Sirios adopted the eight principles of *E3 Plus* and asks its consultants and suppliers to also respect them. Here are the main principles that apply to the company:

• Apply ethical business practices: Sirios continues to abide by management procedures that promote honesty, integrity, transparency and accountability.

• Engage host communities and other affected and interested parties: During exploration activities, Sirios makes sure to interact with local and native communities, notably trappers, organizations, groups and individuals on the basis of respect, inclusion and meaningful participation.

- Protect the environment: Sirios conducts its exploration activities in ways that create minimal disturbance to the environment and applies, in all of its operations, the principals of sustainable development.

Moreover, on February 7, 2012, the Company's board of directors signed a resolution with the following commitments about sustainable development governance:

- Concerning governance and responsible management, the Company must ensure:
  - That employees, of all levels, understand their social and environmental responsibilities, and that they work towards improving their workplace environment.
  - To plan, evaluate, and manage all its projects with rigor in order to minimize the negative effects on the environment and local communities.
- Maintaining an open dialogue is key to responsible management of projects on lands used by others. The Company must ensure:
  - To develop a proactive, open and transparent communication with local authorities (including Native communities), municipal authorities, as well as governmental organizations.
  - To develop a proactive communication with other parties involved from the region.
- Concerning health and safety, the Company must ensure:
  - To diligently apply the regulations, in terms of health and safety in all of its exploration activities.
- Concerning the environment, the Company must ensure:
  - To apply with diligence the environmental regulations in all of its exploration activities.
- Concerning socio-economic implications, the Company must ensure:
  - Whenever possible, to generate benefits on a local level and to contribute to the local development by constructively partnering with native and non-native communities in order to respectively consider the interests of all parties involved.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Significant estimates include the recoverability of exploration and evaluation assets, future income taxes and stock-based compensation. Actual results may differ from those estimates.

(a) 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 are 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-yielding 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 have been recognized for the years ended June 30, 2012 and 2011.

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 thus pursue exploration activities on these properties after raising additional capital.

(b) 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.

(c) Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likehood 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.

Off-balance sheet arrangements
The Company did not set up any off-balance sheet arrangements, as at June 30, 2012.

International financialNormes internationales d'information financière («IFRS»)
In February 2008, Canada's Accounting Standards Board confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the IFRS.

These annual financial statements, on June 30, 2012, of the Company, were prepared in accordance with IFRS. As these annual financial statements represent the Company's first initial presentation of its results and financial position under IFRS, on June 30, 2012, they were prepared in accordance with IFRS 1, *First-time Adoption of IFRS*.

The Company's financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS. In preparing these annual financial statements, on June 30, 2012, management has amended certain accounting and valuation previously applied in the Canadian GAAP financial statements to comply with IFRS.

These annual financial statements, on June 30, 2012, were prepared under the historical cost convention.

The Company's IFRS accounting policies presented in Note 4 have been applied in preparing the annual financial statements for the period.

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.

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.

Transition to IFRS
Changes observed for the transition to IFRS are mainly the following:

<u>1. Shares issued by flow-through placements</u>

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 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 transition to IFRS is as follows:

Financial Position

	June 30, 2011	July 1st, 2010
Share capital		
Increase (decrease)	(868,297)	(528,231)
Retained deficit		
Increase (decrease)	685,996	474,399
Other liabilities		
Increase (decrease)	95,258	16,982
Contributed surplus		
Increase (decrease)	198,663	48,470
Equity component of convertible debenture		
Increase (decrease)	(11,620)	(11,620)

Consolidated comprehensive income

	June 30, 2011
Deferred income taxes	
Increase (decrease)	117,880
Share-based payments	
Increase (decrease)	(6,283)

2. Reclassification

Statement of Financial Position

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 are 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*.

Statement of Comprehensive Income

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*.

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

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

3. 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).

4. 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).

5. 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.

6. 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.

RISK AND UNCERTAINTIES

Risk inherent to the industry

Mineral exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labor are some of the risks involved in the conduct of exploration programs and the operation of mines. The commercial viability of exploiting any precious metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered on any of the Company's properties to justify commercial operation. Numerous external factors influence and may have significant impacts on the operations of the Company and its financing needs.

Financial risk

The Company is an exploration company. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Mining claims and title risks

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

Tax
No assurance can be made that Canada Revenue Agency or Quebec Minister of Revenue will agree with Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses.

Dependence on key personnel
The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

Conflicts of interest
Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith of view to the best interests of the Company and to disclose any interest, which they may have un any project or opportunity of the Company. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Environmental risks
The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

MANAGEMENT'S RESPONSABILITY FOR FINANCIAL INFORMATION

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with International Financial Reporting Standards (IFRS). The financial statements include certain amounts based on the use of estimated and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Montreal. October 29, 2012.

(signed) Dominique Doucet, President and CEO
(signed) Frederic Sahyouni, Chief Financial Officer