

ANNUAL REPORT 2010
(Audited financial statements and MD & A)
 FOR THE FINANCIAL YEAR ENDED JUNE 30, 2010



RAPPORT ANNUEL 2010
États financiers vérifiés et rapport de gestion de la direction
 POUR L'EXERCICE FINANCIER TERMINÉ LE 30 JUIN 2010

RENSEIGNEMENTS CORPORATIFS – CORPORATE INFORMATION	
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Vérificateurs : Auditors:	Raymond Chabot Grant Thornton Val-d'Or (Québec)
Agent des transferts : Transfert Agent:	Computershare Montréal (Québec)
Inscription bourse : Stock Listing / symbol:	Bourse de Croissance TSX TSX Venture Exchange
Symbole / Symbol:	MTO – MTO.WT

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT JUNE 30, 2010

Metanor was incorporated on January 10, 2003 under the Canada Business Corporations Act. Its head office is located at 2872 Sullivan Road, Suite 2, POB 420 - Sullivan, Val-d'Or, Québec, J9P 0B8, phone: 819 825-8678, email: info@metanor.ca. Metanor is a public Corporation, listed in the Tier 1 at the TSX Venture Exchange. Since December 22, 2005, Metanor's shares are traded on the Frankfurt Stock Exchange, in Europe.

The business of Metanor pertains to the exploration of its mining properties (auriferous bearing and base metal) located in Quebec or in Ontario.

The majority of its properties contain mineral resources. When further exploration will be incurred on the Bachelor and Barry properties, the Company will then determine if these properties contain economically profitable ore resources. The Company intends to continue the exploration work on all of its other properties and more specifically on the Nelligan, Hewfran, MJL-Hansen, MJL-2 and Barry 2 properties.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This report provides a review and analysis of our financial situation and results from operations. This will help the reader to assess material changes in our financial situation for the financial year ended June 30, 2010 in comparison to the same periods of the previous year. This Management Discussion and Analysis Report, prepared as of October 15, 2010 complies with Rule 51-102A of the Canadian Securities Administrators on continuous disclosure, is intended to supplement our audited financial statements. This Report should be read in conjunction with the interim and annual financial statements and the accompanying notes to financial statements. It presents the management's point of view on the Company's ongoing activities and its current and past financial results, as well as an outlook of the activities planned for the coming months. This present MD&A Report was submitted to the audit committee and the Board of directors for approval on October 19, 2010. All dollar amounts are expressed in Canadian dollars, unless otherwise specified.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Given that the Company is in the process to determine whether its mineral properties contain mineral deposits that are economically recoverable, the Company did not generate positive cash flows from its operations until now. As at June 30, 2010, the Company has a deficit of \$24,620,398. These conditions raise doubt regarding the Company's ability to continue as a going concern.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE (continued)

The Company's ability to continue as a going concern is dependent upon achieving commercial production of mineral deposits that are economically recoverable and its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so in the past, there is no assurance that it will manage to obtain additional financing in the future. Management assesses its need for financing and its alternatives in strategic changes, including potential changes in its exploration programs and its discretionary expenses.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classification have not been adjusted as would be required if the going concern assumption were not appropriate.

Further information about the Company, its properties, projects, annual and quarterly reports are available for consultation on the web site of the Corporation or SEDAR at the following addresses: www.metanor.ca and www.sedar.com.

The Board of Directors is composed of: Serge Roy (Chairman and Chief Executive Officer), Ghislain Morin (President and Chief Operating Officer), Raymond Couture*, Ronald Perry* (Treasurer), Tristram Robert Coffin* and Robert C. Bryce* (*member of the Audit Committee).

OPERATION EXPENSES AND SELECTED ANNUAL OPERATION

For the year ended June 30, 2010, the Company incurred a loss of \$7,858,468 (\$0,067 per share) compared to a loss of \$5,991,552 (\$0,072 per share) for the preceding year and a net loss of \$5,809,081 (\$0,088 per share) for the year ending June 30, 2008. In 2009 and 2010, the loss is explained in most part by a write down of mineral properties and deferred exploration expenses, stock-based compensation, interest on revolving credit and financing fees. The revenues consist of interest earned on its cash and cash equivalents.

Selected financial Information:

	June 30 2010	June 30 2009	June 30 2008
	\$	\$	\$
Revenues	10,733	28,211	212,063
Interest			
Expenses	8,984,201	7,219,763	7,176,144
General and administrative expenses			
Net loss	(7,858,468)	(5,991,552)	(5,809,081)
Basic and diluted net loss per share	(0.067)	(0.072)	(0.088)
Balance sheet			
Total assets	\$64,018,180	\$60,243,851	\$49,087,173
Total liabilities	\$12,891,596	\$12,742,748	\$10,022,607
Shareholder's Equity	\$51,126,584	\$47,501,103	\$39,064,566

Analysis of general, administrative and other expenses

During the year ended on June 30, 2010, administrative and other expenses represent an amount of \$8,984,201 compared to \$7,219,763 on June 30, 2009. During 2010, the write down of mineral properties and deferred exploration expenses totaled \$3,561,406 compared to \$1,353,141 in 2009 and stock-based compensation \$1,343,000 in 2010 compared to \$725,508 in 2009. Furthermore, the gain on exchange rate was of \$408,500 in 2010 compared to a loss on exchange rate of \$745,871 in 2009.

Analysis of general, administrative and other expenses (continued)

Financing fees of \$826,871 were incurred (compared to \$557,850 in 2009). Investors' relations fees increased of \$63,441 going from \$144,095 in 2009 to \$207,536 in 2010 and the salaries and fringe benefits decreased of \$264,530 going from \$1,317,142 in 2009 to \$1,052,612 in 2010.

The options granted during the year created an expense of \$1,343,000 as stock-based compensation (\$725,258 in 2009) and an amount of \$14,875 as stock-based compensation to consultants in investors' relations (\$10,250 in 2009), increasing the contributed surplus by an amount of \$1,357,875 (\$735,508 in 2009). The fair value of the options granted during the year was estimated on the grant date using the Black-Scholes option-pricing model and the weighted average fair value was established at \$0.45 per reserved share in 2010 compared to \$0.44 per share in 2009. The expiration of stock purchase warrants created an increase in contributed surplus of \$68,102 (\$370,382 in 2009). An amount of \$170,650 (\$109,858 in 2009) of stock based compensation was recorded in deferred exploration expenses.

The main administrative expenses are detailed as follows:

Administration & other expenses	June 30 2010 \$	June 30 2009 \$	June 30 2008 \$
Stock-based compensation	1,343,000	725,258	896,898
Salaries and fringe benefits	1,052,612	1,317,142	942,362
Travel, entertainment and publicity	419,704	520,771	483,067
Investor relations	207,536	144,405	619,614
Professional fees	501,978	542,418	238,180
Insurance	83,257	74,377	52,509
Office expenses	77,430	64,368	83,820
Trustees and registration fees	58,809	34,099	40,076
Rental expenses	36,000	41,400	52,350
Reports to shareholders	34,033	45,833	77,207
Maintenance and repairs	37,163	38,330	53,762
Telecommunications	18,957	54,618	44,824
Financing fees	826,871	557,850	2,196,436
Loss (gain) on exchange rate	(408,500)	745,871	24,110
Interest on revolving credit	862,116	718,771	24,279
Part X11.6 income taxes	76,538	90,584	-
Write down of mineral properties and deferred exploration expenses	3,561,406	1,353,141	1,214,455

Net loss and comprehensive loss

During the year, the Company incurred a loss before income taxes of \$8,973,468 and by including an amount of \$1,115,000 for future income taxes, the result was a net loss and comprehensive loss of \$7,858,468 or \$0.067 per basic and diluted share. During the previous year, the Company incurred a loss before income taxes of \$7,191,552 and including an amount of \$1,200,000 for future income taxes, the result was a net loss and comprehensive loss of \$5,991,552 or \$0.072 per basic and diluted share. The weighted average number of shares outstanding on June 30, 2010 was of 116,637,734 compared to 83,733,215 on June 30, 2009. The increase in the number of shares is attributable to the private placements. The net loss increased in proportion to the increase in the administration and other expenses.

As at June 30, 2010, net investment income of \$10,733 was earned during the year, compared to \$28,211 in 2009. The decrease in interest income is due to the decrease in investment.

BACHELOR LAKE SHAFT WORK ACCIDENT

On October 30th, 2009, an accident occurred during the rehabilitation work of the mine shaft of the Bachelor Lake mine causing the loss of life of two (2) employees of the Company and one (1) of our sub-contractor Montali Inc. Members of the management and employees worked closely with the concerned authorities to determine the circumstances of this accident. On November 16th, 2009, the Company received authorization from the CSST to resume the rehabilitation work of the mine shaft of the Bachelor Lake mine. The operations at the Barry open pit and the Bachelor Lake mill were not affected.

The enquiry report of the accident prepared by the CSST was deposited on October 7, 2010. In this report, it was recommended to install a new underground alarm system of the type «Fail Safe», for which the power always holds the relay at the surface, and a second system of the type balloon (high limit) in series in the alarm circuit at the bottom of the shaft to ensure the opening of the circuit in case of a malfunction of the first. If an alarm arises, a wire is cut, or if we lose the feeding of the signals, the relay opens and triggers the interior and exterior alarms.

These modifications were made in the days that followed the accident.

The Company will have to pay a fine for an amount varying between \$5,000 and \$22,000.

DEFERRED EXPLORATION EXPENSES

The following table details the balance of acquisition costs and deferred exploration expenses by property and by year end :

Property	Acquisition cost June, 30 2010 \$	Deferred exploration expenses/ June 30, 2010 \$	Acquisition cost June, 30 2009 \$	Deferred exploration expenses/ June 30, 2009 \$
Bachelor Lake	5,596,772	9,297,760	5,596,532	3,588,034
Hewfran	444,623	1,163,193	444,623	1,180,961
MJL / Hansen	190,350	70,077	190,350	56,931
Barry	1,997,921	12,520,556	1,997,921	11,451,182
MJL-2	434,250	87,545	434,250	107,095
Nelligan	89,600	326,453	89,600	145,216
TOTAL	8,753,516	23,465,584	8,753,276	16,529,419

The following chart shows the deferred exploration expenses incurred during the year ended June 30, 2010, by category and by property.

Expenses	Bachelor Lake	Hewfran	MJL-Hansen	Barry	MJL-2	Nelligan	Others	Total
Drilling	-	-	11,002	890,056	-	138,682	-	1,039,739
Labour	2,168,554	13,260	10,089	5,207,977	1,586	56,176	1,232	7,458,875
Lodging	33,055	-	322	721,619	-	1,329	-	756,325
Core library and rental expenses	-	600	1,050	255	1,050	3,500	850	7,306
Equipment rental	49,514	-	-	-	-	-	-	49,514
Stripping and line cutting	21,611	-	-	179,318	-	2,200	-	203,129
Assays	8,457	-	-	4,285	-	15,065	-	27,808
Professional fees	134,332	9,318	-	142,141	-	-	-	285,790
Consulting	2,309,038	315	(5,000)	875	-	800	-	2,306,028
Maintenance	33,467	-	950	7,135	172	7,272	-	48,997
Repairs	(2,243)	-	-	263,792	-	253	-	261,803
Material	1,269,655	31	-	1,750	-	523	-	1,271,959
Fuel and Energy	89,634	-	-	1,183,054	-	-	-	1,272,688
Maps and reports	2,701	250	833	15,910	-	6,334	-	26,028
Office expenses	134,251	-	-	282,516	-	516	-	417,284
Telecommunications	1,592	-	35	80,690	-	264	-	82,580
Taxes and permits	2,682	-	2,704	201,910	1,170	5,130	2,261	215,858
Insurance	2,125	-	-	205,830	-	-	-	207,955
Transportation	95,633	-	-	2,900	-	-	-	98,533
Ore processing expenses	197,125	-	-	14,149,452	-	-	-	14,346,577
Interest	-	-	-	26,557	-	-	-	26,557
Assets retirement costs	-	-	-	220,464	-	-	-	220,464
Amortization	6,444	-	-	1,640,214	-	-	-	1,646,659
Accretion expense	-	-	-	254,514	-	-	-	254,514
Royalties	-	-	-	603,265	-	-	-	603,265
Compensation	88,020	-	-	82,630	-	-	-	170,650
TOTAL	6,645,648	23,773	21,983	26,369,111	3,979	238,044	4,343	33,306,883

The Company recorded a write down of its deferred exploration expenses incurred on the Barry property for an amount of \$3,556,673 on Barry and on the Other property for an amount of \$4,343. These reductions of values allow the Company to comply with the auditing and accounting standards on the deferred exploration expenses.

