

# **ST-GEORGES**

Platinum & Base Metals Ltd.

**St-Georges Platinum and Base Metals Ltd.**

**Interim Financial Statements**

**For the three and six months ended June 30, 2011**

**(Unaudited – Prepared by Management)**

Notice of disclosure of non-auditor review of condensed interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying consolidated financial statements of the Company for the period ended June 30, 2011 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these condensed interim financial statements.

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

**St-Georges Platinum & Base Metals Ltd.**  
**Interim Financial Statements**  
**For the three and six months ended June 30, 2011**  
**(Unaudited)**

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**St-Georges Platinum & Base Metals Ltd.  
Interim Statements of Financial Position  
(Unaudited)**

As at	June 30, 2011	December 31, 2010
<b>Assets</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	101,525	49,144
Cash in trust (Note 4)	10,377	1,218,418
Restricted cash (Note 5)	-	30,000
Receivables and other current assets (Note 6)	95,754	843,556
Prepaid expenses (Note 7)	1,782,510	-
Advance to a company with common directors	17,989	17,989
	<u>2,008,155</u>	<u>2,159,107</u>
<b>Non-Current assets</b>		
Secured Debenture (Note 8)	100,000	100,000
Exploration and evaluation assets (Note 9)	4,850,968	4,545,968
Property, plant and equipment (Note 10)	456	536
	<u>6,959,579</u>	<u>6,805,611</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	162,532	485,897
	<u>162,532</u>	<u>485,897</u>
<b>Shareholders' equity</b>		
Common shares (Note 11)	9,043,742	8,113,192
Contributed surplus (Note 11)	1,386,412	1,207,527
Deficit	(3,633,107)	(3,001,005)
	<u>6,797,047</u>	<u>6,319,714</u>
	<u>6,959,579</u>	<u>6,805,611</u>

On behalf of the Board

(Signed)  
\_\_\_\_\_  
François Dumas  
President, CEO & Director

(Signed)  
\_\_\_\_\_  
Mark Billings  
CFO & Director

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

## St-Georges Platinum & Base Metals Ltd. Interim Statements of Comprehensive Loss (Unaudited)

	3-month period ended June 30		6-month period ended June 30	
	2011	2010	2011	2010
	\$	\$		
<b>Operating Expenses</b>				
Subcontractors	24,308	-	196,412	-
Administrative expenses	73,771	58,448	246,841	108,042
Mineral rights	1,890	-	31,766	-
Brokerage fees	11,109	5,760	22,437	105,760
Travel expenses	45,858	11,344	79,933	30,000
Marketing	-	21,000	-	32,344
Professional fees	48,946	122,051	61,352	269,637
Bank charges	125	63	781	158
Depreciation – property, plant and equipment	40	57	80	114
Depreciation – intangible asset	-	10,406	-	21,656
Share-based payment compensation	-	-	-	21,600
	<b>206,047</b>	229,129	<b>639,602</b>	589,311
<b>Less: Interest income</b>	<b>7,500</b>	-	<b>7,500</b>	-
<b>Net loss before income taxes</b>	<b>(198,547)</b>	(229,129)	<b>(632,102)</b>	(589,311)
Income taxes	-	-	-	111,337
<b>Net loss and comprehensive loss for the period</b>	<b>(198,547)</b>	(229,129)	<b>(632,102)</b>	(700,648)
Basic and diluted loss per share (\$ per share)	<b>(0.001)</b>	(0.019)	<b>(0.006)</b>	(0.077)
Weighted average number of common shares outstanding –				
Basic	101,862,111	11,992,830	98,893,465	9,105,942
Diluted	101,862,111	11,992,830	98,893,465	9,105,942

