



RESSOURCES
METANOR
RESSOURCES
INC.

RAPPORT TRIMESTRIEL // INTERIM REPORT

2011

**ÉTATS FINANCIERS ET RAPPORT DE
GESTION DE LA DIRECTION**

POUR LA PÉRIODE DE TROIS MOIS
TERMINÉE LE 30 SEPTEMBRE 2011

//

**FINANCIAL STATEMENTS
AND MD & A**

FOR THE THREE-MONTH PERIOD ENDED
SEPTEMBER 30, 2011

**RENSEIGNEMENTS CORPORATIFS
// CORPORATE INFORMATION**

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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

METANOR RESOURCES INC.

INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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These interim financial statements have been prepared by management and have not reviewed by the Company's auditors.

METANOR RESOURCES INC.**INTERIM STATEMENT OF FINANCIAL POSITION (unaudited, in Canadian dollars)**

	September 30	June 30	July 1
Notes	2011	2011	2010
	\$	\$	\$
ASSETS			
Current			
Cash	1,450,379	2,649,947	973,677
Temporary investments	10,591,844	10,692,452	4,658
Goods and services tax receivable	593,423	436,569	560,011
Tax credits and credit on duties receivable	1,450,685	1,450,685	1,450,685
Other receivables	5,905	44,464	959,135
Prepaid expenses	211,601	289,193	436,466
	<u>14,303,837</u>	<u>15,563,310</u>	<u>4,384,632</u>
Non-current			
Material and supplies for exploration	894,244	891,160	845,130
Deposits on contracts	11,876	171,876	123,153
Advances on production royalties	215,703	215,703	240,820
Security deposits	236,938	236,938	-
Property and equipment	6 30,925,027	28,337,864	27,004,422
Exploration and evaluation assets	7 48,021,700	43,809,228	32,219,100
	<u>80,305,488</u>	<u>73,662,769</u>	<u>60,432,625</u>
Total assets	<u>94,609,325</u>	<u>89,226,079</u>	<u>64,817,257</u>

METANOR RESOURCES INC.

INTERIM STATEMENT OF FINANCIAL POSITION (unaudited, in Canadian dollars)

	Notes	September 30 2011 \$	June 30 2011 \$	July 1 2010 \$
LIABILITIES				
Current				
Trade and other payables		6,623,343	6,570,500	4,388,812
Other liabilities		-	2,390,198	258,362
Royalties payable		514,519	469,193	284,704
Revolving credit		-	-	5,216,540
Short-term instalments on long-term debt and obligations under capital leases		<u>211,327</u>	<u>144,759</u>	<u>409,244</u>
		7,349,189	9,574,650	10,557,662
Non-current				
Long-term debt		491,921	269,673	205,442
Unearned revenue		19,583,600	13,694,600	-
Assets retirement obligations		<u>3,299,562</u>	<u>3,276,048</u>	<u>3,330,607</u>
Total liabilities		<u>30,724,272</u>	<u>26,814,971</u>	<u>14,093,711</u>
EQUITY				
Share Capital	10.1	91,834,524	91,834,524	69,740,967
Warrants		1,288,290	1,288,290	2,311,710
Contributed surplus		6,773,111	6,759,021	5,041,027
Retained deficit		<u>(36,010,872)</u>	<u>(37,470,727)</u>	<u>(26,370,158)</u>
Total equity		<u>63,885,053</u>	<u>62,411,108</u>	<u>50,723,546</u>
Total equity and liabilities		<u>94,609,325</u>	<u>89,226,079</u>	<u>64,817,257</u>

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

These financial statements are approved and authorized for issue by the Board of Directors on December 15, 2011.

Signed

Serge Roy, President and CEO

Signed

Claudine Levesque – CFO

METANOR RESOURCES INC.**INTERIM FINANCIAL STATEMENT OF COMPREHENSIVE INCOME (unaudited, in Canadian dollars)**

		Three months ended	
		September 30	
	Notes	2011	2010
		\$	\$
EXPENSES			
Share-based payments		-	49,650
Salaries and fringe benefits		230,923	248,633
Professional fees		391,695	75,050
Investors' relations		72,989	101,897
Travel and entertainment		92,840	67,011
Reports to shareholders		9,392	5,011
Maintenance and repairs		7,404	9,440
Office expenses		38,235	21,643
Trustees and registration fees		4,074	11,268
Rental expenses		9,000	9,000
Insurance		19,896	18,036
Loss (gain) on exchange rate		1,289	(6,538)
Financing fees		-	668,399
Bank charges		898	2,293
Interest		37,364	7,179
Interest on long-term debt		12,382	13,421
Interest on revolving credit		-	202,931
Depreciation of non-financial assets		17,499	22,179
Impairment of exploration and evaluation assets		6,580	1,917,311
OPERATING LOSS		(952,460)	(3,443,814)
Interest income		22,119	868
LOSS BEFORE INCOME TAXES		(930,341)	(3,442,946)
Deferred income taxes		2,390,196	36,909
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,459,855	(3,406,037)
INCOME PER SHARE			
Basic and diluted income (loss) per share	12	0.007	(0.026)

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

METANOR RESOURCES INC.

INTERIM FINANCIAL STATEMENT OF CHANGES IN EQUITY (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

	Notes	Share capital	Warrants	Contributed surplus	Retained Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at July 1, 2011		91,834,524	1,288,290	6,759,021	(37,470,727)	62,411,108
Share-based payments		-	-	14,090	-	14,090
Transactions with owners		91,834,524	1,288,290	6,773,111	(37,470,727)	62,425,198
Total comprehensive income for the period		-	-	-	1,459,855	1,459,855
Balance at September 30, 2011		91,834,524	1,288,290	6,773,111	(35,010,872)	63,885,053
Balance at July 1, 2010		69,740,967	2,311,710	5,041,027	(26,370,158)	50,723,546
Shares issued for acquisition of mining rights	10.1	3,186,945	-	-	-	3,186,945
Issuance cost of units		(747,941)	-	-	-	(747,941)
Share-based payments		-	540,659	69,367	-	610,026
Exercise of broker warrants	10.1	231,000	(56,000)	-	-	175,000
Transactions with owners		72,410,971	2,796,369	5,110,394	(26,370,158)	53,947,576
Total comprehensive loss for the period		-	-	-	(3,406,037)	(3,406,037)
Balance at September 30, 2010		72,410,971	2,796,369	5,110,394	(29,776,195)	50,541,539

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

METANOR RESOURCES INC.

INTERIM FINANCIAL STATEMENT OF CASH FLOW (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

	Notes	Three months ended September 30	
		2011	2010
		\$	\$
OPERATING ACTIVITIES			
Loss before income taxes		(930,341)	(3,447,819)
Adjustments for:			
Share-based payments		-	57,087
Amortization of non-financial assets		17,499	22,179
Gain and loss from exchange differences		-	(6,538)
Financing fees		-	540,659
Impairment exploration and evaluation assets		6,580	1,922,184
Changes in working capital items	13	<u>57,466</u>	<u>(880,835)</u>
Cash flows from operating activities		<u>(848,796)</u>	<u>(1,793,083)</u>
INVESTING ACTIVITIES			
Advances on production royalties		-	19,187
Property, plant and equipment		(2,727,106)	(208,375)
Material and supplies for exploration		(3,084)	(36,684)
Property and equipment		(14,226)	(3,249)
Reimbursement on deposits on contracts		-	56,834
Deposits on contracts		160,000	-
Additions to exploration and evaluation assets		(4,044,780)	(5,856,711)
Gold sales		<u>-</u>	<u>3,855,916</u>
Cash flows from investing activities		<u>(6 629 196)</u>	<u>(2,173,082)</u>
FINANCING ACTIVITIES			
Revolving credit		-	63,990
Long-term debt		392,452	59,581
Payments on long-term debt		(22,794)	(19,940)
Payments of obligations under capital leases		(80,842)	(86,920)
Revenue received from the transaction with Sandstorm		5,889,000	-
Issuance of shares		-	3,361,945
Issuance of cost of units		<u>-</u>	<u>(257,642)</u>
Cash flows from financing activities		<u>6,177,816</u>	<u>3,121,014</u>
Net change in cash and cash equivalents		(1,300,176)	(845,151)
Cash and cash equivalents, beginning of period		<u>13,342,399</u>	<u>978,335</u>
Cash and cash equivalents, end of period		<u>12,042,223</u>	<u>133,184</u>

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

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

Metanor Resources Inc. (the «Company»), is an exploration company with activities in Canada.

2. GOING CONCERN ASSUMPTION

The interim financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the interim financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

3. BASIS OF PREPARATION AND ADOPTION OF IFRS

The interim financial statements of the Company were prepared in accordance with IFRS. As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, *Interim Financial Reporting* and by IFRS 1, *First-time Adoption of IFRS*.

The Company's financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS. In preparing the interim financial statements as at September 30, 2011, the management has amended certain accounting and valuation previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Certain information and footnote disclosures which are considered material to the understanding of the Company's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in note 15. This note also presents the reconciliation of equity and of comprehensive loss under Canadian GAAP and under IFRS, and a description of the effect of transition of Canadian GAAP to IFRS on these items. The interim financial statements should be read in conjunction with the financial statements under Canadian GAAP and the notes thereto as at June 30, 2011 and for the year ended at that date.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

3. BASIS OF PREPARATION AND ADOPTION OF IFRS (Continued)

The Company is incorporated under the Canada Business Corporations Act. The address of the Company's registered office and its principal place of business is 2-2872 chemin Sullivan, Val-d'Or, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange.