CASH FLOWS

For the financial year ending on June 30 2010, the cash flow used for **operating activities** was of \$5,110,421 and compared to \$3,255,669 \$ in 2009. The increase is mainly caused by the increase in the net loss of \$7,858,468 compared to \$5,991,552 in 2009, the unrealized gain on exchange rate of \$631,438 compared to an unrealized loss on exchange rate of \$594,720 in 2009 and the changes in the accounts payable and accrued liabilities used of \$914,498 in 2010 compared to \$1,381,951 generated in 2009. An amount of \$3,561,406 (\$1,353,141 in 2009) was recorded as a write down of mineral properties and deferred exploration expenses.

During the year, \$4,441,803 was used for **investing activities** compared to \$14,170,652 for the corresponding year ended on June 30, 2009. During the year 2010, these expenses included a use of \$4,956,073 in property, plant and equipment, \$294,201 in material and exploration supplies, \$29,722,597 in deferred exploration expenses and generated \$4,285,980 in restricted funds for exploration, \$3,755,220 in term deposit and \$22,792,329 in gold sales. During the previous year, the expenses relating to investing activities used \$2,741,159 in property, plant and equipment, \$7,500,000 in term deposit, \$24,831,024 in deferred exploration expenses, generated \$1,806,692 in restricted funds for exploration and \$16,341,881 in gold sales.

In 2010, the investments were incurred mainly for the acquisition of property, plant and equipment and for exploration and development of the Barry and Nelligan properties. Preparatory work was also incurred to permit the underground exploration of the Bachelor property which required major investments.

The **financing activities** generated cash flows of \$10,530,559 for the year ended June 30, 2010 compared to \$17,426,321 in 2009. During the year, an amount of \$12,180,649 (\$15,954,540 in 2009) was received due to the closing of private placements and the exercise of warrants and stock options and share issuance expenses were incurred for an amount of \$1,110,225 (\$1,219,066 in 2009). An amount of \$200,120 was used to reimburse the revolving credit. New loans generated \$103,810 (\$nil in 2009) and payments on the long-term debt used \$443,555 in 2010 compared to \$212,383 in 2009.

Overall, the operating, investing and financing activities generated an increase in the cash and cash equivalents of \$978,335 in 2010 compared to \$nil in 2009. During the year, a decrease of cash flow used for investing activities increased the cash and cash equivalents of \$978,335 at end of year.

BALANCE SHEET

As at June 30, 2010, the total assets of Metanor amounted to \$64,018,180 compared to \$60,243,851 as at June 30, 2009. This difference is mainly due to the increase of the tax credits receivable related to exploration, the property, plant and equipment and the deferred exploration expenses and to the decrease of the term deposit and the restricted funds for exploration.

The main assets are detailed as follows:

Assets	June 30, 2010 \$	June 30, 2009 \$
Cash and cash equivalents	978,335	-
Taxes receivable and other	560,011	870,458
Tax credits receivable related to exploration	1,450,685	1,036,579
Term deposit	-	3,755,220
Other receivables	959,135	954,967
Prepaid expenses	436,466	200,642
Restricted funds for exploration	-	4,285,980
Material and supplies for exploration	845,130	550,929
Deposits on contract	123,153	291,876
Advances on production royalties	240,820	342,677
Property, plant and equipment	26,205,345	22,671,828
Mineral properties (acquisition cost)	8,753,516	8,753,276
Deferred exploration expenses	23,465,584	16,529,419

BALANCE SHEET (continued)

On June 30, 2010 the liabilities of the Company totalled \$12,891,596 compared to \$12,742,748 on June 30, 2009. The accounts payable and accrued liabilities increased from \$4,315,312 on June 30, 2009 to \$10,299,300 on June 30, 2010. The revolving credit is classified as short-term in 2010 due to the expiry date which is November 30, 2010.

The main items composing the liabilities are:

Liabilities	June 30, 2010 \$	June 30, 2009 \$
Accounts payable and accrued liabilities	4,345,062	3,967,560
Balance payable related to an acquisition of a mineral property	43,750	43,750
Royalties payable	284,704	123,840
Short-term instalments on long-term debt and obligations under capital leases	409,244	180,162
Revolving credit	5,216,540	6,047,200
Long-term debt	205,442	247,896
Assets retirement obligations	2,386,854	2,132,340

Net Working Capital

As at June 30, 2010, Metanor had a negative net working capital of \$5,914,668 compared to a positive net working capital of \$2,502,554 as at June 30, 2009. The negative net working capital is mainly due to the disclosure of the revolving credit in the current liabilities due to the expiry date which is November 30, 2010.

Regarding the revolving credit, the Company is required to maintain a working capital ratio equal or greater than 1.0. The calculation of the working capital ratio includes the material and supplies for exploration classified in the long-term assets and excludes the revolving credit included in the current liabilities. As at June 30, 2010, the Company was in compliance with this ratio.

Shareholders' Equity

The Shareholders' Equity as at June 30, 2010 include the capital stock of \$68,947,879 to which is added the accounting value of \$1,758,076 for the warrants and \$5,041,027 for the contributed surplus for a total amount of \$75,746,982 less the deficit of \$24,620,398. As at June 30, 2009, the Shareholders' Equity amounted to \$47,501,103.

Capital Structure

The capital stock of the Corporation is composed of an unlimited number of Common shares and of Preferred Shares, which can be issued in series.

On June 30, 2010, the capital structure of the Company was:

Common Shares	128,692,505
Stock Options	7,487,250
Warrants	42,138,760

As at October 28, 2010, a total of 135,445,497 shares were issued and outstanding and none were subject to an escrow agreement.

Source of financing

During the year ended June 30, 2010, the Company completed four private placements for a total amount of \$6,595,000 (\$13,424,900 in 2009) and one flow-through private placement for a total amount of \$5,531,792 (\$2,529,640 in 2009). Share issuance expenses of \$1,110,225 (\$1,219,066 in 2009) were incurred during the year ended June 30, 2010.

SUMMARY OF FINANCIAL INFORMATION

Information for the three month periods ended on:

	June 30, 2010 \$	March 31, 2010 \$	Dec. 31, 2009 \$	Sept. 30, 2009 \$	June 30, 2009 \$	March 31, 2009 \$	Dec. 31, 2008 \$	Sept. 30, 2008 \$
Total revenues	162	531	10 032	8	(37,983)	53,067	13,099	28
Net loss	(4,919,263)	(801,486)	(1,661,948)	(475,771)	(876,235)	(1,311,603)	(2,503,422)	(1,300,292)
Net loss/ basic and diluted share	(0.041)	(0.007)	(0.015)	(0.004)	(0.007)	(0.016)	(0.032)	(0.017)

Information for the fiscal years ended on:

	June 30, 2010	June 30, 2009	June 30, 2008
Total revenues	\$10,733	\$28,211	\$212,063
Net loss	(\$7,858,468)	(\$5,991,552)	(\$5,809,081)
Basic and diluted net loss per share	(\$0.067)	(\$0.072)	(\$0.088)

MINING PROPERTIES AND FUTURE EXPLORATION WORK

Nelligan Property

The Nelligan property consists of 58 claims totaling approximately 2880.83 ha located immediately to the west of the Bachelor property. The Valley group is located on the Nelligan and Benoit Townships and comprises 23 mining claims that cover an area of 1,287.56 hectares. The northwestern corner of the property is cut by Highway 113, which is accessible by car. A trail from Highway 113 enables all-terrain vehicle access onto the property.

Since September 2007, the Company has an option to acquire 70% interest in the Nelligan Property held by Murgor Resources Inc. and whereby the Company will incur aggregate exploration expenditures in the amount of \$450,000 over three years on the property.

During the period, drafting of all the work performed on the property since the signature of the agreement in 2007 was continued by Tech2Mine of Val-d'Or (Quebec) and the reports describing all the results obtained during the stripping and diamond drilling programs were initiated by the Company's staff. The first report concerns a mechanical stripping and channel sampling program performed by the Company during the period from June to August 2008 on the Billy Group of the Nelligan property. This exploration program was designed to test a series of gold bearing sheared zones exposed on surface during a trenching program performed by Murgor Resources Inc. in 2006 and where assay values such as 582 g/t Au over 0.53 metre and 3.15 g/t Au over 3.0 metres were obtained from channel sampling. The Company significantly enlarged the stripped areas and extended sheared and mineralized zones exposed in 2006. At least four new sheared zones were exposed in trench #3 and are all gold bearing over significant width. The best assay results were obtained in the east-west

MINING PROPERTIES AND FUTURE EXPLORATION WORK (Continued)

Nelligan Property (continued)

striking North shear which returned an intersection of 0,5 g/t Au over 4,0 m. Sheared zones in the area of trench #1 were also significantly extended and a new east-west sheared fractured and mineralized gold zone was exposed to the southwest of trench #1 and contains amount of chalcopyrite associated with pyrite within quartz veins. Grab samples of up to 17.4 g/t Au and up to 1.14% Cu were obtained but the best channel sample was 2.53 g/t Au over 0.5 m. This exploration program was successful to locate a series of northeast striking altered sheared and mineralized zones and east-west to east-southeast trending structures that may contain gold enrichment. These structures are showing similar alteration characteristic of mineralized zones at the Bachelor-Hewfran properties located immediately to the east. The results obtained during the recent stripping and sampling programs justify additional work to further explore the gold potential of this property. It is recommended to continue to work in those areas in order to extend these structures in all directions and in order to locate similar structures. The proposed work includes detailed ground magnetic survey and Induced Polarization survey in order to locate extensions of these sheared and mineralized structures and a diamond drilling program to test the targets already defined in the vicinity of the stripped areas and that will be generated by the geophysical surveys.

The second report concerns a diamond drilling program of sixteen (16) holes NE-09-01 to NE-09-16 totalling 3,313 feet (1,009.9 meters) performed by the Company between July 02, 2009 and December 01, 2009, mainly on the Valley group (13 holes) and on the Billy group of the Nelligan property. This drilling program was designed to test a series of gold bearing quartz veins exposed on the surface of the Valley group during a stripping program performed by Murgor Resources Inc. in 2006 and to test an east-west striking mineralized structure newly exposed on the Billy group by Metanor during a stripping program executed in 2008. The trenching program conducted by Murgor Resources Inc. in 2006 successfully located and uncovered the bedrock source to a gold mineralized boulders of quartz-carbonate veins and strongly altered and sheared volcanic rocks at the Float Showing. Gold occurs within a steeply north dipping (80°), west-southwest striking (250° to 260°) shear zone characterized by iron carbonate, chlorite, sericite, fuchsite, and tourmaline alteration and pyrite mineralization. The best assay result came from a grab sample of altered volcanic and quartz veining in the shear zone that yielded 3.25 g/t Au. Channel sample taken on sections along the stripped area returned from west to east intersections of 2.02 g/t Au over 2.10 m, 1.30 g/t Au over 1.0 m and 1.16 g/t Au over 1.20 m. This diamond drill program was successful in locating at shallow depth sheared and mineralized gold bearing structures and the best gold intersection was obtained from an east-west striking sheared and mineralized structure located to the north of the stripped area with an intersection of 26.67 g/t Au (uncut) or 6.43 g/t Au (cut to 1 oz/t Au) over 4.51 m (14.8 feet). This short exploration program was successful to locate mineralized zones associated with geological unit that are recognized to contains gold bearing structure and it is recommended to continue to work in those area in order to extend these structures in all directions and in order to locate structures showing similar alteration and characteristic of mineralized zones present at the Bachelor-Hewfran properties located immediately to the east.