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

## St-Georges Platinum & Base Metals Ltd. Interim Statements of Changes in Equity (Unaudited)

	Number of Common Shares	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
<b>Balance as at January 1, 2010</b>	<b>72,319,778</b>	<b>5,765,565</b>	<b>390,986</b>	<b>(2,267,652)</b>	<b>3,888,899</b>
Shares issued for cash	10,453,333	1,352,000	-	-	1,352,000
Warrants issued	-	(415,787)	415,787	-	-
Share-based payment compensation	-	-	21,600	-	21,600
Net loss for the period	-	-	-	(700,648)	(700,648)
<b>Balance as at June 30, 2010</b>	<b>82,773,111</b>	<b>6,701,778</b>	<b>828,373</b>	<b>(2,968,300)</b>	<b>4,561,851</b>
<b>Balance as at January 1, 2011</b>	<b>93,687,111</b>	<b>8,113,192</b>	<b>1,207,527</b>	<b>(3,001,005)</b>	<b>6,319,714</b>
Shares issued for cash	5,175,000	1,175,000	-	-	1,175,000
Shares issued for property acquisition	500,000	25,000	-	-	25,000
Shares issued as finder's fee	2,500,000	-	-	-	-
Warrants issued	-	-	178,885	-	178,885
Share issue costs	-	(269,450)	-	-	(269,450)
Net loss for the period	-	-	-	(632,102)	(632,102)
<b>Balance as at June 30, 2011</b>	<b>101,862,111</b>	<b>9,043,742</b>	<b>1,386,412</b>	<b>(3,633,107)</b>	<b>6,797,047</b>

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

## St-Georges Platinum & Base Metals Ltd.

### Interim Statements of Cash Flows

#### (Unaudited)

	3-month period ended June 30		6-month period ended June 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Operating activities</b>				
Net loss and comprehensive loss for the period	(198,547)	(229,129)	(632,102)	(700,648)
Depreciation – property, plant & equipment	40	57	80	114
Depreciation – intangible asset	-	10,406	-	21,656
Income taxes	-	-	-	111,337
Share-based payment compensation	-	-	-	21,600
	<b>(198,507)</b>	<b>(218,666)</b>	<b>(632,022)</b>	<b>(545,941)</b>
Net changes in working capital				
Subscriptions receivable	10,000	(40,000)	10,000	(40,000)
Accounts receivable	(28,644)	(119,104)	737,802	(184,823)
Prepaid expenses	(6,645)	-	(1,782,510)	-
Accounts payable and accrued liabilities	89,742	46,727	(323,365)	6,603
	<b>(134,054)</b>	<b>(331,043)</b>	<b>(1,990,095)</b>	<b>(764,161)</b>
<b>Investing activities</b>				
Acquisition of exploration and evaluation assets	-	(491,902)	(305,000)	(1,077,886)
	-	(491,902)	(305,000)	(1,077,886)
<b>Financing activities</b>				
Issuance of shares and warrants, net of issue costs	-	352,000	1,109,435	1,352,000
Repayment of amount due to a director	-	-	-	(16,500)
	-	352,000	1,109,435	1,335,500
<b>Decrease (increase) in restricted cash</b>	<b>34,105</b>	<b>470,884</b>	<b>30,000</b>	<b>505,899</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(99,949)</b>	<b>(61)</b>	<b>(1,155,660)</b>	<b>(648)</b>
Cash and cash equivalents, beginning of period	211,851	61	1,267,562	648
<b>Cash and cash equivalents, end of period</b>	<b>111,902</b>	<b>-</b>	<b>111,902</b>	<b>-</b>

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

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# **St-Georges Platinum & Base Metals Ltd.**

## **Notes to Interim Financial Statements**

**June 30, 2011 and 2010**  
**(Unaudited)**

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### **1. Corporate Information**

The unaudited condensed interim financial statements (“interim financial statements”) of St-Georges Platinum & Base Metals Ltd. (formerly ACFAW.com Inc., the “Company” or “St-Georges”) for the period ended June 30, 2011 were authorized for issue in accordance with a resolution of the directors on August 29, 2011. St-Georges’ business activity is the exploration and evaluation of mineral properties in Canada. St-Georges was incorporated under the Canada Business Corporations Act on June 21, 2002. The Company is listed on the Canadian National Stock Exchange (“CNSX”), having the symbol SX and is in the process of exploring its mineral properties.

The address of the Company’s corporate office and principal place of business is 630 Sherbrooke Street West, Suite 410, Montreal, Quebec, H3A 1E4, Canada.

### **2. Basis of Presentation**

#### **a) Statement of Compliance**

The financial statements of the Company for the year ending December 31, 2011 will be prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“pre-changeover Canadian GAAP”). These condensed interim financial statements for the period ended June 30, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company’s first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these interim financial statements have been prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company’s most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

These interim financial statements should be read in conjunction with the Company’s 2010 annual financial statements and the Company’s unaudited condensed interim financial statements for the three months ended March 31, 2011, which were the Company’s first financial statements prepared in accordance with IFRS. The explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company provided in note 16.

#### **b) Basis of Measurement**

The interim financial statements have been prepared on an historical cost basis.

The interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

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**St-Georges Platinum & Base Metals Ltd.**  
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The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**c) Going Concern of Operations**

The interim financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. The Company has not generated revenues from operations. As such, the Company's ability to continue as a going concern depends on its ability to successfully raise additional financing. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realize its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial information. No adjustments for such circumstances have been made in the financial information.

**3. Summary of Significant Accounting Policies**

The preparation of the financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at December 31, 2011. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2010 and the Company's unaudited condensed interim financial statements for the three months ended March 31, 2011, which were the Company's first financial statements prepared in accordance with IFRS.

**4. Cash and Cash Equivalents**

As of June 30, 2011, the Company had cash and cash equivalents of \$111,902 (December 31, 2010 - \$1,267,562). This included cash of \$101,525 and cash in trust of \$10,377. The cash and cash equivalents as of December 31, 2010 included cash of \$49,144 and cash in trust of \$1,218,418.

**5. Restricted Cash**

As of June 30, 2011, the Company had restricted cash of \$Nil (December 31, 2010 - \$30,000). These balances are restricted to pay legal fees associated with the Company's financings in 2011.



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**6. Receivables and other current assets**

As of June 30, 2011, the Company had accounts receivable of \$95,754 (December 31, 2010 - \$843,556), as described below:

	June 30, 2011	December 31, 2010
	\$	\$
Taxes recoverable	80,754	51,056
Subscriptions receivable	-	785,000
Interest receivable from a company with common directors	15,000	7,500
	95,754	843,556

**7. Prepaid expenses**

As of June 30, 2011, the Company had prepaid expenses of \$1,782,510 (December 31, 2010 - \$Nil). This balance is associated with advances and deposits paid to drilling companies in connection with the Company's 2011 exploration drilling campaign.

**8. Secured Debenture**

On May 27, 2010, the Company issued a secured debenture to LiteWave Corp. which is a company with common directors. This secured debenture shall bear interest at the rate of 15% per annum, payable semi-annually and maturing on May 27, 2011. LiteWave is presently in default in repaying this debenture.

**9. Mining Properties and Deferred Mineral Exploration and Evaluation Assets**

(\$)	Villebon	Lac Julie- Isukoustouk Complex	Manicouagan Constellation	Total
<b>Balance as at January 1, 2010</b>	<b>1,817,631</b>	<b>786,003</b>	<b>343,876</b>	<b>2,947,510</b>
Exploration costs	1,072,617	305,378	155,463	1,533,458
Property acquisitions	65,000	-	-	65,000
<b>Balance as at Dec. 31, 2010</b>	<b>2,955,248</b>	<b>1,091,381</b>	<b>499,339</b>	<b>4,545,968</b>
Exploration costs	-	-	-	-
Property acquisitions	305,000	-	-	305,000
<b>Balance as at June 30, 2011</b>	<b>3,260,248</b>	<b>1,091,381</b>	<b>499,339</b>	<b>4,850,968</b>

The Villebon, Lac Julie – Isukoustouk and Manicouagan Constellation properties are all located in Quebec, Canada.

**St-Georges Platinum & Base Metals Ltd.**  
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**10. Property, Plant & Equipment**

Computer Equipment	June 30, 2011 (\$)	December 31, 2010 (\$)
Cost	900	900
Depreciation for the period	80	229
Depreciation and impairment losses, total	444	364
Net carrying amounts	456	536

**11. Share Capital and Reserves**

**a) Common Shares**

The Company is authorized to issue an unlimited number of common shares, voting, participating and with no par value.

The holders of common shares are entitled to receive dividends, which may be declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

On May 4, 2010, the Company consolidated its existing capital on the basis of two (2) common shares for one (1) new common share of the Company. For purposes of comparison, all common share figures presented in these financial statements are on a post-consolidation basis.

