

Management Interim Report for the three-month period ended September 30, 2014



Discovering James Bay



**Sirios Resources Inc.**

TSX V: SOI  
[www.sirios.com](http://www.sirios.com)

## Table of Contents

CORPORATE PROFILE AND MISSION .....	2
SUMMARY OF THE ACTIVITIES FOR THE PERIOD.....	2
RESULTS OF OPERATIONS .....	2
Summary of exploration activities .....	2
PROJECTS .....	3
SUMMARY OF FINANCIAL ACTIVITIES.....	3
General and administrative expenses analysis.....	4
SUMMARY OF QUARTERLY RESULTS.....	4
WORKING CAPITAL AND CASH FLOW .....	5
Share capital .....	6
Options .....	6
Warrants .....	6
RELATED PARTY TRANSACTIONS .....	7
Key management personnel .....	7
Associated company.....	7
SUSTAINABLE DEVELOPMENT PRINCIPALES.....	8
CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS .....	9
RISK AND UNCERTAINTIES .....	10
OTHER INFORMATION .....	11
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION.....	11



**S I R I O S**

**TSX-V : SOI**

**SIRIOS RESOURCES INC.  
MANAGEMENT INTERIM REPORT  
FOR THE THREE-MONTH PERIOD  
ENDED SEPTEMBER 30, 2014**

This Management Discussion and Analysis is dated November 25, 2014 and provides an analysis of the financial results for the quarter ended September 30, 2014. This discussion and analysis of the financial position and results of operation should be read in conjunction with the unaudited consolidated interim financial statements for the three-month period ended September 30, 2014 and the audited consolidated financial statement for the years ended June 30, 2014 and 2013. The unaudited consolidated interim financial statements for the period ended September 30 2014 were not reviewed by the external auditors.

This report contains "forward-looking statements" not based on historical facts. Forward-looking statements express, as of the date of this report, estimates, forecasts, projects, 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 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 the calculation of mineral reserves and requirements of additional financing and the capacity of the Company to obtain financing.

## CORPORATE PROFILE AND MISSION

Sirios Resources Inc.'s ("Sirios" or "the Company") mission is to discover world-class gold deposits in the James Bay region of Eastern Canada.

Common shares of Sirios, a Tier 1 company, trade on the TSX Venture Exchange under the symbol SOI. On September 30, 2014, there are 43,092,738 ordinary shares issued and outstanding.

On September 30, 2014, Sirios holds 8,019,369 shares of Khalkos Exploration Inc. ("Khalkos") consisting of 24.84% of its share capital.

Sirios owns numerous high potential properties such as:

- CHEECHOO, new significant discovery in the vicinity of Goldcorp's Eleonore gold mine;
- AQUILON, hosting a high grade gold vein system;
- PONTAX, polymetallic project with high grade silver and gold.

## SUMMARY OF THE ACTIVITIES FOR THE PERIOD

- Discovery of the JORDI area, by drilling, on the Cheechoo property;
- New anomalous gold area located by prospection on the Cheechoo property;
- Receipt of a debt payment by Khalkos through issuance of shares;
- Exploration and evaluation expenses of \$140,355 (including \$11,811 in mining rights) incurred, mostly on the Cheechoo property.

## RESULTS OF OPERATIONS

### Summary of exploration activities

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

Property	Geology-prospecting	Geochemistry, analysis	Geophysics, line-cutting	Transport, helicopter, lodging	Drilling	General expenses, drafting	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Aquilon</b>	-	-	-	-	3,575	214	3,789
<b>Cheechoo</b>	21,855	-	-	184	100,214	2,502	124,755
<b>TOTAL</b>	21,855	-	-	184	103,789	2,716	128,544

## **PROJECTS**

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

### **CHEECHOO Property**

The Cheechoo project is the flagship project of the Company because since the discovery of the first gold surface indications, the project produced extremely encouraging results.