Barry Property

During the period of April to June 2010, following a re-interpretation of the gold bearing structures occurring along the deformation corridor of Barry, the Company engaged SGS-Geostat Engineering to produce a NI 43-101 Report on the promising Barry Open Pit. The digitalization of all the interpreted structures on sections was given to Tech2mine of Val d'Or and was completed during the first week of May 2010. All the computerized data were provided to SGS-Géostat Engineering which began its independent compilation and calculation according to the geological interpretation provided by the Company and a calculation of the new resources was initiated. This resource calculation should include all previous data and new data provided after extensive work performed by the Company since the acquisition and which include extensive channel sampling, benching and mining in 3 open pits, a diamond drilling program executed in 2008 totalling 9,226 m in 77 holes (MB-08-258 to MB-08-337) where 6,548 samples were taken and analysed for gold and a drilling program completed in 2009 and totalling 168 holes (MB-09-344 to MB-09-504) totalling 19,848 m and where a total of 15,420 samples were taken and analyzed for gold. This drilling campaign allowed the extension of the Main Zone towards the west and to extend the Centre Zone over a surface length of more than 500 m, between surface and an approximate vertical depth of 100 m. The Centre Zone is the western extension of zone 43 and is located on the Hanging Wall side of the deformation corridor of Barry and localized approximately 80 m to the south of the Main zone. This resource calculation for the Barry deposit was completed during the month of September 2010 and the report 43-101 should be given to the Company towards the end of October 2010.

MINING PROPERTIES AND FUTURE EXPLORATION WORK (Continued)

Barry United, Barry Centre & Barry Extension Properties

In December 2009, Diagnos Inc. was mandated by the Company to use its proprietary Computer Aided Resource Detection System «Cards») on the Barry property and its surroundings. The area is located at the eastern part of the Abitibi greenstone belt, which lies within the Superior Province of the Canadian Shield, renowned for its concentration of world class gold and copper deposits.

The purpose of this work was to identify potentially mineralized gold targets located in the Urban-Barry greenstone belt. Gold target zones on the Barry property and surroundings were generated using Diagnos Inc's proprietary Computer Aided Resource Detection System «Cards». Targets were generated on some areas of the property and the modeling results are presented in the set of accompanying maps. For all models, the variable that is predominant is the total field magnetic. The «Cards» models have been able to outline a series of areas with interesting potential for gold mineralization that merit further exploration efforts.

Bachelor Property

During the year, the work carried out by the Company was the installation of the new 10' hoist, the raising of the head frame, the hiring of the contractor Montali to execute the work to repair the shaft, the preparation and installation of the equipment for the sinking of the shaft, the installation of the new administration buildings and the new bunkhouses. The Company also carried out the work regarding the rehabilitation of level 1 in order to get to the ventilation raise, the rehabilitation of the levels 4, 6, 10 and 12 and the installation of the new alarm system for the pumping of the underground water.

CONTINGENCIES

On July 28, 2010, a contractor instituted a motion against the Company introducing a proceeding for an account receivable of \$2,130,767 relating to equipments in waiting. The Company considers the above-mentioned motion as unfounded and thus, no provision was accounted for.

The Company is partly financed by issuance of flow-through common shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian explorations expenses, even if the Company has taken all the necessary measures to meet its commitment. The refusal of some expenses by the fiscal authorities would have a negative fiscal impact on investors and the Company and these consequences are undeterminable.

SUBSEQUENT EVENTS

On July 12, 2010, the Company granted 75,000 stock options in the favour of an employee at a price of \$0.70 per share, exercisable for 10 years. The options vest over one year, 25% each quarter. Total stock-based compensation costs amount to \$32,250 for an estimated fair value of \$0.43 per option. The cost will be recorded over the vesting period. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 62.38%, a risk-free interest rate of 3.21% and an expected life of options of 10 years.

SUBSEQUENT EVENTS (continued)

On September 2, 2010, the Company granted 35,000 stock options in the favour of two employees at a price of \$0.56 per share, exercisable for 10 years. Total stock-based compensation costs amount to \$13,650 for an estimated fair value of \$0.39 per option. The cost will be recorded over the vesting period. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 62.06%, a risk-free interest rate of 2.87% and an expected life of options of 10 years.

On September 22, 2010, the Company granted 120,000 stock options in the favour of two employees at a price of \$0.50 per share, exercisable for 10 years. Total stock-based compensation costs amount to \$42,000 for an estimated fair value of \$0.35 per option. The cost will be recorded over the vesting period. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 64.89%, a risk-free interest rate of 2.87% and an expected life of options of 10 years.

On July 30, 2010, the Company closed a private placement of 4,902,992 flow through shares at a price of \$0.65 per share for gross proceeds of \$3,186,945. A cash commission was paid to Northern Securities Inc. representing 7 % of the gross proceeds raised in the private placement. All securities issued are subject to a holding period of four months and one day from the date of closing.

On October 8, 2010, the Company closed a private placement of 1,500,000 common shares at a price of \$0.50 per share for gross proceeds of \$750,000. The shares are qualifying shares under the Quebec Stock Savings Plans II program. All securities issued are subject to a holding period of four months and one day from the date of closing.

On October 21, 2010, the Company closed a private placement of 8,285,242 flow through shares at a price of \$0.515 per share for gross proceeds of \$4,266,900. A cash commission was paid to Secutor Capital Management Corporation and L'Industrielle Alliance Valeurs mobilières Inc. representing 7 % of the gross proceeds raised in the private placement. All securities issued are subject to a holding period of four months and one day from the date of closing.

COMMITMENTS

On May 14, 2008, the Company entered into an a credit facility agreement of \$US10M with a syndicate of borrowers, bearing interest at the greater of the US prime rate or 7 %, plus a prime of 5 % increasing to 15 % in case of default. On July 31, 2010, the Company entered into a new agreement which modifies the terms of the May 14, 2008, agreement and provides a secured renewable credit facility of \$US4,900,000 at the same conditions mentioned above. In 2010, the revolving credit bears interest at 12 %.

The Company is committed to spend \$5,351,592 in exploration expenses relating to flow-through financing closed in 2009. These expenses have to be incurred before December 31, 2010.

The Company has signed lease commitments for equipments and mining buildings at interest rates from 8.9 % to 12.17 %, payable in monthly instalments of \$32,235, maturing in 2011. The Company also signed a lease commitment with a company controlled by a director, for the rent of the head office, for an amount of \$3,000 per month.

RELATED PARTY TRANSACTIONS

During the exercise, the Company incurred the following expenses and fees with related parties (directors, officers or companies under their control), compared to the previous exercise:

Expenses	June 30, 2010 \$	June 30, 2009 \$
Administrative expenses		
Professional fees	41,000	34,500
Consulting fees	123,000	120,000
Rental expenses	36,000	36,000

In 2010, director's fees for an amount \$3,000 were paid to Malcolm Duncan, \$8,000 to Ronald Perry, \$14,000 to Raymond Couture, \$9,000 to Tristram Coffin and \$7,000 to Robert C Bryce. Consulting fees of \$123,000 were paid to Briolijor Corporation, a company controlled by Mr. Ronald Perry. Rent expenses were paid to a Company controlled by Serge Roy for the Company's head office for an amount of \$36,000 in 2010 and 2009. During the year ended of June 30, 2009, the Company paid director's fees for an amount of \$15,000 to Malcolm Duncan, \$9,000 to Ronald Perry and \$10,500 to Raymond Couture and an amount of \$120,000 was paid to a company controlled by Ronald Perry for consulting fees regarding special mandates and other services. These transactions occurred during the normal course of operations and were measured at the exchange amount, which is the amount established and accepted by the parties.

DIVIDEND POLICY

The Company has not declared any cash dividend on its outstanding common shares since its incorporation. Any decision to pay dividends to holders of common shares will be made by the Board of Directors based on its assessment of the Company's financial position, taking into account the funds required to ensure future growth and other factors deemed pertinent under the circumstances. It is unlikely that a dividend will be paid in the foreseeable future.

INFORMATIONS REGARDING THE ISSUED AND OUTSTANDING SHARES

Schedule –Outstanding Shares

	Actions ordinaires / Common shares	Montant / Amount \$
Balance, June 30, 2008	73,419,693	45,855,557
Cash, private placements	26,849,800	13,424,900
Cash, flow-through private placements	5,488,089	2,529,640
Acquisition of mineral properties	50,000	37,000
Less: share issue expenses	-	(2,777,974)
Balance, June 30, 2009	105,807,582	59,069,123
Cash, private placements	13,190,000	6,595,000
Cash, flow-through private placements	9,227,227	5,351,792
Exercise of options	125,000	125,000
Exercise of broker warrants	342,696	226,186
Less: share issue expenses	-	(2,419,222)
Balance, June 30, 2010	<u>128,692,505</u>	<u>68,947,879</u>

Outstanding Stock Options

	2010	2009	
	Weighted average exercise price	Shares	Weighted average exercise price
	\$	Shares	\$
Outstanding, beginning of year	0.80	4,843,000	4,702,161
Granted	0.45	3,404,000	404,000
Exercised	0.50	(125,000)	-
Expired	0.32	(609,750)	(113,161)
Cancelled	0.38	(25,000)	(150,000)
Outstanding, end of year	0.77	7,487,250	4,843,000
Exercisable, end of year	0.78	7,320,250	4,738,500

Exercisable and outstanding granted stock options as at June 30, 2010

Expiry Date	Exercise Price	2010		2009	
		Number of shares		Number of shares	
		exercisable	outstanding	exercisable	outstanding
	\$				
August 24, 2009	0.81	-	-	180,000	180,000
August 31, 2009	0.50	-	-	15,000	15,000
October 5, 2009	0.70	-	-	146,000	146,000
February 24, 2010	1.09	-	-	50,000	50,000
May 26, 2010	0.50	-	-	125,000	125,000
May 26, 2010	0.60	-	-	100,000	100,000
May 26, 2010	0.66	-	-	15,000	15,000
September 18, 2010	0.50	3,750	3,750	-	-
November 6, 2010	0.48	10,000	10,000	-	-
November 6, 2010	0.49	30,000	30,000	-	-
November 6, 2010	0.66	7,500	7,500	-	-
November 6, 2010	0.68	40,000	40,000	-	-
January 18, 2011	0.48	15,000	15,000		
January 18, 2011	0.66	15,000	15,000		
February 28, 2011	0.90	35,000	35,000	35,000	35,000
February 28, 2011	1.00	30,000	30,000	30,000	30,000
March 22, 2012	0.50	87,500	175,000	-	-
November 28, 2012	0.50	100,000	100,000		
November 28, 2012	0.60	35,000	35,000	-	-
November 28, 2012	1.00	150,000	150,000	-	-
October 6, 2013	1.00	30,000	30,000	30,000	30,000
January 21, 2014	1.00	440,000	440,000	440,000	440,000
March 17, 2014	0.97	40,000	40,000	40,000	40,000
January 26, 2015	0.60	160,000	160,000	195,000	195,000
October 5, 2015	0.70	50,000	50,000	50,000	50,000
November 29, 2016	0.50	390,000	390,000	490,000	490,000
May 28, 2017	0.80	100,000	100,000	100,000	100,000
August 30, 2017	0.67	175,000	175,000	175,000	175,000
September 17, 2017	0.68	5,000	5,000	45,000	45,000
January 10, 2018	0.82	35,000	35,000	60,000	60,000
January 23, 2018	0.80	28,000	28,000	28,000	28,000
January 30, 2018	0.85	-	-	25,000	25,000
February 3, 2018	1.00	1,995,000	1,995,000	2,145,000	2,145,000
June 4, 2018	0.97	-	-	20,000	20,000
June 30, 2018	0.87	100,000	100,000	100,000	100,000
September 15, 2018	0.48	20,000	20,000	45,000	45,000
February 16, 2019	0.59	59,000	59,000	29,500	59,000
Mai 14, 2019	0.49	35,000	35,000	25,000	100,000
July 1, 2019	0.43	175,000	175,000	-	-
September 2, 2019	0.41	100,000	100,000	-	-
September 28, 2019	0.66	120,000	120,000	-	-
January 17, 2020	0.57	50,000	100,000	-	-
February 18, 2020	0.50	29,500	59,000	-	-
March 31, 2020	0.70	2,125,000	2,125,000		
April 11, 2020	0.70	500,000	500,000		
		7,320,250	7,487,250	4,738,500	4,843,000