The following is a summary of changes in common share capital from January 1, 2010 to June 30, 2011:

	<b>Number of Shares</b>	<b>Amount (\$)</b>
<b>Balance at January 1, 2010</b>	<b>72,319,778</b>	<b>5,765,565</b>
Shares issued via private placement (i)	20,650,667	3,341,826
Shares issued for acquisition of mining properties	450,000	45,000
Shares issued – issuance costs	266,666	(112,000)
Tax effect of flow-through renunciation	-	(599,242)
Issuance costs	-	(327,957)
<b>Balance at December 31, 2010</b>	<b>93,687,111</b>	<b>8,113,192</b>
Shares issued via private placement (ii)	5,175,000	1,175,000
Shares issued for acquisition of mining properties	500,000	25,000
Shares issued as finder's fee	2,500,000	-
Issuance costs	-	(269,450)
<b>Balance at June 30, 2011</b>	<b>101,862,111</b>	<b>9,043,742</b>

- i) On March 22, 2010, a non-brokered private placement was closed for gross aggregate proceeds of \$1,000,000 through the sale of 6,666,667 flow-through units at \$0.15 per unit. Each flow-through unit is comprised of one common share, to be issued as a flow-through share, and one non-flow-through common share purchase warrant, exercisable at a price

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of \$0.50 per share no later than 36 months following the closing date. Moreover, 266,666 non-flow-through common shares were issued as a finder's fee, as well as options to purchase 666,667 non-flow-through units at a price of \$0.10 no later than 24 months following the closing date, and a cash fee equal to 10% of the subscription proceeds. The gross proceeds of \$973,333 for the units were assigned to common shares and \$27,667 to warrants, using the Black-Scholes pricing model.

On May 14, 2010, a non-brokered private placement was closed for gross aggregate proceeds of \$352,000 through the sale of 3,520,000 units at \$0.10 per unit. Each unit is comprised of one common share and one common share purchase warrant, exercisable at a price of \$0.50 per share no later than 36 months following the closing date. Moreover 72,000 warrants at \$0.50 for 36 months were issued as a finder's fee, plus \$5,760 cash. The gross proceeds of \$274,560 for the units were assigned to common shares and \$77,440 to warrants, using the Black-Scholes pricing model.

On December 31, 2010, the Company completed a brokered private placement for gross aggregate proceeds of \$2,387,000 through the sale of 153 A units at \$1,000 per unit, 1,471 B units at \$1,000 per unit and a non-brokered private placement of 763 C units at \$1,000 per unit.

The A units consist of 5,000 common shares at a price of \$0.20 per share and 5,000 common share purchase warrants. Each warrant will entitle the holder to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.50 per share at any time on or before the date that is 36 months from the date of issuance of the warrant. The gross proceeds of \$117,381 for the A units were assigned to common shares and \$35,619 to warrants, using the Black-Scholes pricing model.

The B units consist of 4,000 flow-through common shares at a price of \$0.25 per share and 4,000 common share purchase warrants. Each warrant will entitle the holder thereof to purchase on additional common share of the capital stock of the Company at an exercise price of \$0.50 per common share at any time on or before the date that is 12 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.55 per share at any time on or before the date that is 24 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.60 per share, at any time on or before the date that is 36 months from the date of issuance of the warrant. The gross proceeds of \$1,391,581 for the B units were assigned to common shares and \$79,419 to warrants, using the Black-Scholes pricing model.

The C units consist of 5,000 common shares at a price of \$0.20 per share and 5,000 common share purchase warrants. Each warrant will entitle the holder to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.50 per share at any time on or before the date that is 36 months the date of issuance of the warrant. The gross proceeds of \$584,971 for the C units were assigned to common shares and \$178,829 to warrants, using the Black-Scholes pricing model.

The Company paid a total cash commission of \$235,380 and issued a total of 1,201,400 agent's options. 731 400 agent's options entitle the holder thereof to purchase one agent's unit of the Company (an "Agent's Unit") at the price of \$0.20 per Agent's Unit for a period of 36 months following the closing date. Each Agent's Unit consists of one common share and one non-transferable common share purchase warrant of the Company (an "Agent's Unit Warrant"). Each Agent's Unit Warrant entitles its holder thereof to acquire one additional common share at a price of \$0.50 per share during a period of 36 months following the closing date.

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## St-Georges Platinum & Base Metals Ltd.

### Notes to Interim Financial Statements

June 30, 2011 and 2010

(Unaudited)

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Moreover, the Company also issued 470,000 agent's options as a finder's fee (each an "Agent's Option"). Each Agent's Option entitles its holder thereof to purchase one agent's unit of the Company (an "Agent's Unit") at the price of \$0.25 per Agent's Unit for a period of 24 months following the closing date. Each Agent's Unit consists of one common share (an "Agent's Unit Share") and one non-transferable common share purchase warrant (an "Agent's Unit Warrant"). Each Agent's Unit Warrant entitles its holder thereof to acquire one additional common share at a price of an exercise price of \$0.50 per common share at any time on or before the date that is 12 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.55 per share at any time on or before the date that is 24 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.60 per share, at any time on or before the date that is 36 months from the date of issuance of the warrant.