The Cheechoo project is held at 45% by the Company and 55% by Golden Valley Mines Ltd. ("Golden Valley"). The claims are located adjacent to the east of the Eleonore gold property of Opinaca Mines Ltd. (a subsidiary of Goldcorp Inc.), approximately 13 km east of the mine itself, and 320 km north of Matagami, in James Bay, Quebec. The Eleonore mine produced its first gold bar in October 2014. This mine will become one of the most significant underground gold mines in North America. The Cheechoo property, following the option agreement with Golden Valley, consists of 145 claims, covering 75 km<sup>2</sup>, divided in two non-continuous blocks of 121 and 24 claims, on the 33C09 and 33B12 NTS sheet.

Since 2012, Sirios is the manager of the project. On the date of this report, taking into account the amounts already invested in the project by Sirios and management fees, the balance in fieldwork required amounts to \$2M to be spent on exploration work to acquire the totality of the project in addition to a payment of \$500,000 in cash or shares to Golden Valley on or before June 13, 2016. Should Sirios acquire full ownership of the project, Golden Valley will 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 project. The net return royalty for the gold mineral would be 3% if the price of gold is between \$1,200 and \$2,400 per ounce.

To see results from previous drill campaign, please read the annual management discussion and analysis for the year ended June 30, 2014, available on the website of the Company, [www.sirios.com](http://www.sirios.com).

#### **Subsequent event**

In October 2014m Sirios completed a diamond drilling on the property, for a total of 522 meters drilled. Two diamond drill holes (#18 and #19) were completed on a non-tested area between holes #10 and #16; moreover, the vertical hole #17 was extended to a depth of 345 metres. The holes encountered intrusive rock (tonalite) mineralized and altered, as in the rest of the gold envelope. Just as the other six holes from the 2012-2013 campaign, visible gold was discovered in hole #18. As of the date of this report, results from this campaign have yet to be received.

## **SUMMARY OF FINANCIAL ACTIVITIES**

The net loss of the Company is \$11,549 for the three-month period ended September 30, 2014 in comparison with a net loss of \$162,825 for the three-month period ended September 30, 2013.

The decrease of the net loss can be explained by the reimbursement of loans, before their maturity date, during the previous period, thus increasing the finance costs, under the amortization of the fees related to loans, for an amount of \$50,397. Interests for those loans were paid during the previous period, thus increasing finance costs for an amount of \$11,371.

Moreover, the decrease of the net loss can be explained by the change in fair value of the listed shares, because during this period the variation was positive, by an amount of \$44,882, in comparison to a negative change of \$26,183, for the same period last year.

### General and administrative expenses analysis

General and administrative expenses went from \$92,541 for the three-month period ended September 30, 2013 to \$101,348 for the three-month period ended September 30, 2014.

General and administrative expenses	2014-2015	2013-2014
	Three-month period ended September 30, 2014 \$	Three-month period ended September 30, 2013 \$
Salaries and employee benefits expense	48,335	36,849
Publicity, travel, and promotion	28,072	22,868
Professional fees	11,084	22,399
Trustees, registration fees, and shareholder relations	5,065	2,878
Rent expenses	3,973	4,061
Office expenses	2,671	867
Insurance	1,689	1,926
Amortization of property and equipment	252	263
Bank charges	207	329
Income taxes of section XII.6	-	101
<b>Total</b>	<b>101,348</b>	<b>92,541</b>

Comparing the general and administrative expenses for the three-month period ended September 30, 2014 and 2013, we note that the difference is negligible. However, we can see an increase for *Trustees, registration fees, and shareholder relations*. This year, management decided to hold the annual meeting of shareholder earlier than last year, increasing the fees during for the current period instead of the fees being incurred in the following period.

The decrease in *Professional fees* can be explained by the audit taking place earlier than last year, increasing the amount for this item.