Outstanding purchase warrants as at June 30, 2010

Expiry date	Exercise price	2010	2009
		Number	Number
	\$		
May 17, 2010	1.20	-	200,300
March 20, 2011	0.50	1,118,657	1,461,288
March 20, 2011	0.65	13,079,229	12,908,044
April 20, 2011	0.50	149,700	149,700
April 20, 2011	0.65	1,322,350	1,322,350
May 16, 2011	0.99	3,000,000	3,000,000
December 12, 2011	0.50	881,806	-
December 12, 2011	0.65	6,739,517	-
January 8, 2012	0.65	2,000,000	-
March 5, 2012	0.65	2,850,000	-
March 29, 2012	0.65	60,000	-
May 15, 2012	1.00	9,375,001	9,375,001
June 20, 2012	1.00	1,250,000	1,250,000
July 19, 2012	1.00	312,500	312,500
		42,138,760	29,979,183

ACCOUNTING CHANGE

Financial instruments

In June 2009, the Canadian Institute of Chartered Accountants amended Section 3862, "Financial instrument - disclosure". This section has been amended to introduce new financial disclosure requirements, particularly with respect to fair value measurement of financial instruments (three hierarchy levels) and entity exposure to liquidity risk. The amendments to this section apply to annual statements for years ending after September 2009. The Company adopted the amendment of Section 3862 during the fiscal year and there is no impact on the financial statements regarding the adoption of this standard.

FUTURE ACCOUNTING STANDARD

International Financial Reporting Standards («IFRS») IFRS Convergence

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards («IFRS»). The changeover date for the Company will be July 1st, 2011 to be in line with its June year end.

Team

The Company's chief financial officer, who is a chartered accountant, will be performing the IFRS convergence and will report to the Audit Committee on the progress accomplished.

FUTURE ACCOUNTING STANDARD (Continued)

Training

In the fall 2008, the CFO participated in a 3 days training session given by the IFRS Task Force of RCGT (the auditor of the Company). The objective of that training was to compare Canadian GAAP to IFRS. In the fall 2009, a training session was followed on the IFRS for the mineral and mining sector, given by the IFRS Task Force of Raymond Chabot Grant Thornton. Furthermore, a training was followed in December 2009 with IASeminars which covered the IFRS for the mineral and mining sector. As IFRS is expected to change prior to 2011, the CFO will have to look for any changes impacting the Company.

Accounting Policies impacted

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout 2010. Overall, a lot of effort will be put in the financial statements presentation as IFRS requires more disclosure. Based on the analysis of expected accounting differences conducted so far, following is a non-exhaustive list of the IFRS accounting policies that could have a potential impact on the financial statements of the Company.

First Time adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- Optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet: and
- Mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

Impairment (IAS 36, IAS36)

IFRS required the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.

Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

Share-based payments (IFRS 2)

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur. For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ.

FUTURE ACCOUNTING STANDARD (Continued)

Mineral property interest, exploration and evaluation costs (IFRS 6)

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment.

Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

Information systems

The accounting processes of the Company are simple since it is still at the exploration stage and no major challenges are expected at this point to operate the accounting system under the IFRS. Nevertheless, some excel spreadsheets will probably have to be adapted to support the change made in accounting policies.

Internal Controls

Since the Company is a TSX Venture issuer, management does not make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in National 52-109.

Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its filings.

Impact on the business

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company doesn't expect that IFRS will have an impact on the requirements or business processes when it enters in flow-through financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets.

ASSETS RETIREMENT OBLIGATIONS

The Company's assets retirement obligations are based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of future timing of the costs. Amounts of incurred liabilities of \$1,895,761 and \$491,093 were respectively estimated for the mill and the Barry deposit, for total obligations of \$2,386,854.

FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

FINANCIAL INSTRUMENTS (continued)

Financial risk

The Company's main financial risk exposure and its financial risk management policies are as follows :

Credit risk

Generally, the carrying amount on the balance sheet of the Company's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

On June 30, 2010, the Company is subject to concentrations of credit risk through its cash and cash equivalents held in the same financial institution

Liquidity risk

The liquidity risk is the risk that the Company experiences difficulty honouring commitments related to financial liabilities. The management approach concerning cash management is to ensure, as much as possible, that the Company has the necessary funds to meet its financial obligations at maturity. If considered necessary, management renegotiates extensions to maturity dates to balance the needs in cash and financings.

The Company expects to satisfy obligations under accounts payable and accrued liabilities, revolving credit and repayment of the short-term part of long-term debts. Management intends to continue, as was done in the past, to finance its activities by raising funds by private equity investments. Even if it succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and it believes that the liquidity risk is high

The following chart summarizes the Company's financial liabilities as at June 30, 2010:

	Less than one year	Between one and two years	More than two years
	\$	\$	\$
Accounts payable and accrued liabilities	4,345,062	-	-
Revolving credit	5,216,540	-	-
Long-term debt	444,856	135,764	80,260
	<u>10,006,458</u>	<u>135,764</u>	<u>80,260</u>

Market risk

Interest rate risk

The Company's accounts payable and accrued liabilities do not comprise any interest rate risk since they do not bear interest.

The notes payable and the obligations under capital leases bear interest at a fixed rate thus exposing the Company to the risk of changes in fair value arising from interest rate fluctuations.

The revolving credit bears interest at a fixed rate if the U.S. prime rate is below 7% and the Company is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations. If the American prime rate arises above 7%, the Company will be exposed to cash flow risks resulting from interest rate fluctuations

Financial risks (continued)

Exchange risk

The Company is exposed to exchange risk as a result of the revolving credit denominated in U.S. dollars. As at June 30, 2010, the revolving credit amounts to \$US4,900,000. The Company does not actively manage this exposure.

A 10% weakening of the exchange rate of the US currency at June 30, 2010 would have the effect of reducing the book value of the revolving credit of \$521,600, and reduce the interest on the revolving credit and the financial fees for an amount of \$86,200 resulting in a reduction of the net loss of \$607,800. This analysis assumes that other variables, specially interest rates would remain constant. A 10% strengthening of the US currency would have had the equal effects on the revolving credit, the net loss, but reversed.

Interest rate sensitivity analysis

The revolving credit bears interest at variable rates only if the U.S. prime rate is above 7%. Therefore, a 1% variance in the variable interest rates would not have a significant impact on the Company's losses and cash flows.

Furthermore, a 1% increase in the interest rate would have decreased the fair value of the notes payable, the revolving credit and the obligations under capital leases for an approximate amount of \$54,900 as at June 30, 2010 (\$63,400 as at June 30, 2009).

Fair value of financial instruments

Short-term financial assets and liabilities and restricted funds for exploration are financial instruments whose fair value approximates their carrying amount given that they will mature shortly. The fair value of the revolving credit is equivalent to the carrying amount based on future cash flows. The fair value of long-term debt and obligations under capital leases is equivalent to the carrying amount given that management believe that interest rates on loans contracted during the year carry market interest rates.

RISKS AND UNCERTAINTIES

The Corporation is considered as an exploration company. Many external factors influence and should have significant impact on the results of the Corporation and on its financing and capital needs. In the future, additional funds will be necessary to finance exploration work, development and acquisitions. The fund sources available to the Corporation are share issuance or debt. There is no assurance that such financing will be available to the Corporation. Also, if this financing should be completed successfully, there is no assurance as to the effect that the financing will be on favourable conditions for the Corporation or that it will provide enough funds to reach its objectives, which could affect negatively the activities of the Corporation or its financial situation.

Risk due to the state of the industry:

Exploration and advanced development of mining resources are risky endeavours that even careful planning associated with experience and knowledge cannot eliminate. Even if the discovery and exploitation of mineral resources may be extremely lucrative, only a few sites prospected become profitable mines. Significant expenses may prove to be required to determinate mineral reserves, establish metallurgical processes and built the installation needs to extract and treat the minerals from a particular site.

Risk due to the uncertainty of title:

Although the Company has obtained title opinions with respect to certain of its properties and has taken reasonable measure to ensure proper title to its properties, there is no guarantee that title to any of its

RISKS AND UNCERTAINTIES (continued)

properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interest. Exploration and advanced development of mining resources are risky endeavours that even careful planning associated with experience and knowledge cannot eliminate. Even if the discovery and exploitation of mineral resources may be extremely lucrative, only a few sites prospected become profitable mines. Significant expenses may prove to be required to determinate mineral reserves, establish metallurgical processes and built the installation needs to extract and treat the minerals from a particular site.

Risk due to the Governmental regulation:

The activities of the Corporation must respect the multiple laws and regulations which regulate exploration, advanced development and exploitation of mineral resources, the protection of the environment, the acquisition of permits and the authorizations of mining authorities for the work performed. The Corporation believes that it's activities are in conformity with all respects of the law. A charge in legislation could have a negative impact on the activities of the Corporation.

Uninsured Risks

The Company could become liable for subsidence, pollution and other risks against which it cannot insure itself or chooses not to insure itself due to the high cost of premiums or for some other reason. Payment of such liabilities could decrease or even eliminate the funds available for exploration and mining activities.

Commodity Prices

The market for uranium, gold, diamond, base metals or other mineral discovered can be affected by factors beyond the Company's control. Commodity prices have fluctuated widely, particularly in recent years. The impact of these factors cannot be accurately predicted.

FORWARD-LOOKING STATEMENTS - CAUTION

Our report contains « forward-looking statements », not based on historical facts. Forward-looking statements reflect, as at the date of this report, our estimates, forecasts, projections, expectations and beliefs as to future events or results. Forward-looking statements are reasonable estimates, 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, factors associated with 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 Corporation to obtain financing.

The Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revised any forward-looking statements, whether as a result of new information, future events or otherwise.

This management's discussion and analysis contains forward looking statements reflecting the Company's objectives, estimates and expectations. These statements are identified by the use of verbs such as «believe», «anticipate», «estimate» and «expect» as well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Company's projections or expectations.

(s) Serge Roy
Serge Roy, President

(s) Claudine Lévesque
Claudine Lévesque, chief financial officer

Metanor Resources Inc.

(an exploration Company)

Financial Statements June 30, 2010 and 2009

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Auditors' Report

To the shareholders of
Metanor Resources Inc.

We have audited the balance sheets of Metanor Resources Inc. as at June 30, 2010 and 2009 and the statements of loss and comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

1

(s) Raymond Chabot Grant Thornton LLP

Val-d'Or, October 6, 2010 except as to Note 24 which is to October 21, 2010

¹ Chartered accountant auditor permit No 13953

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Metanor Resources Inc.