The interim financial statements for the reporting period ended September 30, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on December 15, 2011 and have not been audited by their external auditors.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations and first-time adoption of IFRS

The interim financial statements have been prepared using accounting policies specified by those IFRSs that are in effect for the fiscal year ending at June 30, 2012.

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

These accounting policies have been used throughout all periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in Note 15.

4.2 Basis of evaluation

The interim financial statements are prepared using the historical cost method, except for available-for-sale financial instruments which are measured at fair value.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these interim financial statements, new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements not yet effective will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 : " Financial Instruments" (effective from January 1, 2013) : The International Accounting Standards Board (" IASB") aims to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2013. On August 4, 2011, an exposure draft was published proposing to modify the mandatory effective date to January 1, 2015. Moreover, further chapters dealing with impairment methodology and hedge accounting are still being developed. Management has not yet assessed the impact that this amendment is likely to have on the financial statements of the Company. However, it does not expect to implement the amendments until all chapters of IFRS 9 have been published and it can comprehensively assess the impact of all changes.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (Continued)

IFRS 13 : “Fair value measurement” (effective from January 1, 2013) : IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Management has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

4.4 Unearned revenue

The Company concluded a gold sale agreement with Sandstorm Gold Ltd. (“Sandstorm”), formerly Sandstorm Resources Ltd., (Note 8). The Company received two payments that were recorded as unearned revenue. The initial payments received were for the future delivery of gold ounces at contractual prices. When the Company will proceed with the delivery of the gold to Sandstorm, it will recognize the revenue au prorata of the quantity of delivered gold.

4.5 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

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

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

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

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

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition :

- loans and receivables;
- financial assets at fair value through profit or loss;

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash, deposits on contracts, advances on production royalties and security deposits fall into this

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

category of financial instruments.

4. **SUMMARY OF ACCOUNTING POLICIES (Continued)**

4.5 **Financial instruments (Continued)**

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Canadian and foreign money market funds fall into this category of financial instruments.

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables are presented in profit or loss within Other operating activities.

Financial liabilities

The Company's financial liabilities include trade and other payables, royalties payable and long-term debt.

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

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

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.6 Basic and diluted loss per share

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

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options and warrants as explained in Note 12.

4.7 Tax credits and credit on duties

The Company is entitled to a refundable tax credit on qualified expenditures incurred. The refundable tax credit may reach 15% of qualified exploration expenditure incurred.

In accordance with IAS 20, the exploration tax credits have been applied against the costs incurred.

Credit on duties

The Company is entitled to a refundable credit on duties for losses under the *Mining Duties Act*. This refundable credit on duties for losses is applicable on exploration costs incurred in the Province of Quebec.

In accordance with IAS 20, the credit on duties has been applied against the cost incurred since the Company intends to realize the value of its exploration and evaluation assets through sale.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.8 Property and equipment

Property and equipment are recognized at cost less accumulated depreciation and amortization and accumulated impairment losses.

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

Costs of day-to-day servicing of property and equipment are recognized in profit or loss when incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are transferred to property and equipment under Mining assets under construction. Upon this transfer, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets. To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods generally applicable are as follows:

	<u>Useful life</u>
Property and equipment	
Leasehold improvements	5 years
Office equipment	10 years
Vehicles	8 years
Exploration equipment	
Buildings	15 years
Equipment and tools	10 years
Vehicles	8 years
Assets retirement costs	8 years

The underground infrastructures in development are not amortized.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. Summary of accounting policies (Continued)

4.8 Property and equipment (Continued)

The amortization expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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

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

4.9 Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

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

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.10); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.10) and any impairment loss is recognized in profit or loss before reclassification.

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

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

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.10 Impairment of non-financial assets

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

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluations assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

The impairment loss reduces the asset or is charged pro rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.11 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 will be 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.

4.12 Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.12 Provisions, contingent liabilities and contingent assets (Continued)

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. The Company's operations are in compliance with current laws and regulations. Any payment resulting from mining property restorations would be charges to the cost of the mining properties when it is possible to reasonably estimate the amount. Site restoration costs currently incurred are negligible, given that the Company's operations are still in the exploration and evaluation stage, and are capitalized to the cost of exploration and evaluation assets as incurred. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

All provisions are considered current. The carrying amounts may be analyzed as follows:

	\$
Carrying amount at June 30, 2011	3,600,000
Additional provisions	-
Carrying amount at September 30, 2011	<u>3,600,000</u>

Provisions relate to various taxation claims. The Company is not eligible for any reimbursement by third parties in this regard.

Usually, these claims are settled between three and 18 months from initiation, depending on the procedures used for negotiating the claims. As the timing of settlement of these claims is to a large extent dependent on the pace of negotiation with various counterparties and governmental authorities, the Company cannot reliably estimate the amounts that will eventually be paid in settlement after more than 12 months from the reporting date. Therefore, the amount was classified as current.

Management, on the advice of counsel, does not expect that the outcome of any of the remaining cases will give rise to any significant loss beyond the amounts recognized at September 30, 2011. None of the provisions will be discussed here in further detail so as to not seriously prejudice the Company's position.

4.13 Deferred income taxes

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

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

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.13 Deferred income taxes (Continued)

The income tax expense is composed of current and deferred taxes. Taxes are recognized in the income statement unless they related to items carried in other comprehensive income or directly in shareholders' equity.

Current income tax and mining tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. The current income tax expense is based on income for the period adjusted for non-taxable or non-deductible items. The mining tax expense is based on income for the period for each mining site under production adjusted for non-taxable or non-deductible items. Calculation of current tax and mining tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly examines positions in tax returns where tax regulations are subject to interpretation. Where appropriate, the Company sets up a provision based on amount likely to be paid to tax authorities.

Deferred income taxes are recognized using the liability method on temporary differences between the tax basis of the assets and liabilities and their carrying amount in the statement of financial position. Deferred income tax assets and liabilities are calculated without discounting at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are not recognized for temporary differences resulting from the initial recognition of assets and liabilities acquired other than in a business combination.

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

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in net earnings, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce tax deductions for expenses related to prospecting activities to the benefit of the shareholders. Under the liability method, deferred taxes relating to temporary differences resulting from this renunciation are recorded, at the time of the renunciation of the tax deductions with a corresponding reduction of capital stock.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.14 Equity

Share capital represents the amount received on the issue of shares, less issuance costs.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through shares represents an issue of ordinary shares and the sale of tax deductions to the investors. The sale of tax deductions is deferred and presented as other liabilities in the statement financial position. The proceeds received of flow-through placements are allocated between share capital and the liability using the residual method which means that the shares are valued at fair value of existing shares at the time of issuance and the residual proceeds are allocated to the liability. When the Company has renounced to its tax deductions and has incurred its eligible expenditures, (or when it has incurred its eligible expenditures and has the intention to renounce), the sale of tax deductions is recognized in profit or loss as a reduction of deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax base.

Contributed surplus includes charges related to share options until such equity instruments are exercised and charges related to expired warrants.

Warrants includes charges related to warrants until such equity instruments are exercised or expired.

Retained deficit includes all current and prior period retained profits or losses.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.15 Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees or a third party providing similar services and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees or a third party providing similar services are rewarded using share-based payments, the fair value of the services rendered by the employees is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments to employees or third parties providing similar services are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. The warrants issued to brokers are recognized as issuance costs of equity instruments and the counterpart is credited to warrants in the equity.

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

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to share capital.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.16 Segmental reporting

In accordance with IFRS 8, *Operating Segments*, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Executive Chairman and the Board of Directors in order to assess each segment's performance. The Company has determined that there was only one operating segment being the sector of exploration and evaluation in Canada.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Exploration and evaluation assets

Technical feasibility and commercial viability

Decisions regarding the technical feasibility and commercial viability of the exploration and evaluation assets involves a number of assumptions, such as estimated reserves, resource price forecasts, expected production volumes and discount rates, which could all change significantly in the future.

Impairment of property and equipment and exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses are subjective process involving judgment and a number of estimates and interpretations in many cases.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (Continued)

Impairment of property and equipment and exploration and evaluation assets (Continued)

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

The total impairment loss of the exploration and evaluation assets and property and equipment recognized in profit or loss amounts to \$6,580 and \$nil respectively for the period ended September 30, 2011 and (\$4,123,536 and \$nil respectively for the year ended June 30, 2011 and \$43,640 and \$nil respectively at the date of transition, July 1, 2010). No reversal of impairment losses has been recognized for the reporting periods.

Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Further information regarding going concern is outlined in Note 2.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

6. PROPERTY AND EQUIPMENT

	Gross carrying amount				Accumulated depreciation				Carrying amount at September 30, 2011
	Balance at July 1, 2011	Additions	Disposal	Balance at September 30, 2011	Balance at July 1, 2011	Additions	Disposal	Balance at September 30, 2011	
	\$	\$	\$	\$	\$	\$	\$	\$	
Exploration									
Buildings	21,279,215	1,011,818	-	22,291,033	2,903,725	90,110	-	2,993,835	19,297,198
Equipment and tools	3,373,624	1,139,421	-	4,513,045	813,236	9,278	-	822,514	3,690,531
Underground infrastructures in development	4,514,932	542,186	-	5,057,118	-	-	-	-	5,057,118
Vehicles	524,100	7,600	-	531,700	113,445	14,281	-	127,726	403,974
Assets retirement costs	2,524,382	-	-	2,524,382	1,140,865	-	-	1,140,865	1,383,517
Total	32,216,253	2,701,025	-	34,917,278	4,971,271	113,669	-	5,084,940	29,832,338
Capital leased assets / exploration									
Mining equipment	544,000	-	-	544,000	190,400	-	-	190,400	353,600
Building	526,373	552,452	526,373	552,452	57,971	8,773	-	66,744	485,708
Total	1,070,373	552,452	526,373	1,096,452	248,371	8,773	-	257,144	839,308
Total - Exploration	33,286,626	3,253,477	526,373	36,013,730	5,219,642	122,442	-	5,342,084	30,671,646
Corporate office									
Leasehold improvements	48,422	-	-	48,422	38,789	2,408	-	41,197	7,225
Office equipment	297,169	-	-	297,169	202,287	9,286	-	211,573	85,596
Vehicles	185,749	-	-	185,749	19,384	5,805	-	25,189	160,560
Total	531,340	-	-	531,340	260,460	17,499	-	277,959	253,381
Total	33,817,966	3,253,477	526,373	36,545,070	5,480,102	139,941	-	5,620,043	30,925,027

All amortization charges are included within Amortization of non-financial assets.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

6. PROPERTY AND EQUIPMENT

	Gross carrying amount				Accumulated depreciation				Carrying amount at June 30, 2011
	Balance at July 1, 2010	Additions	Disposal	Balance at June 30, 2011	Balance at July 1, 2010	Additions	Disposal	Balance at June 30, 2011	
	\$	\$	\$	\$	\$	\$	\$	\$	
Exploration									
Buildings	20,275,728	1,003,487	-	21,279,215	2,080,831	822,894	-	2,903,725	18,375,490
Equipment and tools	2,716,818	1,298,903	642,097	3,373,624	754,710	186,488	127,962	813,236	2,560,388
Underground infrastructures in development	3,371,037	1,143,895	-	4,514,932	-	-	-	-	4,514,932
Vehicles	572,132	253,968	302,000	524,100	156,293	45,235	88,083	113,445	410,655
Assets retirement costs	2,662,018	-	137,636	2,524,382	760,577	380,288	-	1,140,865	1,383,517
Total	29,597,733	3,700,253	1,081,733	32,216,253	3,752,411	1,434,905	216,045	4,971,271	27,244,982
Capital leased assets / exploration									
Mining equipment	544,000	-	-	544,000	136,000	54,400	-	190,400	353,600
Building	526,373	-	-	526,373	57,971	-	-	57,971	468,402
Total	1,070,373	-	-	1,070,373	193,971	54,400	-	248,371	822,002
Total - Exploration	30,668,106	3,700,253	1,081,733	33,286,626	3,946,382	1,489,305	216,045	5,219,642	28,066,984
Corporate office									
Leasehold improvements	48,422	-	-	48,422	29,105	9,684	-	38,789	9,633
Office equipment	297,169	-	-	297,169	152,391	49,896	-	202,287	94,882
Vehicles	62,199	123,500	-	185,749	3,887	15,497	-	19,384	166,365
Total	407,790	123,500	-	531,340	185,383	75,077	-	260,460	270,880
Total	31,075,896	3,823,753	1,081,733	33,817,966	4,131,765	1,564,382	216,045	5,480,102	28,337,864

All amortization charges are included within Amortization of non-financial assets.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

7. EXPLORATION AND EVALUATION ASSETS (Continued)

The carrying amount can be analyzed as follows:

	Balance as at July 1st 2010	Additions acquired separately	Tax credits and Credit on duties	Disposals	Impairment	Balance as at June 30 2011
Ontario						
Property Wahnapiitei						
Mining rights (1)	-	3,209	-	-	(3,209)	-
Exploration and evaluation	-	-	-	-	-	-
	-	3,209	-	-	(3,209)	-
Quebec						
Property Bachelor Lake						
Mining rights	5,596,772	806	-	-	-	5,597,578
Exploration and evaluation	9,297,760	9,736,360	-	-	-	19,034,120
	14,894,532	9,737,166	-	-	-	24,631,698
Property Hewfran						
Mining rights	444,623	1,699	-	-	-	446,322
Exploration and evaluation	1,163,193	298,128	-	-	-	1,461,321
	1,607,816	299,827	-	-	-	1,907,643
Property MJL- Hansen						
Mining rights	190,350	1,471	-	-	-	191,821
Exploration and evaluation	70,077	10,141	-	-	-	80,218
	260,427	11,612	-	-	-	272,039
Property Barry						
Mining rights	1,840,921	564	-	-	-	1,841,485
Exploration and evaluation (2)	12,303,987	4,120,327	-	-	(4,120,327)	12,303,987
	14,144,908	4,120,891	-	-	(4,120,327)	14,145,472
Property Barry United						
Mining rights	-	4,291	-	-	-	4,291
Exploration and evaluation	76,603	1,401,706	-	-	-	1,478,309
	76,603	1,405,997	-	-	-	1,482,600

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

7. EXPLORATION AND EVALUATION ASSETS (Continued)

	Balance as at July 1st 2010	Additions acquired separately	Tax credits and Credit on duties	Disposals	Impairment	Balance as at June 30 2011
Property Barry Extension						
Mining rights	157,000	-	-	-	-	157,000
Exploration and evaluation	139,966	37,301	-	-	-	177,267
	<u>296,966</u>	<u>37,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,267</u>
Property MJL-2						
Mining rights	434,250	2,535	-	-	-	436,785
Exploration and evaluation	87,545	10,078	-	-	-	97,623
	<u>521,795</u>	<u>12,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,408</u>
Property Nelligan						
Mining rights	89,600	7,362	-	-	-	96,962
Exploration and evaluation	326,453	77,686	-	-	-	404,139
	<u>416,053</u>	<u>85,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,101</u>
Summary						
Mining rights	8,753,516	21,937	-	-	(3,209)	8,772,244
Exploration and evaluation	23,465,584	15,691,727	-	-	(4,120,327)	35,036,984
	<u>32,219,100</u>	<u>15,713,664</u>	<u>-</u>	<u>-</u>	<u>(4,123,536)</u>	<u>43,809,228</u>

(1) An impairment was recognized on the property because substantive expenditures on further exploration for an evaluation of mineral resources in a specific area is neither budgeted nor planned.

(2) An impairment was recognized on the property because sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full form successful development or by sale.

All impairment charges (or reversals, if any) are included within Impairment of non-financial assets in profit or loss.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

7. EXPLORATION AND EVALUATION ASSETS (Continued)

The carrying amount can be analyzed as follows:

	Balance as at June 30 2011	Additions acquired separately	Tax credits and Credit on duties	Disposals	Impairment	Balance as at September 30 2011
Ontario						
Property Wahnapiitei						
Mining rights (1)	-	3,138	-	-	(3,138)	-
Exploration and evaluation	-	-	-	-	-	-
	-	3,138	-	-	(3,138)	-
Quebec						
Property Bachelor Lake						
Mining rights	5,597,578	-	-	-	-	5,597,578
Exploration and evaluation	19,034,120	3,681,600	-	-	-	22,715,720
	24,631,698	3,681,600	-	-	-	28,313,298
Property Hewfran						
Mining rights	446,322	162	-	-	-	446,484
Exploration and evaluation	1,461,321	368,770	-	-	-	1,830,091
	1,907,643	368,932	-	-	-	2,276,575
Property MJL- Hansen						
Mining rights	191,821	4,157	-	-	-	195,978
Exploration and evaluation	80,218	-	-	-	-	80,218
	272,039	4,157	-	-	-	276,196
Property Barry						
Mining rights	1,841,485	-	-	-	-	1,841,485
Exploration and evaluation (2)	12,303,987	6,422	-	-	(3,442)	12,306,967
	14,145,472	6,422	-	-	(3,442)	14,148,452
Property Barry United						
Mining rights	4,291	5,017	-	-	-	9,308
Exploration and evaluation	1,478,309	148,034	-	-	-	1,626,343
	1,482,600	153,051	-	-	-	1,635,651

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

7. EXPLORATION AND EVALUATION ASSETS (Continued)

	Balance as at June 30 2011	Additions acquired separately	Tax credits and Credit on duties	Disposals	Impairment	Balance as at September 30 2011
Property Barry Extension						
Mining rights	157,000	-	-	-	-	157,000
Exploration and evaluation	177,267	-	-	-	-	177,267
	<u>334,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,267</u>
Property MJL-2						
Mining rights	436,785	374	-	-	-	437,159
Exploration and evaluation	97,623	-	-	-	-	97,623
	<u>534,408</u>	<u>374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,782</u>
Property Nelligan						
Mining rights	96,962	1,378	-	-	-	98,340
Exploration and evaluation	404,139	-	-	-	-	404,139
	<u>501,101</u>	<u>1,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,479</u>
Summary						
Mining rights	8,772,244	14,226	-	-	(3,138)	8,783,332
Exploration and evaluation	35,036,984	4,204,826	-	-	(3,442)	39,238,368
	<u>43,809,228</u>	<u>4,219,052</u>	<u>-</u>	<u>-</u>	<u>(6,580)</u>	<u>48,021,700</u>

(1) An impairment was recognized on the property because substantive expenditures on further exploration for an evaluation of mineral resources in a specific area is neither budgeted nor planned.

(2) An impairment was recognized on the property because sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full form successful development or by sale.

All impairment charges (or reversals, if any) are included within Impairment of non-financial assets in profit or loss.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

8. UNEARNED REVENUE

On January 14, 2011, the Company entered into a gold sale agreement with Sandstorm to sell a portion of the gold production from its Bachelor Lake gold mine. Sandstorm has agreed to purchase 20% of the life of mine gold produced from its Bachelor Lake gold mine for US\$20 million, plus ongoing per ounce payments equal to the lesser of US\$500 and at the then prevailing market price per ounce of gold. Sandstorm will be making the following staged payments: (i) US\$5 million at the signature of the agreement (received), (ii) US\$9 million once the Company has achieved certain funding conditions relating to financing (received) and (iii) US\$6 million, on September 1st, 2011 (received). The initial payments were recorded as unearned revenue.