### SUMMARY OF QUARTERLY RESULTS

	2015	2014				2013		
	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$
Other revenues and expenses	77,665	419,041	(16,581)	6,876	(61,453)	(305,523)	31,512	(61,390)
Net loss	11,549	(343,359)	91,480	217,228	162,825	1,512,885	238,600	265,465
Net loss per share	0.0003	(0.02)	0.003	0.008	0.007	0.11	0.01	0.015

Other revenues and expenses consist mainly of changes in value of listed shares, interest income on cash of the Company, interests on unpaid invoices of the Company as well as the devaluation of the associated company's shares and the Company's share of the associated company's loss which is recorded using the equity method.



In the last eight quarters, the quarterly net loss varies from \$(343,359) to \$1,514,885.

For the Q4-2014, the net result of \$343,359 can be explained by the recovery in value of the investment accounted for using the equity-method for an amount of \$640,374, thus increasing the result of the quarter. This recovery in value can be explained by the positive variation of the market value of Khalkos' shares.

For the Q3-2013, Q4-2014, Q1-2014 and Q3-2014, the variation in the value of the listed shares for amounts of \$22,439, \$11,220, \$26,183 and \$22,441 respectively, reduced revenues.

For the Q1-2015, the positive variation in the value of the listed shares for an amount of \$44,882, increased revenues.

For the Q3-2013, the increase in the value of listed shares of \$60,874 increased revenues.

For the Q4-2013, the devaluation of the associated company's shares as well as the Company's share of the associated company's loss, which is recorded using the equity method, for amounts of \$38,460 and 196,548 respectively, decreased revenues.

For the Q4-2014 and Q1-2015, following issuance by Khalkos of shares, the Company went through a dilution of its percentage in Khalkos. Following this dilution, amounts of \$113,781 and \$388 respectively, were recorded.

For the Q1-2014, Q2-2014, Q3-2014, Q4-2014 and Q1-2015, the amortization of fees related to loans of \$50,398, \$153, \$1,173, \$1,239 and \$1,308 respectively, decreased revenues. However, interests on other receivables of \$6,288, \$6,876, \$6,906, \$7,894 and \$497 respectively, increased those revenues.

For the Q4-2013, the net loss can be explained by the write-off of Kukames, Upinor, Nasa, and AAA for an amount of \$1,067,538.

## **WORKING CAPITAL AND CASH FLOW**

The working capital, including cash held for exploration expenses, varied from an amount of \$365,133 on June 30, 2014 to and amount of \$(8,317) on September 30, 2014. During the period, cash was used for exploration and administrative activities.

Management of Sirios evaluates that the amount of liquidity is low and continually 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.

As at September 30, 2014:

- 43,092,738 common shares were issued as well as 100,000 preferred shares.
- 3,392,857 were granted and exercisable, at prices between \$0.12 and \$0.17, between 2015 and 2019. Each option can be exchanged by its holder thereof for one common share of the Company.
- 4,363,674 warrants were issued. Each warrant can be exchanged by its holder thereof for one common share of the Company.
- 699,898 brokers' warrants were issued. Each brokers' warrant can be exchanged by its holder thereof for one common share of the Company.

## Share capital

Variation in share capital as at November 25, 2014:

Description	Number of shares	Amount \$
<b>As at June 30, 2014, September 30, 2014 and November 25, 2014</b>	<b><u>43,192,738</u></b>	<b>21,943,577</b>

## Options

Variation in outstanding options as at November 25, 2014:

Description	Number of options	Average exercise price \$
<b>As at June 30, 2014, September 30, 2014</b>	<b><u>3,392,857</u></b>	<b>0.25</b>
Granted	800,000	0.10
<b>As at November 25, 2014</b>	<b><u>4,192,857</u></b>	<b>0.22</b>

Options granted to employees, directors and officers and exercisable as at November 25, 2014:

Expiry date	Options granted and exercisable	Exercise price \$
April 22, 2015	117,857	0.70
May 11, 2016	128,571	0.70
June 17, 2017	171,429	0.70
January 17, 2018	1,175,000	0.24
October 24, 2018	25,000	0.12
December 11, 2018	1,175,000	0.16
May 6, 2019	600,000	0.15
November 25, 2019	800,000	0.10
	<b><u>4,192,857</u></b>	<b>0.22</b>