(an exploration Company)

Loss and comprehensive loss and Deficit

Years ended June 30, 2010 and 2009

	2010	2009
	\$	\$
LOSS AND COMPREHENSIVE LOSS		
Expenses		
Administration expenses	2,610,307	2,947,925
Loss (gain) on exchange rate	(408,500)	745,871
Management, directors and employees stock-based compensation	1,343,000	725,258
Interest on revolving credit	862,116	718,771
Interest on long-term debt	31,259	-
Financing fees	826,871	557,850
Loss on disposal of equipment	1,565	1,780
Depreciation of equipment	79,639	78,583
Part XII.6 income taxes	76,538	90,584
Write down of mineral properties and deferred exploration expenses	3,561,406	1,353,141
Net loss before investment income and comprehensive loss	8,984,201	7,219,763
Net investment income	10,733	28,211
Loss before income taxes	8,973,468	7,191,552
Future income taxes (Note 18)	1,115,000	1,200,000
Net loss and comprehensive loss	(7,858,468)	(5,991,552)
Basic and diluted net loss per share	(0.067)	(0.072)
Weighted average number of shares outstanding	116,637,734	83,733,215
DÉFICIT		
Deficit, beginning of year	(16,761,930)	(10,770,378)
Net loss	(7,858,468)	(5,991,552)
Deficit, end of year	(24,620,398)	(16,761,930)

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

Metanor Resources Inc.

(an exploration Company)

Cash Flows

Years ended June 30, 2010 and 2009

	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Net loss	(7,858,468)	(5,991,552)
Non-cash items		
Stock-based compensation	1,357,875	735,508
Depreciation of equipment	79,639	78,583
Unrealized loss (gain) on exchange rate	(631,438)	594,720
Loss on disposal of equipment	1,565	1,780
Write down of mineral properties and deferred exploration expenses	3,561,406	1,353,141
Future income taxes	(1,115,000)	(1,200,000)
Changes in working capital items:		
Taxes recoverable and others	310,447	(179,929)
Other receivables	173,011	(95,497)
Prepaid expenses	(235,824)	(58,214)
Royalties payable	160,864	123,840
Accounts payable and accrued liabilities	(914,498)	1,381,951
Cash flows used in operating activities	(5,110,421)	(3,255,669)
INVESTING ACTIVITIES		
Restricted funds for exploration	4,285,980	1,806,692
Advances on production royalties	101,857	107,323
Term deposit	3,755,220	(7,500,000)
Property, plant and equipment	(4,956,073)	(2,741,159)
Material and supplies for exploration	(294,201)	(550,929)
Disposal of equipment	1,500	10,000
Acquisition of mineral properties	(629)	(14,924)
Reimbursement of deposit on contract	168,723	45,233
Deferred exploration expenses	(29,722,597)	(24,831,024)
Gold sales	20,792,329	16,341,881
Tax credit received	1,426,088	3,156,255
Cash flows used in investing activities	(4,441,803)	(14,170,652)
FINANCING ACTIVITIES		
Revolving credit	(200,120)	2,903,230
Long-term debt	103,810	-
Payments on long-term debt	(49,928)	(89,643)
Payment on obligation under capital leases	(393,627)	(122,740)
Issuance of shares	12,180,649	15,954,540
Share issue expenses	(1,110,225)	(1,219,066)
Cash flows from financing activities	10,530,559	17,426,321
Net increase in cash and cash equivalents	978,335	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	<u>978,335</u>	<u>-</u>
Additional disclosures on cash flows information (Note 5)		

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

Metanor Resources Inc.

(an exploration Company)

Balance Sheets

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	978,335	-
Taxes receivable and other	560,011	870,458
Tax credits receivable related to exploration	1,450,685	1,036,579
Term deposit (Note 6)	-	3,755,220
Other receivables (Note 7)	959,135	954,967
Prepaid expenses	436,466	200,642
	<u>4,384,632</u>	<u>6,817,866</u>
Restricted funds for exploration (Note 6)	-	4,285,980
Material and supplies for exploration	845,130	550,929
Deposits on contract, without interest or terms of payment	123,153	291,876
Advances on production royalties, without interest	240,820	342,677
Property, plant and equipment (Note 8)	26,205,345	22,671,828
Mineral properties		
Acquisition cost (Note 9)	8,753,516	8,753,276
Deferred exploration expenses (Note 10)	23,465,584	16,529,419
	<u>64,018,180</u>	<u>60,243,851</u>

Metanor Resources Inc.

(an exploration Company)

Balance Sheets

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
	\$	\$
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	4,345,062	3,967,560
Balance payable related to an acquisition of a mineral property, without interest (Note 9h)	43,750	43,750
Royalties payable	284,704	123,840
Revolving credit (Note 11)	5,216,540	-
Short-term instalments on long-term debt and obligations under capital leases	409,244	180,162
	<u>10,299,300</u>	<u>4,315,312</u>
Revolving credit (Note 11)	-	6,047,200
Long-term debt (Note 12)	205,442	247,896
Assets retirement obligations (Note 13)	2,386,854	2,132,340
	<u>12,891,596</u>	<u>12,742,748</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 14)	68,947,879	59,069,123
Warrants (Notes 15 and 17)	1,758,076	1,687,010
Contributed surplus (Notes 16 and 17)	5,041,027	3,506,900
Deficit	(24,620,398)	(16,761,930)
	<u>51,126,584</u>	<u>47,501,103</u>
	<u>64,018,180</u>	<u>60,243,851</u>

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

On behalf of the Board,

(s) Serge Roy

Serge Roy, - president and CEO

(s) Claudine Lévesque

Claudine Lévesque, - CFO

1 - NATURE OF OPERATIONS

The Company, incorporated under the Canada Business Corporation Act, is a mineral exploration Company and has not yet determined whether the mineral properties contain ore reserves that are economically recoverable.

Although the Company has taken steps to verify title to mineral 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.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

2 - GOING CONCERN

The financial statements have been prepared in accordance with Canadian generally accepted accounting principals and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company did not generate positive cash flows from its operations until now. As at June 30, 2010, the Company has a deficit of \$24,620,398. These conditions raise significant doubt regarding the Company's ability to continue as a going concern and the use of the going concern assumption.

The Company's ability to continue as a going concern is dependant upon achieving commercial production of mineral deposits that are economically recoverable and its ability to raise additional financing to further explore its mineral properties and or revolving credit reimbursement (Note 11). Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. Management assesses its need for financing and its alternatives in strategic changes, including potential changes in its exploration programs and its discretionary expenses.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classification have not been adjusted as would be required if the going concern assumption were not appropriate.

3 - ACCOUNTING CHANGE

Recent change to accounting standard

Financial instruments

In June 2009, the Canadian Institute of Chartered Accountants amended Section 3862, "Financial instrument - disclosure". This section has been amended to introduce new financial disclosure requirements, particularly with respect to fair value measurement of financial instruments (three hierarchy levels) and entity exposure to liquidity risk. The amendments to this section apply to annual statements for years ending after September 2009. The Company adopted the amendment of Section 3862 during the fiscal year and there is no impact on the financial statements regarding the adoption of this standard.

4 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Significant estimates include those related to the recoverability of the stated value of the mineral properties and deferred exploration expenses, assets retirement obligation and stock-based compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

4 - ACCOUNTING POLICIES (Continued)

Financial assets and liabilities

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Transaction costs from financial assets and liabilities are recognized in earnings and presented under administrative expenses.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets and liabilities

Held-for-trading financial assets and liabilities are measured at their fair value and changes in fair value are recognized in earnings. Changes in fair value that are recognized in earnings include interest and realized and unrealized gains or losses and are presented under «Net investment income».

Cash and cash equivalents are classified as held-for-trading financial assets.

The Company defines the fair value hierarchy under which its financial instruments are valued as follows: Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices in level 1 that are observable for the asset or liability, either directly or indirectly and level 3 includes inputs for the asset or liability that are not based on observable market data. Cash and cash equivalents is considered as level 1.

Loans and receivable and other financial liabilities

Loans and receivable and other financial liabilities are measured at amortized cost using the effective interest method. Interest calculated using the effective interest method is presented in interest on long-term debt and interest on revolving credit.

Other receivables are classified as loans and receivables. Accounts payable and accrued liabilities, balance payable related to an acquisition of a mineral property, royalties payable, revolving credit and long-term debt are classified as other financial liabilities.

Cash and cash equivalents

Cash and temporary investments having a term of three months or less from the acquisition date are included in cash and cash equivalents.

Restricted funds for exploration

Restricted funds for exploration funds consist of proceeds of flow-through financing not yet expended under the terms of which the Company is committed to spend the amounts on exploration expenses.

4 - ACCOUNTING POLICIES (Continued)

Mining rights tax credit and tax credit for mining exploration companies

The Company is entitled to refundable mining rights tax credit on mining exploration charges incurred in Quebec. This tax credit has been applied against the expenses incurred.

The Company is also entitled to the refundable tax credit for mining exploration companies on qualified expenditures incurred. This tax credit may reach 15% and has been applied against the expenses incurred.

The exploration tax credits are recorded provided that the Company is reasonably certain that these credits will be received.

Property, plant and equipment

Property, plant and equipment are amortized over their estimated useful lives using the straight - line method over the following years :

	<u>Years</u>
Leasehold improvements	5
Office equipment	10
Vehicles	8
Surface mine buildings	15
Equipment and tools	10
Computer and telecommunications equipment	5
Mining equipment	10
Ore mill	15
Assets retirement costs	8

The underground infrastructures in development are not amortized.

Mineral properties

Mineral properties are composed of mining exploration permits and mining claims and are accounted for at their acquisition cost.

Acquisition cost and exploration expenses relating to a non-producing property are deferred until the property is brought into production or abandoned. If commercial production is achieved, the capitalized costs are amortized over the estimated useful life of the project. Upon abandonment or if the costs to date are determined to be unrecoverable, the accumulated costs are charged to earnings. Government assistance, mining duties credits and other credits related to exploration work are applied against the deferred exploration expenses. Revenue from precious metals sales are recorded against deferred exploration expenses until the beginning of commercial production.

4 - ACCOUNTING POLICIES (Continued)

Mineral properties and deferred exploration expenses are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company performs a recoverability test when estimate future cash flows are available. If management has not enough information to estimate future cash flows to evaluate the recoverability of capitalized amounts, management will evaluate it by comparing the fair value and the carrying value, without doing a recoverability test. Management will also consider whether results from exploration works justify further investments, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the future development or if the disposal of the properties will be for proceeds in excess of their carrying value.

Impairment of long-lived assets

Property, plant and equipment are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

Assets retirement obligations

Total estimated cash flow required to settle the obligations arising from environmentally acceptable closure plans are discounted based on the credit-adjusted risk-free interest rate and are recorded as a liability with a corresponding increase to property, plant and equipment, which is depreciated over 8 years, or to deferred exploration expenses, which will be depreciated in accordance with the units-of-production method based on the estimated life of the mine upon beginning of commercial production. The asset retirement obligations are adjusted for accumulated accretion in accordance with the expected timing of payment of the cash flow required to settle these obligations.

Foreign currency translation

Transactions pertaining to the statement of loss are translated at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities resulting from these transactions are translated at the rate of exchange in effect at the balance sheet date. Exchange gains or losses are included in losses of the year.

Basic or diluted net loss per share

Basic net loss per share is calculated using the weighted average number of shares outstanding during the year. The diluted net loss per share, which is calculated using the treasury method, is equal to the basic net loss per share due to the anti-dilutive effect of stock options and warrants outstanding and described in Note 17.

4 - ACCOUNTING POLICIES (continued)

Stock-based compensation

The Company uses the fair value method based on the Black-Scholes pricing model to record the compensation cost related to the issue of stock options to its employees, directors, officers and consultant. When the options are granted, the compensation charge is recorded in the statement of loss or in deferred exploration expenses and the counterpart is credited to contributed surplus. The expense is recorded over the vesting period for employees and over the performance period for consultants. Any consideration received when options are exercised is credited to capital stock together with the related compensation cost recorded as contributed surplus.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to difference between the carrying amounts and tax bases of assets and liabilities. They are measured by applying substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Capital stock

Capital stock issued for non-monetary consideration is generally recorded at the fair market value on the date the shares were issued, or the date the agreement to issue the shares was entered into as determined by the Board of Directors. Costs incurred on the issue of share capital are deducted from the proceeds.

Capital stock – Flow through shares

Under the recommendations of the Emerging Issues committee (EIC 146), future income tax liabilities resulting from the renunciation of qualified mineral expenditures by the Company has to be recorded when the Company renounces to expenses in favour of investors. Under the liability method of accounting of income taxes, the future income taxes related to temporary differences arising at the renunciation are recorded at that time together with a corresponding charge in the share issue expense.