The Company is committed to providing a minimum of 50,000 ounces over a period of 12 consecutive months and this, within 48 months of signing the agreement. If it does not meet this guarantee, the Company will have to reimburse part of the deposit of US\$20 million to Sandstorm. The Company has provided a guarantee that Sandstorm will receive a minimum of US\$20 million in pre-tax cash flow over the next six years. If, at the end of the agreement expected in 40 years, the Company has not paid to Sandstorm an amount corresponding to the cash flows determined at the signature of the agreement, it will have to reimburse a portion of the prepaid unearned revenue.

9. ASSETS RETIREMENT OBLIGATIONS

- a) 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>2011</u>
	\$
Balance, beginning of year	3,276,048
Accretion expense	23,514
Balance, end of year	<u>3,299,562</u>

The Company has estimated the present value of its total assets retirement obligations to be \$3,299,562 at September 30, 2011, based on a total future liability of \$3,547,000 for the ore mill and \$612,000 for the Barry site and a credit adjusted risk-free rate of 3.55 % and 3.71%. Reclamation is expected to take place in 2019 for the Barry site and for the ore mill.

- b) Restricted Deposits: As at September 30, 2011, the Company has \$236,938 in deposits with Quebec's government for the settlement of asset retirement obligations of which \$51,438 is for the mill and \$185,500 for the Barry site.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

10. EQUITY

10.1 Share capital

The share capital of the Company consists only of fully paid ordinary shares.

Authorized :

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

Unlimited number of preferred shares without par value, voting, issuable in series, the directors defining the rights and privileges of these shares upon issuance.

	Number of shares		
	Periods ended		
	September 30, 2011	June 30, 2011	September 30, 2010
Shares issued and fully paid			
Shares issued and fully paid at beginning of period	201,686,865	128,692,505	128,692,505
Private placements	-	18,305,668	-
Flow-through private placements	-	54,338,692	4,902,992
Exercise of broker warrants	-	350,000	350,000
Total shares issued and fully paid at end of period	<u>201,686,865</u>	<u>201,686,865</u>	<u>133,945,497</u>

10.2 Warrants

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

	September 30, 2011		June 30, 2011		September 30, 2010	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$		\$
Balance, beginning of reporting period	49,975,840	0.59	41,256,954	0.76	41,256,954	0.76
Granted	-	-	27,563,822	0.41	2,749,567	0.49
Exercised	-	-	(350,000)	0.50	(350,000)	0.50
Expired	-	-	(18,494,936)	0.70	-	-
Balance, end of reporting period	<u>49,975,840</u>	0.59	<u>49,975,840</u>	0.59	<u>43,656,521</u>	0.75

METANOR RESOURCES INC.**NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)**

For the three-month period ended September 30, 2011

10. EQUITY (Continued)**10.2 Warrants (Continued)**

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

Expiry date	Exercise price	September 30,	June 30	September 30,
		2011	2011	2010
		Number	Number	Number
	\$			
March 20, 2011	0.50	-	-	768,657
March 20, 2011	0.65	-	-	13,254,229
April 20, 2011	0.50	-	-	149,700
April 20, 2011	0.65	-	-	1,322,350
May 16, 2011	0.99	-	-	3,000,000
December 12, 2011	0.65	6,739,517	6,739,517	6,739,517
January 8, 2012	0.65	2,000,000	2,000,000	2,000,000
February 17, 2012	0.40	6,865,221	6,865,221	-
March 3, 2012	0.40	9,946,200	9,946,200	-
March 5, 2012	0.65	2,850,000	2,850,000	2,850,000
March 29, 2012	0.65	60,000	60,000	60,000
May 15, 2012	1.00	9,375,001	9,375,001	9,375,001
June 20, 2012	1.00	1,250,000	1,250,000	1,250,000
July 19, 2012	1.00	312,500	312,500	312,500
February 17, 2013	0.40	4,045,834	4,045,834	-
March 3, 2013	0.40	3,957,000	3,957,000	-
May 31, 2013	0.48	2,574,567	2,574,567	2,574,567
		<u>49,975,840</u>	<u>49,975,840</u>	<u>43,656,521</u>

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

11. Share-based payments

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.

	September 30, 2011		June 30, 2011		September 30, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$		\$
Outstanding , beginning of period	7,865,000	0.75	7,487,250	0.77	7,487,250	0.77
Granted	-	-	669,000	0.43	330,000	0.55
Expired	<u>(60,000)</u>	0.62	<u>(291,250)</u>	0.72	<u>(3,750)</u>	0.50
Outstanding, end of period	<u>7,805,000</u>	0.75	<u>7,865,000</u>	0.75	<u>7,813,500</u>	0.76

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

11. Share-based payments (Continued)

The table below summarizes the information related to share options as at September 30, 2011:

Expiry Date	Exercise Price	2011		Remaining Time life
		Number of shares exercisable	Number of shares outstanding	
	\$			
March 22, 2012	0.50	175,000	175,000	0.50
September 22, 2012	0.43	100,000	100,000	1.00
September 22, 2012	0.50	100,000	100,000	1.00
September 22, 2012	0.67	100,000	100,000	1.00
September 22, 2012	0.70	100,000	100,000	1.00
September 22, 2012	0.87	100,000	100,000	1.00
September 22, 2012	1.00	100,000	100,000	1.00
November 28, 2012	0.50	100,000	100,000	1.17
November 28, 2012	0.60	35,000	35,000	1.17
November 28, 2012	1.00	150,000	150,000	1.17
October 6, 2013	1.00	30,000	30,000	2.02
January 21, 2014	1.00	440,000	440,000	2.33
March 17, 2014	0.97	30,000	30,000	2.50
January 26, 2015	0.60	150,000	150,000	3.33
October 5, 2015	0.70	50,000	50,000	4.02
November 29, 2016	0.50	375,000	375,000	5.17
May 28, 2017	0.80	100,000	100,000	5.67
August 30, 2017	0.67	75,000	75,000	5.92
September 17, 2017	0.68	5,000	5,000	5.96
January 10, 2018	0.82	15,000	15,000	6.27
January 23, 2018	0.80	28,000	28,000	6.31
February 3, 2018	1.00	1,875,000	1,875,000	6.33
September 15, 2018	0.48	20,000	20,000	6.96
February 16, 2019	0.59	59,000	59,000	7.38
May 14, 2019	0.49	15,000	15,000	7.63
July 1, 2019	0.43	75,000	75,000	7.75
September 2, 2019	0.41	100,000	100,000	7.92
September 28, 2019	0.66	120,000	120,000	8.00
January 17, 2020	0.57	100,000	100,000	8.29
February 18, 2020	0.50	59,000	59,000	8.38
March 31, 2020	0.70	2,125,000	2,125,000	8.50
April 11, 2020	0.70	350,000	350,000	8.54
July 18, 2020	0.70	75,000	75,000	8.79
September 2, 2020	0.56	15,000	15,000	8.92
September 22, 2020	0.50	120,000	120,000	8.98
February 25, 2021	0.32	316,750	339,000	9.40
		<u>7,782,750</u>	<u>7,805,000</u>	

METANOR RESOURCES INC.**NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)**For the three-month period ended September 30, 2011

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 10 and 11.

	September 30	
	2011	2010
Loss for the period	1,459,855	(3,406,037)
Weighted average number of shares in circulation	201,686,865	132,065,206
Basic and diluted per share	0.007	(0.026)

13. ADDITIONAL INFORMATIONS – CASH FLOWS

The changes in working capital items are detailed as follows:

	Three-month period ended September 30	
	2011	2010
	\$	\$
Goods and services tax receivable	(156,854)	109,522
Other receivables	38,559	35,583
Prepaid expenses	77,592	20,920
Royalties payable	45,326	(32,477)
Trade and other payables	52,843	(1,014,383)
	<u>57,466</u>	<u>(880,835)</u>

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

14. CONTINGENCIES

- (a) The Company has a lease commitment for the rent of the head office. The rental agreement expires during the following year end and the minimum payments payable totals \$12,000.
- (b) During the previous year, \$22,762,333 was received as a result of flow-through financings. During the period ended March 31, 2011, the Company renounced \$11,330,567 and will renounce \$11,431,766 during the period that will end March 31, 2012. Exploration expenses of \$10,707,375 must be spent before December 31, 2012.
- (c) The Company is partly financed by issuance of flow-through common shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has taken all the necessary measures to meet its commitment. The Company recognizes provisions when deemed necessary.
- (d) The estate of an employee of a contractor (Montali Inc.) commenced a lawsuit against the Company for an amount of \$1,121,394 concerning an industrial accident. The Company considers the above mentioned lawsuit as unfounded considering the contract intervened between the Company and Montali. Furthermore, the amount claimed will have to be reduced by the CSST benefits considering that it was an industrial accident. Moreover, the insurer bond to take up the interest of the Company. As at June 30, 2011, no amount was recognized concerning this lawsuit.

15. TRANSITION TO IFRS

These are the Company's first consolidated interim financial statements prepared in accordance with IFRS for a part of the period covered by the first IFRS annual financial statements. The date of transition to IFRS is July 1, 2010.

The Company's IFRS accounting policies presented in Note 4 have been applied in preparing the financial statements for the reporting period ended September 30, 2011, the comparative information and the opening statement of financial position at the date of transition.