## Warrants

Variation of warrants as at November 25, 2014:

Description	Number of warrants	Average exercise price \$
<b>As at June 30, 2014</b>	<b>5,943,572</b>	<b>0.14</b>
Expired	(880,000)	(0.18)
<b>As at September 30, 2014</b>	<b><u>5,063,572</u></b>	<b>0.14</b>
Expired	(2,923,730)	(0.13)
<b>As at November 25, 2014</b>	<b><u>2,139,842</u></b>	<b>0.16</b>



Warrants issued as at November 25, 2014:

Expiry date	Number of warrants	Exercise price \$
December 18, 2014	218,857	0.18
December 20, 2014	90,000	0.20
April 3, 2015	795,833	0.15
April 3, 2015	393,790	0.14
April 3, 2015	33,000	0.15
April 10, 2015	591,667	0.15
April 10, 2015	10,695	0.14
April 10, 2015	6,000	0.15
	<b>2,139,842</b>	<b>0.15</b>

## RELATED PARTY TRANSACTIONS

### Key management personnel

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

	Three-month period ended	
	September 30, 2014	September 30, 2013
Salaries and employee benefits expenses	35,134	24,238
Share-based payments	-	624
	<b>35,134</b>	<b>24,859</b>

### Associated company

During the three-month period ended September 30, 2014, Sirios provided administrative services to an associate company, Khalkos, totaling \$17,761. These services are charged at cost.

A director and an officer of the Company are on the Board of Directors of both companies.

## SUBSEQUENT EVENTS

On November 25, the Board of Directors granted 800,000 stock options under its Stock Option Incentive Plan to directors, officers, a consultant, and employees at an exercise price of \$0.10 per share. The options expire five years from the date of grant.

## 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 as integrating these three aspects in all their exploration work. Sirius adopted the eight principals of E3 Plus and ask its consultants and suppliers to also respect them. Here are the main principals that apply to the Company:

- Apply ethical business practices: Sirius 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, Sirius 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: Sirius 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 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 environmental.
  - To plan, evaluate and manage all its projects with rigor in order to minimize the negative effects on the environmental 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 environmental, 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 interest of all parties involved.

## **CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

### **Significant management judgment**

#### **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 exist 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.

#### **Going concern**

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

### **Estimation uncertainty**

#### **Impairment of 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 assumptions in many cases.

In assessing impairment, the Company makes some estimates and assumptions regarding future circumstances, in particular whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

For the three-month period ended September 30, 2014, the total impairment loss of the exploration and evaluation assets recognized in profit or loss amounts \$139 (\$4,919 for the three-month period ended September 30, 2013). No reversal of impairment losses has been recognized for the reporting periods.

### **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.

### **Tax credits receivable**

The calculation of the Company's refundable tax credit on qualified exploration expenditures incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Differences arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit, exploration and evaluation assets and income tax expense in future periods.

### **Off-balance sheet arrangements**

The Company did not set up any off-balance sheet arrangement, as at September 30, 2014.

## **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, labor 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 need.

### **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 be subject to unregistered prior agreements and non-compliance with regulatory requirements.

## **Tax**

No assurance can be made that Canada Revenue Agency or Quebec Minister or Revenue will agree with the 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 employees.

## **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 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 risk**

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.

## **OTHER INFORMATION**

This discussion and analysis of financial position and operating results as at September 30, 2014 should be read in conjunction with the unaudited interim financial statements for the three-month period ended September 30, 2014 and 2013 and the audited financial statements for the years ended June 30, 2014 and 2013 of Sirios where necessary. The unaudited quarterly statements have not been reviewed by external auditors. More information can be found at the website [www.sedar.com](http://www.sedar.com) under Sirios' section in "Sedar filing" or on the Sirios website [www.sirios.com](http://www.sirios.com) under section "Financial Reports".

## **MANAGEMENT'S RESPONSIBILITY 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, November 25, 2014.

**(signed) Dominique Doucet, President**

**(signed) Frederic Sahyouni, Chief Financial Officer**