Fair value of the warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method to determine the fair value of warrants issued. Proceeds are first allocated to shares according to their market value at the time of issuance and any residual in the proceeds is allocated to warrants.

5 - ADDITIONAL DISCLOSURES ON CASH FLOWS INFORMATION

	<u>2010</u>	<u>2009</u>
	\$	\$
Non-cash investing and financing activities :		
Accounts payable related to exploration	2,204,931	912,931
Tax credits receivable in deduction of deferred exploration expenses	794,480	953,133
Issuance of warrants in the share issue expenses	193,997	358,908
Contributed surplus - exercise of options	62,500	-
Stock-based compensation accounted for in deferred exploration expenses	170,650	109,857
Fair value of the warrants exercised	54,829	-
Issuance of shares for acquisition of mineral properties	-	37,000
Future income taxes accounted for in share issue expenses	1,115,000	1,200,000
Assets retirement costs accounted for in property, plant and equipment	-	109,567
Assets retirement costs accounted for in deferred exploration expenses	-	79,517
Accretion expense – asset retirement obligations accounted for in deferred exploration expenses	254,514	208,206
Amortization of equipment charged to deferred exploration expenses	1,646,658	1,416,967
Fixed assets acquired under capital leases	526,373	-
Cash flows relating to interest are detailed as follows :		
Interest paid accounted for in earnings	893,375	675,841
Interest paid accounted for in deferred exploration expenses	26,557	41,349
	919,932	717,190

6 - TERM DEPOSIT AND RESTRICTED FUNDS FOR EXPLORATION

	2010	2009
	<u>\$</u>	<u>\$</u>
Term deposit	-	7,500,000
Amount reserved for exploration	-	(3,744,780)
	<u>-</u>	<u>3,755,220</u>
Term deposit reserved for exploration	-	3,744,780
Cash reserved for exploration	-	541,200
Restricted funds for exploration	<u>-</u>	<u>4,285,980</u>

In 2009, the term deposit beared interest at a rate of 0.08% and matured in March 2010.

7 - OTHER RECEIVABLES

	2010	2009
	<u>\$</u>	<u>\$</u>
Accounts receivable	-	195,837
Gold Sales receivable	914,155	736,976
Interest receivable	-	15,945
Other	44,980	6,209
	<u>959,135</u>	<u>954,967</u>

8 - PROPERTY, PLANT AND EQUIPMENT

	2010		
	Cost	Accumulated amortization	Net value
	\$	\$	\$
Leasehold improvements	48,422	29,105	19,317
Office equipment	282,553	92,978	189,575
Vehicles	359,331	102,064	257,267
Surface mine buildings – Bachelor and Barry	5,216,623	592,721	4,623,902
Underground infrastructures in development	3,746,932	14,237	3,732,695
Equipment and tools	595,923	119,013	476,910
Computer and telecommunications equipment	645,714	334,086	311,628
Mining equipment	1,686,717	366,989	1,319,728
Ore mill	14,761,290	1,506,158	13,255,132
Assets retirement costs	1,525,035	422,671	1,102,364
	<u>28,868,540</u>	<u>3,580,022</u>	<u>25,288,518</u>

Capital leased assets

Equipment	544,000	136,000	408,000
Surface mine buildings – Bachelor and Barry	526,373	17,546	508,827
	<u>1,070,373</u>	<u>153,546</u>	<u>916,827</u>
	<u>29,938,913</u>	<u>3,733,568</u>	<u>26,205,345</u>

	2009		
	Cost	Accumulated amortization	Net value
	\$	\$	\$
Leasehold improvements	48,422	19,420	29,002
Office equipment	272,980	65,201	207,779
Vehicles	242,765	86,881	155,884
Surface mine buildings – Bachelor and Barry	5,275,730	259,202	5,016,528
Underground infrastructures in development	1,799,618	7,793	1,791,825
Equipment and tools	604,742	59,420	545,322
Computer and telecommunications equipment	644,149	205,100	439,049
Mining equipment	1,399,960	212,655	1,187,305
Ore mill	12,122,231	608,325	11,513,906
Assets retirement costs	1,525,035	202,207	1,322,828
	<u>23,935,632</u>	<u>1,726,204</u>	<u>22,209,428</u>

Capital leased asset

Equipment	544 000	81 600	462 400
	<u>24 479 632</u>	<u>1 807 804</u>	<u>22 671 828</u>

9 - MINERAL PROPERTIES

		Balance as at June 30, 2009	Addition	Write-off	Disposal	Balance as at June 30, 2010
		\$	\$	\$	\$	\$
<u>Name</u>						
Bachelor Lake	a)	5,596,532	240	-	-	5,596,772
Dubuisson	b)	-	-	-	-	-
Wahnapitei	c)	-	390	(390)	-	-
Hewfran	d)	444,623	-	-	-	444,623
MJL-Hansen	e)	190,350	-	-	-	190,350
Opinaca	f)	-	-	-	-	-
Barry	g)	1,997,921	-	-	-	1,997,921
MJL-2	h)	434,250	-	-	-	434,250
Nelligan	i)	89,600	-	-	-	89,600
		<u>8,753,276</u>	<u>630</u>	<u>(390)</u>	<u>-</u>	<u>8,753,516</u>
		Balance as at June 30, 2008	Addition	Write-off	Disposal	Balance as at June 30, 2009
		\$	\$	\$	\$	\$
<u>Name</u>						
Bachelor Lake	a)	5,593,143	3,389	-	-	5,596,532
Dubuisson	b)	154,615	-	(154,615)	-	-
Wahnapitei	c)	610,135	-	(610,135)	-	-
Hewfran	d)	444,602	21	-	-	444,623
MJL-Hansen	e)	141,836	48,514	-	-	190,350
Opinaca	f)	10,120	-	(10,120)	-	-
Barry	g)	1,997,921	-	-	-	1,997,921
MJL-2	h)	434,250	-	-	-	434,250
Nelligan	i)	89,600	-	-	-	89,600
		<u>9,476,222</u>	<u>51,924</u>	<u>(774,870)</u>	<u>-</u>	<u>8,753,276</u>

Some of these properties are attached with a royalty in case of production.

9 - MINERAL PROPERTIES (continued)

(a) Bachelor Lake

The Company holds a 100% interest in the Bachelor Lake property located in the Lesueur Township, Province of Québec. There is a royalty on the net smelter return ("NSR") payable to a former owner on the property. This royalty will be calculated with a percentage varying from 0.25% to 2% referring to the price of gold being between \$425 and \$560 per ounce, with a maximum amount totaling \$1,750,000. This property is also subject to 1% NSR royalty.

(b) Dubuisson

The Company holds a 100% interest in 14 mining claims located in Dubuisson Township, province of Québec. This property is subject to a 2% NSR royalty. During the previous year, the Company wrote down the mining property for an amount of \$154,615 and the deferred exploration expenses for an amount of \$2,084.

(c) Wahnapeitei

The Company holds a 90% interest in a property, comprised of 2 mining leases located in Sudbury, Ontario. During the previous year, the Company wrote down the mining property for an amount of \$610,135 and the deferred exploration expenses for an amount of \$551,459.

(d) Hewfran

The Company holds a 100% interest in 38 mining claims adjacent to the Bachelor Lake property.

(e) MJL – Hansen

The Company holds a 100% interest in 88 mining claims located near the Bachelor Lake property. The property is subject to a 2% NSR royalty, 1% of which is redeemable for the sum of \$1,000,000.

(f) Opinaca

During the previous year, the Company wrote down the mineral property for an amount of \$10,120 and the deferred exploration expenses for an amount of \$24,728. During the year, the Company abandoned its mineral rights on the property.

9 - MINERAL PROPERTIES (continued)

(g) Barry

1) Barry 1 and Barry United

The Company holds a 100% interest in the Barry gold deposit located 65 Km southeast of the Bachelor Lake mine.

On August 29th, 2007, the Company repurchased 7% of the 8% NSR royalty and for which an advance on royalty of \$250,000 was paid. In return, the Company paid \$800,000 and issued 1,000,000 shares. The Company disbursed a further \$200,000 advance on the 1% NSR royalty. This advance will be reimbursed as contemplated in the December 12, 2006 agreement.

The Company holds a 100% interest in the Barry United property. The property is subject to NSR royalties of 1% and 3% of which half of 1% royalty is redeemable for the sum of \$500,000. Furthermore, the property is subject to another 2% NSR royalty.

2) Barry Extension

The Company holds a 100% interest in this property. The property is subject to a 2% NSR royalty, half of which is redeemable for the sum of \$1,000,000 and the other half at conditions to be agreed upon by the parties.

(h) MJL – 2

The Company holds a 100% interest in 63 mining claims located on the neighboring land of the Bachelor Lake property. The property is subject to a 2% NSR royalty payable to the vendor redeemable at 1% for \$1,000,000 and 1% following the conditions which will be negotiated between the parties.

(i) Nelligan

On August 29, 2007, the Company was granted an option to acquire a 70% interest in 58 mining claims located immediately to the west of the Bachelor property. Under the terms of the agreement, the Company paid \$50,000, issued 60,000 shares and will have to incur a total of \$450,000 in exploration expenses over a three-year period ending August 29, 2010. The property is subject to a 2% NSR royalty.

10 - DEFERRED EXPLORATION EXPENSES

Description	Bachelor Lake	Hewfran	MJL-Hansen	Barry	MJL-2	Nelligan	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at June 30, 2009	3,588,034	1,180,961	56,931	11,451,182	107,095	145,216	-	16,529,419
Exploration expenses	6,639,204	23,773	21,983	24,474,385	3,979	238,044	4,343	31,405,711
Accretion expense	-	-	-	254,514	-	-	-	254,514
Amortization	6,444	-	-	1,640,214	-	-	-	1,646,658
	10,233,682	1,204,734	78,914	37,820,295	111,074	383,260	4,343	49,836,302
Less								
Net gold sales	-	-	-	(20,969,508)	-	-	-	(20,969,508)
Write-down	-	-	-	(3,556,673)	-	-	(4,343)	(3,561,016)
Tax credits	(935,922)	(41,541)	(8,837)	(773,558)	(23,529)	(56,807)	-	(1,840,194)
Grant	-	-	-	-	-	-	-	-
Balance as at June 30, 2010	9,297,760	1,163,193	70,077	12,520,556	87,545	326,453	-	23,465,584

Description	Bachelor Lake	Hewfran	MJL-Hansen	Barry	MJL-2	Nelligan	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at June 30, 2008	2,714,219	680,016	12,413	6,987,463	-	1,738	556,461	10,952,310
Exploration expenses	992,567	568,570	50,568	20,723,955	120,984	161,468	21,810	22,639,922
Accretion expense	-	-	-	208,206	-	-	-	208,206
Amortization	-	-	-	1,416,967	-	-	-	1,416,967
	3,706,786	1,248,586	62,981	29,336,591	120,984	163,206	578,271	35,217,405
Less								
Net gold sales	-	-	-	(17,078,857)	-	-	-	(17,078,857)
Write-down	-	-	-	-	-	-	(578,271)	(578,271)
Tax credits	(118,752)	(67,625)	(6,050)	(728,827)	(13,889)	(17,990)	-	(953,133)
Grant	-	-	-	(77,725)	-	-	-	(77,725)
Balance as at June 30, 2009	3,588,034	1,180,961	56,931	11,451,182	107,095	145,216	-	16,529,419

11 - REVOLVING CREDIT

On May 14, 2008, the Company entered into a revolving credit facility agreement with a syndicate of lenders. The agreement provides for a \$US10,000,000 secured renewable credit facility. The credit facility bears interest at the greater of the U.S. prime rate or 7% plus a premium of 5% margin increasing to 15% in case of default. In 2010, the revolving credit bears interest at 12%. The agreement also provides for standby fees varying upon the use of the credit facility and annual renewal and collateral management fees. The credit facility is secured by a hypothec on the universality of all assets and was maturing on May 13, 2011. On July 31, 2010, the Company entered into a new agreement which modifies the terms of the May 14, 2008 agreement and provides a secured renewable credit facility of \$US4,900,000 at the same conditions mentioned above with the exception of the maturing date being November 30, 2010 with renewal possibilities if the Company is not in default.