- ii) On March 1, 2011, the Company completed the second tranche of the December 31, 2010 brokered private placement.

The Company received a total of \$700,000 for subscriptions to 700 flow-through units at a price of \$1,000 per unit (the "B Units"). Each B Unit consists of 4,000 flow-through common shares at a price of \$0.25 per share and 4,000 common share purchase warrants (each being a "Warrant"). Each warrant entitles the holder thereof to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.50 per common share at any time on or before March 1, 2012, and thereafter at an exercise price of \$0.55 per share at any time on or before March 1, 2013, and thereafter at an exercise price of \$0.60 per share, at any time on or before March 1, 2014.

The Company paid a cash commission of \$25,000 and issued 100,000 agent's options (the "Agent's Options"). Each Agent's Option entitles its holder thereof to purchase one agent's unit of the Company (an "Agent's Unit") at the price of \$0.20 per Agent's Unit for a period of 24 months following the closing date. Each Agent's Unit consists of one common share (an "Agent's Unit Share") and one non-transferable common share purchase warrant of the Company (an "Agent's Unit Warrant"). Each Agent's Unit Warrant entitles its holder thereof to acquire one additional common share at a price of \$0.50 per share during a period of 36 months following the closing date.

The Company also paid finders' fees for a cash consideration of \$22,500 and issued a total of 180,000 flow-through agent's options (each a "FT Agent's Option"). Each FT Agent's Option entitles its holder thereof to purchase one agent's unit of the Company (an "FT Agent's Unit") at the price of \$0.25 per FT Agent's Unit for a period of 24 months following the closing date. Each FT Agent's Unit consist of one common share and one non-transferable Warrant.

The Company completed the second and final tranche of a non-brokered private placement previously announced of C Units on December 31, 2010. For this tranche, a total of 475 C units at a purchase price of \$1,000 per unit have been issued for total gross proceeds of \$475,000. Each C unit consists of 5,000 common shares at a price of \$0.20 per share and 5,000 common share purchase warrants. Each warrant entitles the holder to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.50 per share at any time on or before the date that is 36 months from the date of issuance of the warrant.

The Company paid an aggregate of \$34,000 in finder's fees on the non-brokered private placement.

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**b) Preferred Shares**

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value.

**c) Contributed Surplus**

The following is a summary of changes in contributed surplus from January 1, 2010 to June 30, 2011:

	<b>Amount (\$)</b>
<b>Balance at January 1, 2010</b>	<u>390,986</u>
Share-based payment compensation	320,550
Warrants issued in private placements	397,174
Warrants issued for finder's fees	98,817
<b>Balance at December 31, 2010</b>	<u><b>1,207,527</b></u>
Warrants issued in private placements	178,885
<b>Balance at June 30, 2011</b>	<u><b>1,386,412</b></u>

**d) Warrants**

*Warrants*

The following is a summary of changes in warrants from January 1, 2010 to June 30, 2011:

	<b>Number of Warrants</b>	<b>Weighted Average Strike Price</b>
<b>Balance as at January 1, 2010</b>	<u><b>7,574,801</b></u>	<u><b>\$0.46</b></u>
Issued	22,590,733	\$0.47
Expired	(260,000)	\$0.40
<b>Balance as at December 31, 2010</b>	<u><b>29,905,534</b></u>	<u><b>\$0.47</b></u>
Issued	5,455,000	\$0.49
<b>Balance as at June 30, 2011</b>	<u><b>35,360,534</b></u>	<u><b>\$0.47</b></u>
<b>Warrants exercisable, June 30, 2011</b>	<u><b>35,360,534</b></u>	<u><b>\$0.47</b></u>

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As at June 30, 2011, the Company had outstanding warrants as follows:

Number of Warrants	Strike Price	Expiry Date
664,981	\$0.16	December 29, 2011
6,649,819	\$0.50	December 29, 2011
666,667	\$0.15	March 22, 2012
731,400	\$0.20	December 31, 2012
470,000	\$0.25	December 31, 2012
100,000	\$0.20	March 1, 2013
180,000	\$0.25	March 1, 2013
6,666,667	\$0.50	March 22, 2013
3,592,000	\$0.50	May 14, 2013
10,464,000	\$0.50	December 31, 2013
5,175,000	\$0.50	March 1, 2014
<b>35,360,534</b>	<b>\$0.47</b>	

**12. Share-based Payments**

**a) Stock Option Plan**

On June 1, 2009, the Company established a stock-based compensation plan. Under the stock-based compensation plan, the board of directors of the Company may, from time to time, at its discretion, and in accordance with CNSX requirements, grant to directors, officers and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five (5) years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding Common Shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised with a maximum period of one year after such death, subject to expiry date of such option.