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

15.1 First-time adoption – exemptions applied

Upon transition, IFRS 1 dictate certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Company are set out below:

Mandatory exceptions

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

Financial assets liabilities that were derecognised before July 1, 2010 as per the previous GAAP, have not been accounted for under IFRS. The Company has applied the IFRS amendment in advance at the date of application of the exception, July 1, 2010.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

15. TRANSITION TO IFRS (Continued)

15.1 First-time adoption – exemptions applied (Continued)

Optional exemptions

The Company has chosen not to apply IFRS 2, *Share-based Payment*, retrospectively to options granted before November 7, 2002 and vested before the date of transition to IFRS.

Assets retirement obligations

The Company elected to adopt the exemption from IFRS 1 allowing a first-time adopter not to comply with requirements from IFRIC 1 “Changes in Existing Decommissioning, Restoration and Similar Liabilities” for changes in such liabilities that occurred before the date of transition. By applying this exemption, the Company has measured the liability as at the date of transition, has estimated the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate that would have applied for that liability over the intervening period, and has calculated the accumulated depreciation on that amount, as at the date of transition, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the Company in accordance with IFRS. The residual of this adjustment at the date of transition must be registered in the opening retained deficit. Subsequently, the Company adjusted its liability, its property and equipment and its exploration and evaluation assets.

15.2 Reconciliations of equity

Equity at the date of transition and at September 30, 2010 and as at June 30, 2011 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Notes	July 1st 2010 \$	September 30, 2010 \$	June 30 2011 \$
Equity under pre-change accounting standards		51,126,584	51,393,094	64,925,159
Decreases in equity reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS		-	-	-
Shares issued by flow-through private placements	15.5a)	(258,362)	(711,752)	(2,390,198)
Asset retirement obligations	15.5b)	(144,676)	(139,803)	(123,853)
Equity under IFRS		<u>50,723,546</u>	<u>50,541,539</u>	<u>62,411,108</u>

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

15. *TRANSITION TO IFRS (Continued)*

15.3 Reconciliation of comprehensive loss

Total comprehensive loss for the reporting period ended September 30, 2010 and June 30, 2011 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Notes	September 30 2010 \$	June 30 2011 \$
Comprehensive loss under pre-change accounting standards		(3,447,819)	(11,607,082)
Decreases in total comprehensive income reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and FRS			
Shares issued by flow-through private placements	15.5a)	36,909	485,690
Asset retirement obligations	15.5b)	4,873	20,823
Total comprehensive loss under IFRS		<u>(3,406,037)</u>	<u>(11,100,569)</u>

15.4 Presentation differences

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.

METANOR RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

15. TRANSITION TO IFRS (continued)

		July 1, 2010			
Pre-charge accounting standards description	Notes	Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
ASSETS					
Current assets					
Cash		973,677		973,677	Cash
Temporary investments		4,658		4,658	Temporary investments
Taxes receivable		560,011		560,011	Good and services tax receivable
Tax credits receivable related to exploration		1,450,685		1,450,685	Tax credit and credit on duties receivable
Other receivables		959,135		959,135	Other receivable
Prepaid expenses		436,466		436,466	Prepaid expenses
		<u>4,384,632</u>		<u>4,384,632</u>	
Non-current					
Material and supplies for exploration		845,130		845,130	Material and supplies for exploration
Deposits on contracts, without interest or terms of payment		123,153		123,153	Deposits on contracts, without interest or terms of payment
Advances on production royalties, without interest		240,820		240,820	Advances on production royalties, without interest
Property, plant and equipment	15.5b)	26,205,345	799,077	27,004,422	Property and equipment
Mineral properties	15.5c)	8,753,516	23,465,584	32,219,100	Exploration and evaluation assets
Deferred exploration expenses	15.5c)	23,465,584	(23,465,584)	-	
		<u>59,633,548</u>	<u>799,077</u>	<u>60,432,625</u>	
		<u>64,018,180</u>	<u>799,077</u>	<u>64,817,257</u>	Total assets
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	15.5a)	4,388,812		4,388,812	Trade and other payables
		-	258,362	258,362	Other payables
Royalties payable		284,704		284,704	Royalties payable
Revolving credit		5,216,540		5,216,540	Revolving credit
Short-term instalments on long-term debt and obligations under capital leases		409,244		409,244	Short-term instalments on long-term debt and obligations under capital leases
		10,299,300		10,557,662	
Long-term debt		205,442		205,442	Long-term debt
Assets retirement obligations	15.5b)	2,386,854	943,753	3,330,607	Assets retirement obligations
		12,891,596	1,202,115	14,093,711	
		<u>12,891,596</u>	<u>1,202,115</u>	<u>14,093,711</u>	Total liabilities
SHAREHOLDERS' EQUITY					
Capital stock	15.5a)	68,947,879	793,088	69,740,967	Share capital
Stock-options	15.5a)	1,758,076	553,634	2,311,710	Stock-options
Contributed surplus		5,041,027		5,041,027	Contributed surplus
Deficit	15.5a)b)	(24,620,398)	(1,749,760)	(26,370,158)	Retained deficit
		<u>51,126,584</u>	<u>(403,038)</u>	<u>50,723,546</u>	Total equity
		<u>64,018,180</u>	<u>799,077</u>	<u>64,817,257</u>	Total liabilities and equity

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

15. TRANSITION TO IFRS (continued)

June 30, 2011

Pre-charge accounting standards description	Notes	Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
ASSETS					
Current assets					
Cash		2,649,947		2,649,947	Cash
Temporary investments		10,692,452		10,692,452	Temporary investments
Taxes receivable		436,569		436,569	Good and services tax receivable
Tax credits receivable related to exploration		1,450,685		1,450,685	Tax credit and credit on duties receivable
Other receivables		44,464		44,464	Other receivable
Prepaid expenses		289,193		289,193	Prepaid expenses
		15,563,310		15,563,310	
Non-current					
Material and supplies for exploration		891,160		891,160	Material and supplies for exploration
Deposits on contracts, without interest or terms of payment		171,876		171,876	Deposits on contracts, without interest or terms of payment
Advances on production royalties, without interest		215,703		215,703	Advances on production royalties, without interest
Guarantee on deposit		236,938		236,938	Guarantee on deposit
Property, plant and equipment	15.5b)	27,836,247	501,617	27,836,247	Property and equipment
Mineral properties	15.5c)	8,772,244	35,036,984	43,809,228	Exploration and evaluation assets
Deferred exploration expenses	15.5c)	35,036,984	(35,036,984)	-	
		73,161,152	501,617	73,662,769	Total assets
		88,724,462	501,617	89,226,079	
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		6,570,500		6,570,500	Trade and other payables
	15.5a)	-	2,390,198	2,390,198	Other payables
Royalties payable		469,193		469,193	Royalties payable
Short-term instalments on long-term debt and obligations under capital leases		144,759		144,759	Short-term instalments on long-term debt and obligations under capital leases
		7,184,452	2,390,198	9,574,650	
Long-term debt		269,673		269,673	Long-term debt
Unearned revenue		13,694,600		13,694,600	Unearned revenue
Assets retirement obligations		2,650,578	625,470	3,276,048	Assets retirement obligations
		23,799,303	3,015,668	26,814,971	Total liabilities
SHAREHOLDERS' EQUITY					
Capital stock	15.5a)	93,658,962	(1,824,438)	91,834,524	Share capital
Stock-options	15.5a)	734,656	553,634	1,288,290	Stock-options
Contributed surplus		6,759,021		6,759,021	Contributed surplus
Deficit	15.5a)b)	(36,227,480)	(1,243,247)	(37,470,727)	Retained deficit
		64,925,159	(2,514,051)	62,411,108	Total equity
		88,724,462	501,617	89,226,079	Total liabilities and equity

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

15. TRANSITION TO IFRS (continued)

The following table shows the total effect of the transition on the statement of comprehensive loss :

Pre-change accounting standards description	Notes	September 30, 2010			IFRS description
		Previous GAAP	Effect of transition to IFRS	IFRS	
Directors' stock-based compensation		49,650		49,650	Share-based payments
Salaries and fringe benefits		248,633		248,633	Salaries and fringe benefits
Professional fees		75,050		75,050	Professional fees
Investors relations		101,897		101,897	Investors relations
Travel and entertainment		67,011		67,011	Travel and entertainment
Reports to shareholders		5,011		5,011	Reports to shareholders
Maintenance and repairs		9,440		9,440	Maintenance and repairs
Office expenses		21,643		21,643	Office expenses
Trustees and registration fees		11,268		11,268	Trustees and registration fees
Rental expenses		9,000		9,000	Rental expenses
Insurance		18,036		18,036	Insurance
Loss on exchange rate		(6,538)		(6,538)	Loss on exchange rate
Financing fees		668,399		668,399	Financing fees
Bank charges		2,293		2,293	Bank charges
Interest		7,179		7,179	Interest
Interest on long-term debt		13,421		13,421	Interest on long-term debt
Interest on revolving credit		202,931		202,931	Interest on revolving credit
Amortization of equipment		22,179		22,179	Amortization of equipment
Write down of mineral properties and deferred exploration expenses	15.5b)	1,922,184	(4,873)	1,917,311	Disposal Impairment of exploration and evaluation assets
		(3,448,687)	4,873	(3,443,814)	Operation loss
Other income		868		868	Other income
Loss before income taxes		(3,447,819)		(3,442,946)	Loss before income taxes
Future income taxes	15.5a)	-	36,909	36,909	Deferred income taxes
Net loss		(3,447,819)	41,782	(3,406,037)	Total comprehensive income for the period
Basic and diluted net loss per share		(0.026)		(0.026)	Basic and diluted per ordinary share

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

15. TRANSITION TO IFRS (continued)

The following table shows the total effect of the transition on the statement of comprehensive loss :