The credit facility contains covenants that restrict, among other things, the ability of the Company in its annual capital expenditures, to make distributions in certain circumstances, sell material assets and carry on a business other than a mining business. Beginning on October 1, 2008, the Company is also required to maintain a working capital ratio equal or greater than 1.1 as well as a minimum tangible net worth not less than \$26,000,000. On July 31, 2010, the Company entered into a new agreement which requires to maintain a working capital ratio equal or greater than 1.0. The calculation of the working capital ratio includes the material and supplies for exploration classified in the long term assets and excludes the revolving credit included in the current liabilities. This new agreement is retroactive to June 30, 2010. As at June 30, 2010, the Company was in compliance with the working capital ratio.

Upon signature of the new agreement, the Company issued 2,574,567 share purchase warrants to the lenders. Each purchase warrant entitles the holder to purchase one share at \$0.48 for a 34 month period beginning on the issuance date. The fair value of these warrants was evaluated at \$540,659 and will be accounted for in earnings as financing fees in the period ending June 30, 2011.

On August 30, 2010, the lender exercised the choice to convert \$US3,675,000 of the revolving credit in Canadian dollars for a converted amount of \$3,951,727.

12 - LONG-TERM DEBT

	<u>2010</u>	<u>2009</u>
	\$	\$
Notes payable, secured by rolling stock having a net book value of \$334,060, 5.45 % and 5.49%, payable in monthly instalments , maturing in 2012 and 2014	226,599	172,717
Obligations under capital leases, 8.9% to 12.17%, payable in monthly instalments, maturing in 2011	<u>388,087</u>	<u>255,341</u>
	614,686	428,058
Instalments due within one year	<u>(409,244)</u>	<u>(180,162)</u>
	<u>205,442</u>	<u>247,896</u>

The instalments on long-term debt for the next years are as follows :

	Obligation under capital leases	Other loans
	\$	\$
2011	361,576	72,693
2012	52,484	76,766
2013	-	53,598
2014	-	23,542
Total minimum payments	<u>414,060</u>	<u>226,599</u>
Amount included in minimum payments		
Interest expense	<u>(25,973)</u>	
	<u><u>388,087</u></u>	

13 - ASSETS RETIREMENT OBLIGATIONS

The Company's assets retirement obligations are based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of future timing of the costs to be incurred.

The following table presents the reconciliation of the asset retirement obligations:

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance, beginning of year	2,132,340	1,735,050
Liabilities incurred – ore mill	-	109,567
Liabilities incurred – Barry site	-	79,517
Accretion expense	254,514	208,206
Balance, end of year	<u>2,386,854</u>	<u>2,132,340</u>

The Company has estimated the present value of its total assets retirement obligations to be \$2,386,854 at June 30, 2010, based on a total future liability of \$3,277,000 for the ore mill and \$522,000 for the Barry site and a credit adjusted risk-free rate of 12%. Reclamation is expected to take place in 2018 for the Barry site and for the ore mill.

14 – CAPITAL STOCK

Authorized

Unlimited number of shares without par value

Common shares, voting and participating

Preferred, issuable in series

Issued and fully paid

	Common shares	Amount \$
Balance, June 30, 2008	73,419,693	45,855,557
Cash, private placements	26,849,800	13,424,900
Cash, flow-through private placements	5,488,089	2,529,640
Acquisition of mineral properties	50,000	37,000
Less: share issue expenses	-	(2,777,974)
Balance, June 30, 2009	105,807,582	59,069,123
Cash, private placements	13,190,000	6,595,000
Cash, flow-through private placements	9,227,227	5,351,792
Exercise of options	125,000	125,000
Exercise of broker warrants	342,696	226,186
Less: share issue expenses	-	(2,419,222)
Balance, June 30, 2010	<u>128,692,505</u>	<u>68,947,879</u>

As at June 30, 2010, no common shares were subject to an escrow agreement.

15 - WARRANTS

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance, beginning of year	1,687,010	1,698,484
Issued during the year (Note 17)	193,997	358,908
Expired	(68,102)	(370,382)
Exercised	(54,829)	-
Balance, end of year	<u>1,758,076</u>	<u>1,687,010</u>

16 - CONTRIBUTED SURPLUS

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance, beginning of year	3,506,900	2,280,903
Options granted during the year (Note 17)	1,528,525	855,615
Options exercised during the year	(62,500)	-
Warrants expired during the period	68,102	370,382
Balance, end of year	<u>5,041,027</u>	<u>3,506,900</u>

17 - STOCK OPTION PLAN AND WARRANTS

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing services to the Company. Under this plan, options to purchase the common shares from time-to-time may be granted for a variable number whereby the number should never represent more than 10% of the issued and outstanding capital stock of the Company. Exercise price of options equals the market price of the Company's stock on the date of grant. Stock options are exercisable on the day of grant and are for a maximum term of ten years except for consultants for who the options are acquired gradually on a period of 12 months. Among the options outstanding, none is subject to an escrow agreement.

17 - STOCK OPTION PLAN AND WARRANT (continued)

The grant of options during the year resulted in a charge to the operations as stock-based compensation and an increase of contributed surplus for an amount of \$1,528,525 (\$855,615 in 2009) with a counterpart in the operations for an amount of \$1,343,000 (\$725,258 in 2009) as stock-based compensation and \$14,875 (\$10,250 in 2009) as stock-based compensation to consultants in investor relations and to deferred exploration expenses for an amount of \$170,650 (\$109,857 in 2009). The fair value of each option granted was estimated on the grant date with the assumptions of an expected dividend yield at 0% (0% in 2009), an expected weighted average volatility estimated at 65.89% (62.85% in 2009), a risk-free weighted average interest rate at 3.44% (3.18% in 2009) and an expected weighted average life of 9.59 years (10 years in 2009). The weighted average fair value of options granted during the year was \$0.45 (\$0.44 in 2009).

A summary of the status of the Company's stock option plan and change during the years ending on those dates is presented below:

	2010	2009		
	Weighted average exercise price	Shares	Shares	Weighted average exercise price
	\$	\$	\$	\$
Outstanding, beginning of year	0.80	4,843,000	4,702,161	0.78
Granted	0.45	3,404,000	404,000	0.62
Exercised	0.50	(125,000)	-	-
Expired	0.32	(609,750)	(113,161)	0.82
Cancelled	0.38	(25,000)	(150,000)	0.73
Outstanding, end of year	0.77	7,487,250	4,843,000	0.80
Exercisable, end of year	0.78	7,320,250	4,738,500	0.81

17- STOCK OPTION PLAN AND WARRANTS (continued)

Expiry Date	Exercise Price	2010		2009	
		Number of shares exercisable	Number of shares outstanding	Number of shares exercisable	Number of shares outstanding
	\$				
August 24, 2009	0.81	-	-	180,000	180,000
August 31, 2009	0.50	-	-	15,000	15,000
October 5, 2009	0.70	-	-	146,000	146,000
February 24, 2010	1.09	-	-	50,000	50,000
May 26, 2010	0.50	-	-	125,000	125,000
May 26, 2010	0.60	-	-	100,000	100,000
May 26, 2010	0.66	-	-	15,000	15,000
September 18, 2010	0.50	3,750	3,750	-	-
November 6, 2010	0.48	10,000	10,000	-	-
November 6, 2010	0.49	30,000	30,000	-	-
November 6, 2010	0.66	7,500	7,500	-	-
November 6, 2010	0.68	40,000	40,000	-	-
January 18, 2011	0.48	15,000	15,000		
January 18, 2011	0.66	15,000	15,000		
February 28, 2011	0.90	35,000	35,000	35,000	35,000
February 28, 2011	1.00	30,000	30,000	30,000	30,000
March 22, 2012	0.50	87,500	175,000	-	-
November 28, 2012	0.50	100,000	100,000	-	-
November 28, 2012	0.60	35,000	35,000	-	-
November 28, 2012	1.00	150,000	150,000	-	-
October 6, 2013	1.00	30,000	30,000	30,000	30,000
January 21, 2014	1.00	440,000	440,000	440,000	440,000
March 17, 2014	0.97	40,000	40,000	40,000	40,000
January 26, 2015	0.60	160,000	160,000	195,000	195,000
October 5, 2015	0.70	50,000	50,000	50,000	50,000
November 29, 2016	0.50	390,000	390,000	490,000	490,000
May 28, 2017	0.80	100,000	100,000	100,000	100,000
August 30, 2017	0.67	175,000	175,000	175,000	175,000
September 17, 2017	0.68	5,000	5,000	45,000	45,000
January 10, 2018	0.82	35,000	35,000	60,000	60,000
January 23, 2018	0.80	28,000	28,000	28,000	28,000
January 30, 2018	0.85	-	-	25,000	25,000
February 3, 2018	1.00	1,995,000	1,995,000	2,145,000	2,145,000
June 4, 2018	0.97	-	-	20,000	20,000
June 30, 2018	0.87	100,000	100,000	100,000	100,000
September 15, 2018	0.48	20,000	20,000	45,000	45,000
February 16, 2019	0.59	59,000	59,000	29,500	59,000
Mai 14, 2019	0.49	35,000	35,000	25,000	100,000
July 1, 2019	0.43	175,000	175,000	-	-
September 2, 2019	0.41	100,000	100,000	-	-
September 28, 2019	0.66	120,000	120,000	-	-
January 17, 2020	0.57	50,000	100,000	-	-
February 18, 2020	0.50	29,500	59,000	-	-
March 31, 2020	0.70	2,125,000	2,125,000		
April 11, 2020	0.70	500,000	500,000		
		7,320,250	7,487,250	4,738,500	4,843,000

17 - STOCK OPTION PLAN AND WARRANTS (continued)

Warrants

During the year, the Company issued 11,820,767 share purchase warrants at an exercise price of \$0.65 and 881,806 at an exercise price of \$0.50 (14,230,394 at \$0.65 and 1,610,988 at \$0.50 in 2009). 1,053,056 (2,416,482 in 2009) share purchase warrants were issued in favor of the brokers relating to private placements. The fair value of each warrant granted was estimated on the grant date using the Black-Scholes option-pricing model with the assumptions of an expected dividend yield at 0% (0% in 2009), an expected volatility estimated at 64.72% (63.12% in 2009), a risk-free interest rate at 1.25% (1.03% in 2009) and an expected life of 24 months (24 months in 2009). The weighted average fair value of warrants granted during the year was \$0.15 (\$0.15 in 2009). The outstanding warrants are as follows:

Expiry date	Exercise price \$	2010	2009
		Number	Number
May 17, 2010	1.20	-	200,300
March 20, 2011	0.50	1,118,657	1,461,288
March 20, 2011	0.65	13,079,229	12,908,044
April 20, 2011	0.50	149,700	149,700
April 20, 2011	0.65	1,322,350	1,322,350
May 16, 2011	0.99	3,000,000	3,000,000
December 12, 2011	0.50	881,806	-
December 12, 2011	0.65	6,739,517	-
January 8, 2012	0.65	2,000,000	-
March 5, 2012	0.65	2,850,000	-
March 29, 2012	0.65	60,000	-
May 15, 2012	1.00	9,375,001	9,375,001
June 20, 2012	1.00	1,250,000	1,250,000
July 19, 2012	1.00	312,500	312,500
		42,138,760	29,979,183

Option units to intermediaries

In the private placement closed on March 20, 2009, the Company issued, as remuneration to intermediaries, 1,461,288 options to acquire units at a price of \$0.50 each until March 20, 2011. A unit consists of one common share and one-half warrant giving the right to buy a common share at a price of \$0.65 before or on March 20, 2011.