The subscription price of the shares which may be issued under the plan must not be lower than the closing price of the last regular board lot (not less than \$0.10) sold on the CNSX on the trading day immediately preceding the date of grant. The option price is payable in full at the time the options are exercised. The vesting periods in respect of the options are determined by the Board of Directors at the time of each grant of options.

The following is a summary of changes in options from January 1, 2010 to June 30, 2011:

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the period			Closing Balance	Vested	Unvested
				Granted	Exercised	Forfeited			
--	--	\$0.26	475,000	-	-	(475,000)	-	-	-
6-Jan-10	6-Jan-15	\$0.20	-	400,000	-	-	400,000	400,000	-
20-Oct-10	20-Oct-15	\$0.15	-	3,650,000	-	-	3,650,000	3,650,000	-
			475,000	4,050,000	-	(475,000)	4,050,000	4,050,000	-
Weighted Average Exercise Price			\$0.26	\$0.15	-	\$0.26	\$0.15	\$0.15	-

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**b) Fair value of Options Issued During the Period**

There were no options issued in the period ended June 30, 2011. The weighted average fair value at grant date of options granted during the period ended December 31, 2010 was \$0.15 per option.

*Options Issued to Employees*

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

*Options Issued to Non-Employees*

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

**13. Commitments**

In 2010, the Company raised a total of \$2,471,000 in flow-through financings and has until December 31, 2011 to spend this amount on eligible expenditures. For the period ended June 30, 2011, the Company raised a total of \$700,000 in flow-through financings and has until December 31, 2012 to spend this amount on eligible expenditures.

**14. Related Party Transactions**

On May 17, 2010, the Company issued a secured debenture to LiteWave Corp. for a total amount of \$100,000. LiteWave Corp. and the Company are related parties as François Dumas and Mark Billings are directors of both companies. LiteWave Corp. has an option to earn a 50% interest in the Manicouagan Constellation properties with the Company. This advance was not made in the normal course of business and is measured at the exchange amount.

**15. Segmental Reporting**

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

**16. Transition to International Financial Reporting Standards**

As stated in note 2 (a), these unaudited condensed interim financial statements, including comparatives provided, have been prepared in accordance with IAS 34 and accounting policies consistent with IFRS as described in note 3. An explanation of IFRS 1, First Time Adoption of International Financial Reporting Standards, and the required reconciliations between IFRS and Canadian GAAP are described in the

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Company's unaudited condensed interim financial statements for the three months ended March 31, 2011, and below:

**Reconciliation of the Statement of Financial Position as at December 31, 2010 and June 30, 2010**

	<b>December 31, 2010 (\$)</b>	<b>June 30, 2010 (\$)</b>
<b>Total assets, as per Canadian GAAP</b>	6,805,611	4,784,073
Adjustments required upon adoption of IFRS	-	-
<b>Total assets, as per IFRS</b>	<u>6,805,611</u>	<u>4,784,073</u>
<b>Total liabilities, as per Canadian GAAP</b>	485,897	110,885
Adjustments required upon adoption of IFRS	-	-
<b>Total liabilities, as per IFRS</b>	<u>485,897</u>	<u>110,885</u>
<b>Total shareholders' equity, as per Canadian GAAP</b>	6,319,714	4,561,851
Adjustments required upon adoption of IFRS	-	-
<b>Total shareholders' equity, as per IFRS</b>	<u>6,319,714</u>	<u>4,561,851</u>

**Reconciliation of the Statement of Comprehensive Loss for the Three and Six Months Ended June 30, 2010**

	<b>3 months (\$)</b>	<b>6 months (\$)</b>
<b>Net loss and comprehensive loss, as per Canadian GAAP</b>	(229,129)	(700,648)
Adjustments required upon adoption of IFRS	-	-
<b>Net loss and comprehensive loss, as per IFRS</b>	<u>(229,129)</u>	<u>(700,648)</u>