		June 30, 2011			
Pre-change accounting standards description	Notes	Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
Directors' stock-based compensation		138,800		138,800	Share-based payments
Salaries and fringe benefits		879,923		879,923	Salaries and fringe benefits
Professional fees		1,254,215		1,254,215	Professional fees
Investors relations		481,197		481,197	Investors relations
Travel and entertainment		371,361		371,361	Travel and entertainment
Reports to shareholders		87,211		87,211	Reports to shareholders
Maintenance and repairs		34,702		34,702	Maintenance and repairs
Office expenses		126,050		126,050	Office expenses
Trustees and registration fees		101,217		101,217	Trustees and registration fees
Rental expenses		36,000		36,000	Rental expenses
Insurance		74,161		74,161	Insurance
Loss on disposal of fixed assets		218,051		218,051	Loss on Impairment of non-financial assets
Gain on exchange rate		17,739		17,739	Gain on exchange rate
Financing fees		1,221,299		1,221,299	Financing fees
Bank charges		6,523		6,523	Bank charges
Interest		5,430		5,430	Interest
Interest on long-term debt		42,213		42,213	Interest on long-term debt
Interest on revolving credit		476,411		476,411	Interest on revolving credit
Amortization of equipment		90,920		90,920	Amortization of equipment
Write down of mineral properties and deferred exploration expenses	15.5b)	4,141,150	(20, 823)	4,120,327	Disposal Impairment of exploration and evaluation assets
Part X11.6 income taxes		50,921		50,921	Part X11.6 income taxes
Compensation for provision		3,600,000		3,600,000	Compensation for provision
Write down of mineral properties and deferred exploration expenses		3,209		3,209	Disposal on impairment exploration and evaluation assets
		(13,458,703)	20,823	(13,437,880)	Operation loss
Other income		35,621		35,621	Other income
Loss before income taxes		(13,423,082)	20,823	(13,402,259)	Loss before income taxes
Future income taxes	15.5a)	1,816,000	485,690	2,301,690	Deferred income taxes
Net loss		(11,607,082)	506,513	(11,100,569)	Total comprehensive income for the period
Basic and diluted net loss per share		(0.072)		0.069	Basic and diluted per ordinary share

TRANSITION TO IFRS (Continued)

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

15.

15.5 Notes to reconciliation

a) Shares issued by flow-through placements

Under Pre-change accounting standards, the entire proceeds received on the issuance of flow-through shares were credited to share capital. When the renouncement of the tax deductions related to the resource expenditure for income tax purposes, temporary taxable differences were created and a deferred income tax was recorded, and the related charge was treated as share issue costs.

Under IFRS, issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the obligation to revert the tax benefit to the investors and is recognized as other liabilities in the statement of financial position. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability. Once the Company renounces its tax deductions and has incurred qualifying expenses (or has incurred qualifying expenses and intends to renounce its tax deductions), the sale of the tax deductions is recognized in the loss in reduction of the deferred income taxes and a future tax liability is recognized for the temporary difference between the carrying amount of the qualifying expenses capitalized in the assets and its tax basis, the counterpart being recognized as deferred income taxes in the loss.

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

The impact on the Company's transition to IFRS is to decrease other liabilities by \$2,390,198 (increase by \$2,390,198 at June 30, 2011 and \$711,752 at September 30, 2010), decrease share capital by \$nil (\$1,824,438 at June 30, 2011, increase by \$302,789 at September 30, 2010), increase warrants by \$553,634 (\$553,634 at June 30, 2011 and September 30, 2010) and decrease deficit by \$2,497,756 (increase by \$1,243,247 at June 30, 2011 and \$1,707,918 at September 30, 2010).

b) Asset retirement.

As stated in the section entitled "IFRS optional exemptions applied at the time of the transition", the Company elected to adopt the optional exemption from IFRS 1 allowing a first-time adopter not to comply with requirements from IFRIC1 for changes in such liabilities that occurred before the date of transition. Consequently, the Company has evaluated the provisions as at July 1, 2010 and estimated the amount that will be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. Under Canadian GAAP, the provision for asset retirement obligations is not adjusted for changes in the discount rate, whereas under IFRS, the provision for asset retirement obligation must be adjusted for changes in the discount rate. The evaluation of the liability as at July 1, 2010 resulted in an increase of \$943,753 of the asset retirement obligations and a net increase of \$799,074 of the corresponding Property, plant and equipment. Consequently, the Company has increased its retained deficit by \$144,676 on the transition date.

c) Mining properties and deferred exploration expenses have been grouped for presentation under exploration and evaluation assets.

METANOR RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS (unaudited, in Canadian dollars)

For the three-month period ended September 30, 2011

15.6 Impairment losses recognized at the date of transition

The Company applied IAS 36, Impairment of assets, in determining whether any impairment losses arose at the date of transition to IFRS. An impairment loss was identified for an amount of \$43,640.

The estimates used for this analysis were consistent with the estimates used under pre-change accounting standards at the same date, adjusted for accounting policy differences, if applicable.

16. ADDITIONAL ANNUAL DISCLOSURE UNDER IFRS

Certain information disclosure normally included in annual financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information.

17. RELATED PARTY TRANSACTIONS

Key directors of the Company are the members of the Board of directors. The remuneration paid to directors or companies controlled by these directors includes the following expenses:

	June 30, 2011 (365 jours / days)
Short-term benefits to directors	\$
Professional fees	72,000
Consulting fees	300,500
Rental expenses	36,000
Total short-term benefits to directors	408,500
Share-based payments	138,800
Total remuneration	547,300

18. POST-REPORTING DATE EVENTS

On December 20, 2011 the Company closed a private placement with Industrial Alliance Securities Inc. and National Bank Financial Inc. (the "Agents") by issuing a total of 20,841,909 units (the "Units") for aggregate gross proceeds of \$7,086,249.06.

Each Unit shall consist of one common share (a "Share") and one-half of one transferable common share purchase warrant of Metanor (a whole common share purchase warrant, a "Warrant"). Each Warrant shall entitle the holder thereof to acquire one common share in the capital of Metanor (a "Warrant Share") at a price of \$0.40 per Warrant Share for a period of 2 years from the Closing Date.

The Company paid the Agents a cash commission equal to up to 6.5% of the gross proceeds raised.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT
QUARTER ENDED SEPTEMBER 30, 2011

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 three month period ended September 30, 2011 and the same period of the previous year. This Management Discussion and Analysis Report which complies with Rule 51-102A of the Canadian Securities Administrators on continuous disclosure, is intended to supplement our unaudited interim financial statements. It presents the management's point of view on Metanor's ongoing activities and its current and past financial results, as well as an outlook of the activities planned for the coming months. This Report should be read in conjunction with the interim and audited annual financial statements, the accompanying notes and the MD&A when required. This present MD&A report was submitted to the audit committee that recommended its adoption to the Board of directors', which was approved on November 26th, 2011.

These unaudited interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies the Company expects to adopt in its June 30, 2012 financial statements. Those accounting policies are based on the IFRS standards that the Company expects to be applicable at that time. These interim financial statements are unaudited; however, in the opinion of management, all adjustments necessary to present fairly the results of this period have been included. All dollars amounts are expressed in Canadian dollars, unless otherwise specified.

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

CORPORATE INFORMATION AND NATURE OF ACTIVITIES

Metanor was incorporated on January 10, 2003 under the Canada Business Corporations Act. Its head office is located at 2872 Chemin Sullivan, 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, Barry and Hewfran properties, Metanor will then determine if these properties contain economically profitable ore resources.

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).

SELECTED FINANCIAL INFORMATION (UNAUDITED) FOR THE 3 MONTH PERIOD:

	September 30	September 30
	2011	2010
	\$	\$
EXPENSES		
Administration expenses	914,710	576,461
Share-based payments	-	49,650
Loss (gain) on exchange rate	1,289	(6,538)
Financing fees	-	668,399
Interest on long-term debt	12,382	13,421
Interest on revolving credit	-	202,931
Depreciation of equipment	17,499	22,179
Impairment of exploration and evaluation assets	6,580	1,917,311
OPERATING LOSS	(952,460)	(3,443,814)
Income from guaranteed investment certificates	22,119	868
LOSS BEFORE INCOME TAXES	(930,341)	(3,442,946)
Deferred income taxes	2,390,196	36,909
COMPREHENSIVE INCOME FOR THE PERIOD	1,459,855	(3,406,037)
		-
Basic and diluted income (loss) per share	0.007	(0.026)

	September 30, 2011	September 30, 2010
Financial position	\$	\$
Total assets	94,609,325	63,483,125
Total liabilities	30,724,272	12,941,586
Total equity	63,885,053	50,541,539

COMPREHENSIVE INCOME**Analysis of general, administrative and other expenses**

During the quarter covered by this report, the amount of the administration and other expenses totaled \$952,460 compared to \$3,443,814 as at September 30, 2010. The administration and other expenses are mainly composed of professional fees of \$391,695 (\$75,050 in 2010), salaries and fringe benefits of \$230,923 (\$248,633 in 2010) travel and entertainment of \$92,840 (\$67,011 in 2010), investors' relations of \$72,989 (\$101,897 in 2010), office expenses of \$38,235 (\$21,643 in 2010) and depreciation of non-financial assets of \$17,499 (\$22,179 in 2010).

Comprehensive income

For the quarter ended September 30, 2011, the Company realized a comprehensive income of \$1,459,855 or \$0.007 per basic and diluted share, compared to a comprehensive income of (\$3,406,037) or \$(0.026) for the corresponding quarter of 2010. The weighted average number of common shares outstanding on September 30, 2011 was 201,686,865 compared to 132,065,206 as at September 30, 2010.