In the private placement closed on April 20, 2009, the Company issued, as remuneration to intermediaries, 149,700 options to acquire units at a price of \$0.50 each until April 20, 2011. A unit consists of one common share and one-half warrant giving the right to buy a common share at a price of \$0.65 before or on April 20, 2011.

In the private placement closed on December 12, 2009, the Company issued, as remuneration to intermediaries, 881,806 options to acquire units at a price of \$0.50 each until December 12, 2011. A unit consists of one common share and one-half warrant giving the right to buy a common share at a price of \$0.65 before or on December 12, 2011.

18 - INCOME TAXES

The Company's effective income tax rate differs from the combined federal and provincial income tax rate in Canada. The difference results from the following:

	<u>2010</u>	<u>2009</u>
	\$	\$
Loss before income taxes	(8,973,468)	(7,191,552)
Income taxes at the combined federal and provincial statutory rate of 30.4% (30.9% in 2009)	(2,727,900)	(2,222,200)
Stock-based compensation	412,800	227,300
Non deductible exchange loss	-	246,600
Non taxable exchange gain	(146,600)	-
Other non deductible items	18,900	18,900
Share issue expenses	(413,500)	(329,300)
Valuation allowance	1,741,300	858,700
Income taxes	<u>(1,115,000)</u>	<u>(1,200,000)</u>

Future income tax asset and liability result from differences between the carrying amount and the tax basis of the following:

	<u>2010</u>	<u>2009</u>
	\$	\$
Future income tax liability		
Restricted funds for exploration	(369,000)	(714,000)
Property, plant and equipment	-	-
Mineral properties	(3,219,000)	(1,714,000)
	<u>(3,588,000)</u>	<u>(2,428,000)</u>
Future income tax assets		
Property, plant and equipment	871,000	365,000
Share issue expenses	895,000	1,433,000
Losses to be carried forward	6,322,000	4,331,000
	8,088,000	6,129,000
Valuation allowance	(4,500,000)	(3,701,000)
	<u>3,588,000</u>	<u>2,428,000</u>
	-	-

18 - INCOME TAXES (continued)

The Company has cumulated non-capital losses for income tax purposes for which future income tax asset was not recorded. These losses, which are available to reduce income taxes in future years, are detailed as follows:

	Federal	Provincial
	\$	\$
2014	347,000	334,000
2015	774,000	721,000
2026	1,009,000	892,000
2027	2,128,000	1,944,000
2028	3,384,000	3,340,000
2029	8,556,000	8,514,000
2030	7,363,000	7,332,000
	<u>23,561,000</u>	<u>23,077,00</u>

The Company has share issue expenses that will be deductible in the next years. The amount of these expenses is \$3,326,419 (\$5,328,453 in 2009). Finally, the Company has federal non refundable tax credits of \$547,000 and Québec non refundable tax credits of \$575,000. These credits will be applicable in reduction of income taxes payable for an indefinite period.

19 - RELATED PARTY TRANSACTIONS

During the year, the Company incurred the following expenses with officers, directors or companies under their control. These transactions occurred during the normal course of operations, except for the purchase of equipment, and were measured at the exchange amount, which is the amount established and accepted by the parties.

	2010	2009
	\$	\$
Administrative expenses		
Professional fees	41,000	34,500
Consultant fees	123,000	120,000
Rental expenses	36,000	36,000

20 - FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

20 - FINANCIAL INSTRUMENTS (Continued)

Financial risks

The Company's main financial risk exposure and its financial risk management policies are as follows :

Credit risk

Generally, the carrying amount on the balance sheet of the Company's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

On June 30, 2010, the Company is subject to concentrations of credit risk through its cash and cash equivalents held in the same financial institution.

Liquidity risk

The liquidity risk is the risk that the Company experiences difficulty honouring commitments related to financial liabilities. The management approach concerning cash management is to ensure, as much as possible, that the Company has the necessary funds to meet its financial obligations at maturity. If considered necessary, management renegotiates extensions to maturity dates to balance the needs in cash and financings.

The Company expects to satisfy obligations under accounts payable and accrued liabilities, revolving credit and repayment of the short-term part of long-term debts. Management intends to continue, as was done in the past, to finance its activities by raising funds by private equity investments. Even if it succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and it believes that the liquidity risk is high.

The following chart summarizes the Company's financial liabilities as at June 30, 2010 :

	Less than one year	Between one and two years	More than two years
	\$	\$	\$
Accounts payable and accrued liabilities	4,345,062	-	-
Revolving credit	5,216,540	-	-
Long-term debt	444,856	135,764	80,260
	<u>10,006,458</u>	<u>135,764</u>	<u>80,260</u>

20 - FINANCIAL INSTRUMENTS (Continued)

Market risk

Interest rate risk

The Company's accounts payable and accrued liabilities do not comprise any interest rate risk since they do not bear interest.

The notes payable and the obligations under capital leases bear interest at a fixed rate thus exposing the Company to the risk of changes in fair value arising from interest rate fluctuations.

The revolving credit bears interest at a fixed rate if the U.S. prime rate is below 7% and the Company is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations. If the American prime rate arises above 7%, the Company will be exposed to cash flow risks resulting from interest rate fluctuations.

Exchange risk

The Company is exposed to exchange risk as a result of the revolving credit denominated in U.S. dollars. As at June 30, 2010, the revolving credit amounts to \$US4,900,000. The Company does not actively manage this exposure.

A 10% weakening of the exchange rate of the US currency at June 30, 2010 would have the effect of reducing the book value of the revolving credit of \$521,600, and reduce the interest on the revolving credit and the financial fees for an amount of \$86,200 resulting in a reduction of the net loss of \$607,800. This analysis assumes that other variables, specially interest rates would remain constant. A 10% strengthening of the US currency would have had the equal effects on the revolving credit, the net loss, but reversed.

Interest rate sensitivity analysis

The revolving credit bears interest at variable rates only if the U.S. prime rate is above 7%. Therefore, a 1% variance in the variable interest rates would not have a significant impact on the Company's losses and cash flows.

Furthermore, a 1% increase in the interest rate would have decreased the fair value of the notes payable, the revolving credit and the obligations under capital leases for an approximate amount of \$54,900 as at June 30, 2010 (\$63,400 as at June 30, 2009).

20 - FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments

Short-term financial assets and liabilities and restricted funds for exploration are financial instruments whose fair value approximates their carrying amount given that they will mature shortly. The fair value of the revolving credit is equivalent to the carrying amount based on future cash flows. The fair value of long-term debt and obligations under capital leases is equivalent to the carrying amount given that management believe that interest rates on loans contracted during the year carry market interest rates.

The fair value of financial instruments is summarized as follows:

	2010	
	Carrying value	Fair value
	\$	\$
Financial assets		
<i>Loans and receivables</i>		
Other receivables	959,135	959,135
Financial liabilities		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	4,345,062	4,345,062
Balance payable related to an acquisition of a mineral property	43,750	43,750
Royalties payable	284,704	284,704
Revolving credit	5,216,540	5,216,540
Long-term debt	614,686	614,686
	2009	
	Carrying value	Fair value
	\$	\$
Financial assets		
<i>Held for trading</i>		
Term deposit	3,755,220	3,755,220
Restricted funds for exploration	4,285,980	4,285,980
<i>Loans and receivables</i>		
Other receivables	954,967	954,967
Financial liabilities		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	3,967,560	3,967,560
Balance payable related to an acquisition of a mineral property	43,750	43,750
Royalties payable	123,840	123,840
Revolving credit	6,047,200	6,047,200
Long-term debt	428,058	428,058

21 – COMMITMENTS

- (a) The Company has lease commitments. The balance of the commitments under these leases is \$94,080 of which \$57,000 is with a Company controlled by a director.

Minimum payments payable over the next 5 years are as follows :

Total	With a company controlled by a director
2011 : \$73,080	\$36,000
2012 : \$21,000	\$21,000

- (b) The Company is committed to spend \$5,351,592 in exploration expenses relating to a flow-through financing closed in 2009 and 2010. These expenses must be spent before December 31, 2010.

22 - CAPITAL DISCLOSURE

The Company's objective in managing capital is to safeguard its ability to continue its operations as well as its acquisition and exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, acquire or sell mining properties or contract additional debt to improve its financial performance and flexibility.

The company's capital is defined as shareholders' equity and revolving credit. To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to endure the Company has appropriate liquidity to meet its operating and growth objectives. Furthermore, the Company closed flow-through private placements for which funds are restricted in use for exploration expenses. During the year, the Company has complied with the requirements.

	<u>2010</u>	<u>2009</u>
	\$	\$
Revolving credit	5,216,540	6,047,200
Shareholders' equity	51,126,584	47,501,103
Capital	<u>56,343,124</u>	<u>53,548,303</u>

23 - CONTINGENCIES

On July 28, 2010, a contractor instituted a motion against the Company introducing a proceeding for an account receivable of \$2,130,767 relating to equipments in waiting. The Company considers the above-mentioned motion as unfounded and thus, no provision was accounted for.

The Company is partly financed by issuance of flow-through common shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian explorations expenses, even if the Company has taken all the necessary measures to meet its commitment. The refusal of some expenses by the fiscal authorities would have a negative fiscal impact on investors and the Company and these consequences are undeterminable.

24 - SUBSEQUENT EVENTS

On July 12, 2010, the Company granted 75,000 stock options in the favour of an employee at a price of \$0.70 per share, exercisable for 10 years. The options vest over one year, 25% each quarter. Total stock-based compensation costs amount to \$32,250 for an estimated fair value of \$0.43 per option. The cost will be recorded over the vesting period. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 62.38%, a risk-free interest rate of 3.21% and an expected life of options of 10 years.

On September 2, 2010, the Company granted 35,000 stock options in the favour of two employees at a price of \$0.56 per share, exercisable for 10 years. Total stock-based compensation costs amount to \$13,650 for an estimated fair value of \$0.39 per option. The cost will be recorded over the vesting period. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 62.06%, a risk-free interest rate of 2.87% and an expected life of options of 10 years.

On September 22, 2010, the Company granted 25,000 stock options in the favour of an employee at a price of \$0.50 per share, exercisable for 2 years. Total stock-based compensation costs amount to \$4,500 for an estimated fair value of \$0.18 per option. The cost will be recorded over the vesting period. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 70.05%, a risk-free interest rate of 1.41% and an expected life of options of 2 years.

On September 22, 2010, the Company granted 120,000 stock options in the favour of two employees at a price of \$0.50 per share, exercisable for 10 years. Total stock-based compensation costs amount to \$42,000 for an estimated fair value of \$0.35 per option. The cost will be recorded over the vesting period. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 64.89%, a risk-free interest rate of 2.87% and an expected life of options of 10 years.

On July 30, 2010, the Company closed a private placement of 4,902,992 flow through shares at a price of \$0.65 per share for gross proceeds of \$3,186,945. A cash commission was paid to Northern Securities Inc. representing 7 % of the gross proceeds raised in the private placement. All securities issued are subject to a holding period of four months and one day from the date of closing.

On October 8, 2010, the Company closed a private placement of 1,500,000 common shares at a price of \$0.50 per share for gross proceeds of \$750,000. The shares are qualifying shares under the Quebec Stock Savings Plans II program. All securities issued are subject to a holding period of four months and one day from the date of closing.

On October 21, 2010, the Company closed a private placement of 8,285,242 flow through shares at a price of \$0.515 per share for gross proceeds of \$4,266,900. A cash commission was paid to Secutor Capital Management Corporation and L'Industrielle Alliance Valeurs mobilières Inc. representing 7 % of the gross proceeds raised in the private placement. All securities issued are subject to a holding period of four months and one day from the date of closing.

Ressources Métanor Inc.
(une société d'exploration)
Notes complémentaires
aux 30 juin 2010 et 2009

Metanor Resources Inc.
(an exploration Company)
Notes to Financial Statements
June 30, 2010 and 2009



Ressources Métanor Inc. / Metanor Resources Inc.

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