DEFERRED EXPLORATION EXPENSES

Bachelor Lake Gold Project

During the period ending September 30th, 2011, the Company completed the sinking of its shaft. During the period, 36 feet of shaft was excavated, bringing the total deepening to 539 feet. During that same period, the Company completed the construction of the underground hoisting infrastructure. The Company took over the underground operation because the mandate of the contractor was exclusively the sinking of the shaft. The Company proceeded with the hiring of 27 miners in August and September in order to complete the underground construction, and begin the development of the lateral drift on level 12, 13, and 14. We plan to begin the ore development of the expected bulk sampling of 5,000 tons at the end of December 2011.

The construction work in the mill in preparation for the processing of the bulk sampling began during this quarter as planned. The Company is replacing the Merrill-Crow recovery process in the mill by a carbon in pulp process. This conversion will be completed during the first quarter of 2012.

In July, we began the surface diamond drilling program within the Hewfran sector of the Bachelor Project. The goal of this program is to convert inferred resources into indicated categories.

In this quarter, the reported exploration expenses were \$4,204,826 compared to \$2,358,364 (net of gold sales) as of September 30th, 2010.

Nelligan property

Since September 2007, the Company has had an option to acquire a 70% interest in the property in return for \$450,000 in exploration expenditures incurred over three (3) years on the property.

During the period, the Company received on behalf of the direction of the Mineral Development a certificate of inscription confirming the transfer of the mineral rights.

Barry I property

Development work and exploration in recent years on Barry has helped significantly increase resources. The Barry deposit now contains an indicated resource of 7,701,000 tonnes grading 1.29 g/t Au for a total of 309,000 ounces of gold, and an inferred resource of 10,411,000 tonnes grading 1.65 g/t Au for a total of 431,950 ounces of gold.

A mandate was allotted by the board of directors to Andre Tremblay with an aim of evaluating the profitability of a possible reopening of the Barry mine.

The high cost of transporting material to the Bachelor mill reduces the deposit's potential, the concept of building a concentrator on site, allowing the deposit to be mined with high tonnage and low grade, was developed in 2010. The Company has therefore begun to investigate the concept of a traditional concentrator, as well as a new concentration method developed by Nichromet Exploration Inc. (Nichromet). Nichromet continues to develop and improve this process. The tests of concentration which were carried out on samples of material coming from Barry proved technical feasibility to produce a concentrate by gravity to enrich the gold contents of the gold bearing deposit of Barry.

First series of tests on a 20 Kg sample have generated a concentrate containing 60% of the gold initially present at a concentration of about 40 g/t Au. Gold content in the starting material was approximately 3 g/t Au. These results are promising but optimisation is still required in order to increase the gold recovery from 60% to higher than 80%.

Another bulk sample of 5 tons has been received since then at the pilot plant in order to perform additional optimisation tests. This material has been crushed and coarsely grinded in the pilot plant and a 15 kilos sample has been sent to the 'Centre de Technologie Minérale et Plasturgie Inc' (CTMP) of Thetford Mines to begin test work. The CTMP will grind the material at different size and will generate Knelson concentrates from these various size distributions. The rest of the 5 tons will then be grinded to this defined size in the pilot plant and concentrates will be produced at the pilot scale.

Barry United property

No field work was carried out on the property during the period even if a contract of prospection was given to Diagnos in order to evaluate the potential of targets provided by compilation using Cards System and their coincidence with the targets defined by various PP surveys. This work was planned to take place during autumn 2011 but was deferred to spring 2012.

Bachelor-Hewfran-MJL

Prospection work was carried out by a prospector in the immediate area of the Bachelor mine with an aim of locating extensions of mineralized zones of the mine mainly to the east of the O' Brien pluton in a sector where these extensions can be displaced by faults.

EXPLORATION AND EVALUATION ASSETS

The carrying amount can be analyzed as follows:

	Balance as at June 30 2011	Additions acquired separately	Tax credits and Credit on duties	Disposals	Impairment	Balance as at September 30 2011
Ontario						
Property Wahnapipei						
Mining rights (1)	-	3,138	-	-	(3,138)	-
Exploration and evaluation	-	-	-	-	-	-
		<u>3,138</u>			<u>(3,138)</u>	
Québec						
Property Bachelor Lake						
Mining rights	5,597,578	-	-	-	-	5,597,578
Exploration and evaluation	19,034,120	3,681,600	-	-	-	22,715,720
	<u>24,631,698</u>	<u>3,681,600</u>				<u>28,313,298</u>
Property Hewfran						
Mining rights	446,322	162	-	-	-	446,484
Exploration and evaluation	1,461,321	368,770	-	-	-	1,830,091
	<u>1,907,643</u>	<u>368,932</u>				<u>2,276,575</u>
Property MJL- Hansen						
Mining rights	191,821	4,157	-	-	-	195,978
Exploration and evaluation	80,218	-	-	-	-	80,218
	<u>272,039</u>	<u>4,157</u>				<u>276,196</u>
Property Barry						
Mining rights	1,841,485	-	-	-	-	1,841,485
Exploration and evaluation (2)	12,303,987	6,422	-	(3,442)	(3,442)	12,306,967
	<u>14,145,472</u>	<u>6,422</u>		<u>(3,442)</u>		<u>14,148,452</u>
Property Barry United						
Mining rights	4,291	5,017	-	-	-	9,308
Exploration and evaluation	1,478,309	148,034	-	-	-	1,626,343
	<u>1,482,600</u>	<u>153,051</u>				<u>1,635,651</u>

EXPLORATION AND EVALUATION ASSETS (Continued)

	Balance as at June 30 2011	Additions acquired separately	Tax credits and Credit on duties	Disposals	Impairment	Balance as at September 30 2011
Property Barry Extension						
Mining rights	157,000	-	-	-	-	157,000
Exploration and evaluation	177,267	-	-	-	-	177,267
	<u>334,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,267</u>
Property MJL-2						
Mining rights	436,785	374	-	-	-	437,159
Exploration and evaluation	97,623	-	-	-	-	97,623
	<u>534,408</u>	<u>374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,782</u>
Property Nelligan						
Mining rights	96,962	1,378	-	-	-	98,340
Exploration and evaluation	404,139	-	-	-	-	404,139
	<u>501,101</u>	<u>1,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,479</u>
Summary						
Mining rights	8,772,244	14,226	-	-	(3,138)	8,783,332
Exploration and evaluation	35,036,984	4,204,826	-	-	(3,442)	39,238,368
	<u>43,809,228</u>	<u>4,219,052</u>	<u>-</u>	<u>-</u>	<u>(6,580)</u>	<u>48,021,700</u>

(1) An impairment was recognized on the property because substantive expenditures on further exploration for an evaluation of mineral resources in a specific area is neither budgeted nor planned.

(2) An impairment was recognized on the property because sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full form successful development or by sale.

All impairment charges (or reversals, if any) are included within Impairment of non-financial assets in profit or loss.

The following table shows the main deferred exploration and development expenses incurred during the period:

Expenses	Lac Bachelor	Hewfran	MJL-Hansen	Barry	Barry Unifié	Barry Extension	MJL-2	Nelligan	Total
Drilling	-	322,909	-	-	-	-	-	-	322,909
Prospect	-	306	-	-	-	-	-	-	306
Labour	1,402,810	-	-	-	74,154	-	-	-	1,476,965
Lodging	-	-	-	-	1,143	-	-	-	1,143
Core library and rental expenses	-	2,307	-	-	-	-	-	-	2,307
Equipment rental	-	-	-	-	20	-	-	-	20
Stripping and line cutting	-	-	-	-	-	-	-	-	-
Assays	-	38,646	-	-	-	-	-	-	38,646
Professional fees	-	-	-	2,980	-	-	-	-	2,980
Consulting	731,850	-	-	-	34,494	-	-	-	766,344
Maintenance	221	-	-	-	5,742	-	-	-	5,963
Repairs	-	-	-	-	-	-	-	-	-
Material	2,831	155	-	-	6,225	-	-	-	9,212
Fuel and Energy	-	-	-	-	19,349	-	-	-	19,349
Maps and reports	1,552	4,447	-	-	2,023	-	-	-	8,021
Office expenses	-	-	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	3,575	-	-	-	3,575
Taxes and permits	-	-	-	-	59	-	-	-	59
Insurance	-	-	-	-	-	-	-	-	-
General expenses	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Ore processing expenses	-	-	-	-	-	-	-	-	-
Underground maintenance and installation	1,386,982	-	-	-	-	-	-	-	-
Road maintenance	-	-	-	-	-	-	-	-	-
Explosive	-	-	-	-	-	-	-	-	-
Assets retirement costs	-	-	-	-	-	-	-	-	-
Amortization	121,192	-	-	-	1,250	-	-	-	122,442
Accretion expense	20,072	-	-	3,442	-	-	-	-	23,514
Royalties	-	-	-	-	-	-	-	-	-
Equity-settled share-based payments	14,090	-	-	-	-	-	-	-	14,090
TOTAL	3,681,600	368,770	-	6,422	148,034	-	-	-	4,204,826

CASH FLOWS

During the quarter ended September 30, 2011, the cash flow used for **operating activities** totaled (\$848,796) compared to (\$1,793,083) for the corresponding quarter of 2010. This difference is mainly caused by the decrease of the loss before income taxes and the changes in working capital items.

For the quarter ended on September 30, 2011, the cash flow used by the **investing activities** was \$6,629,196 compared to \$2,173,082 for the corresponding period of 2010. The liquidity was used as follows: \$2,727,106 of property, plant and equipment in 2011 compared to \$208,375 in 2010 and \$3,084 for the material and supplies in 2011 compared to \$36,684 in 2010. The exploration and evaluation assets net of the gold sales used \$4,044,780 in 2011 compared to \$2,000,795 in 2010.

The **financing activities** generated a cash flow of \$6,177,816 compared to \$3,121,014 for the corresponding quarter in 2010.

The cash and cash equivalents as at September 30, 2011 was of \$12,042,223 compared to an amount of \$133,184 in 2010. The Company is committed to spend \$10,707,375 in exploration expenses relating to flow-through financings before December 31, 2012.

BALANCE SHEET

On September 30, 2011, the total assets of the Company amounted to \$94,609,325 compared to \$89,226,079 as at June 30, 2011. This difference is mainly due to the decrease of the cash and cash equivalents and an increase of property, plant and equipment and exploration and evaluation assets.

The assets are detailed as follows:

Assets	September 30, 2011	June 30, 2011
	\$	\$
Cash	1,450,379	2,649,947
Temporary investments	10,591,844	10,692,452
Goods and services tax receivable	593,423	436,569
Tax credits and credit on duties receivable	1,450,685	1,450,685
Other receivables	5,905	44,464
Prepaid expenses	211,601	289,193
	14,303,837	15,563,310
Material and supplies for exploration	894,244	891,160
Deposits on contract	11,876	171,876
Advances on production royalties	215,703	215,703
Security deposits	236,938	236,938
Property and equipment	30,925,027	28,337,864
Exploration and evaluation assets	48,021,700	43,809,228
	94,609,325	89,226,079

On September 30, 2011 the liabilities of the Company totaled \$30,724,272 compared to \$26,814,971 on June 30, 2011. This difference is mainly due to the decrease of other liabilities and the increase of unearned revenue.

The items composing the liabilities are:

Liabilities	September 30, 2011	June 30, 2011
	\$	\$
Trade and other payables	6,623,343	6,570,500
Other liabilities	-	2,390,198
Royalties payable	514,519	469,193
Short-term instalments on long-term debt and obligations under capital leases	211,327	144,759
	7,349,189	9,574,650
Long-term debt Revolving credit	491,921	269,673
Unearned revenue	19,583,600	13,694,600
Assets retirement obligations	3,299,562	3,276,048
	30,724,272	26,814,971

Net Working Capital

On September 30, 2011, the Company had a net working capital of \$6,954,648 compared to \$5,988,660 on June 30, 2011.

More advanced exploration and development work and the underground development of the Bachelor property will require additional funding. The Corporation will have to raise funds by way of public and/or private financing, joint venture agreements or other means of financing.

Equity

The equity as at September 30, 2011 was comprised of Capital Stock of \$91,834,524, to which is added the fair value of the warrants of \$1,288,290 and the contributed surplus of \$6,773,111 offset by the deficit of \$36,010,872 resulting in equity of \$63,885,053. As at June 30, 2011, the equity amounted to \$62,411,108.

Assets retirement obligations

The assets retirement obligations are based on management estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of future timing of the costs. Estimated liabilities of \$2,807,916 and \$491,646 were respectively provided for the mill and the Barry deposit site, for total obligations of \$3,299,562.

Capital Structure

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

On September 30, 2011, the capital structure of the Company was:

Common Shares	201,686,865
Stock Options	7,805,000
Warrants	49,975,840

Source of financing

During the quarter ended September 30, 2011, no flow-through private placement was completed by the Company.

As stipulated in the sale contract with Sandstorm, the Company received 6 US million dollars on September 1st, 2011.

SUMMARY OF FINANCIAL INFORMATION

Information for the three month periods ended on:

	Sept. 30, 2011	June 30, 2011	March 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	March 31, 2010	Dec. 31, 2009
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenues	22,119	23,776	8,603	2,375	868	162	531	10,032
Income loss	1,459,855	(2,257,187)	(2,017,971)	(3,419,374)	(3,406,037)	(4,919,263)	(801,486)	(1,661,948)
Income loss/ basic and diluted share	0.007	(0.011)	(0.012)	(0.024)	(0.026)	(0.041)	(0.007)	(0.015)

Information for the fiscal years ended on:

	June 30, 2011	June 30, 2010	June 30, 2009
	\$	\$	\$
Interest income	35,621	10,733	28,211
Comprehensive income	(11,100,569)	(7,858,468)	(5,991,552)
Basic and diluted net loss per share	(0.07)	(0.067)	(0.072)

GOING CONCERN ASSUMPTION

The interim financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the interim financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

BASIS OF PREPARATION AND ADOPTION OF IFRS

The interim financial statements of the Company were prepared in accordance with IFRS. As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, *Interim Financial Reporting* and by IFRS 1, *First-time Adoption of IFRS*.

The Company's financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS. In preparing the interim financial statements as at September 30, 2011, the management has amended certain accounting and valuation previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Certain information and footnote disclosures which are considered material to the understanding of the Company's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS. This note also presents the reconciliation of equity and of comprehensive loss under Canadian GAAP and under IFRS, and a description of the effect of transition of Canadian GAAP to IFRS on these items. The interim financial statements should be read in conjunction with the financial statements under Canadian GAAP and the notes thereto as at June 30, 2011 and for the year ended at that date.

The Company is incorporated under the Canada Business Corporations Act. The address of the Company's registered office and its principal place of business is 2-2872 chemin Sullivan, Val-d'Or, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange.

The interim financial statements for the reporting period ended September 30, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on December 15, 2011 and have not been audited by their external auditors.

SUMMARY OF ACCOUNTING POLICIES

Overall considerations and first-time adoption of IFRS

The interim financial statements have been prepared using accounting policies specified by those IFRSs that are in effect for the fiscal year ending at June 30, 2012.

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

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

Basis of evaluation

The interim financial statements are prepared using the historical cost method, except for available-for-sale financial instruments which are measured at fair value.

SUMMARY OF ACCOUNTING POLICIES (Continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these interim financial statements, new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements not yet effective will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 : " Financial Instruments" (effective from January 1, 2013) : The International Accounting Standards Board (" IASB") aims to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2013. On August 4, 2011, an exposure draft was published proposing to modify the mandatory effective date to January 1, 2015. Moreover, further chapters dealing with impairment methodology and hedge accounting are still being developed. Management has not yet assessed the impact that this amendment is likely to have on the financial statements of the Company. However, it does not expect to implement the amendments until all chapters of IFRS 9 have been published and it can comprehensively assess the impact of all changes.

IFRS 13 : "Fair value measurement" (effective from January 1, 2013) : IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Management has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Unearned revenue

The proceeds from the sale of gold are recognized when persuasive evidence of an arrangement exists, delivery has occurred, that is, that the customer has taken possession of the gold, the price to the buyer is fixed or determinable and collection is reasonably assured. Since the Company has not reached the stage of commercial production, the sale of gold is recorded as a reduction of deferred exploration expenses.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

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

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

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

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

SUMMARY OF ACCOUNTING POLICIES (Continued)

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition :

- loans and receivables;
- financial assets at fair value through profit or loss;

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash, deposits on contracts, advances on production royalties and security deposits fall into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Canadian and foreign money market funds fall into this category of financial instruments.

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables are presented in profit or loss within Other operating activities.

Financial liabilities

The Company's financial liabilities include trade accounts and other payables, royalties payable and long-term debt.

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

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

SUMMARY OF ACCOUNTING POLICIES (Continued)

Basic and diluted loss per share

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

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options and warrants.

Tax credits and credit on duties

The Company is entitled to a refundable tax credit on qualified expenditures incurred. The refundable tax credit may reach 15% of qualified exploration expenditure incurred.

In accordance with IAS 20, the exploration tax credits have been applied against the costs incurred.

Credit on duties

The Company is entitled to a refundable credit on duties for losses under the *Mining Duties Act*. This refundable credit on duties for losses is applicable on exploration costs incurred in the Province of Quebec.

In accordance with IAS 20, the credit on duties has been applied against the cost incurred since the Company intends to realize the value of its exploration and evaluation assets through sale.

SUMMARY OF ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are recognized at cost less accumulated depreciation and amortization and accumulated impairment losses.

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

Costs of day-to-day servicing of property and equipment are recognized in profit or loss when incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are transferred to property and equipment under Mining assets under construction. Upon this transfer, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets. To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods generally applicable are as follows:

	Useful life
Property and equipment	
Leasehold improvements	5 years
Office equipment	10 years
Vehicles	8 years
Exploration equipment	
Buildings	15 years
Equipment and tools	10 years
Vehicles	8 years
Assets retirement costs	8 years

The underground infrastructures in development are not amortized.

SUMMARY OF ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

The amortization expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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

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

Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

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

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.10); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.10) and any impairment loss is recognized in profit or loss before reclassification.

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

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

SUMMARY OF ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluations assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

The impairment loss reduces the asset or is charged pro rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

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 will be 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.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

SUMMARY OF ACCOUNTING POLICIES (Continued)

Provisions, contingent liabilities and contingent assets (Continued)

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. The Company's operations are in compliance with current laws and regulations. Any payment resulting from mining property restorations would be charges to the cost of the mining properties when it is possible to reasonably estimate the amount. Site restoration costs currently incurred are negligible, given that the Company's operations are still in the exploration and evaluation stage, and are capitalized to the cost of exploration and evaluation assets as incurred. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

All provisions are considered current. The carrying amounts may be analyzed as follows:

	\$
Carrying amount at June 30, 2011	3,600,000
Additional provisions	-
Carrying amount at September 30, 2011	<u>3,600,000</u>

Provisions related to various taxation claims. The Company is not eligible for any reimbursement by third parties in this regard.

Usually, these claims are settled between three and 18 months from initiation, depending on the procedures used for negotiating the claims. As the timing of settlement of these claims is to a large extent dependent on the pace of negotiation with various counterparties and governmental authorities, the Company cannot reliably estimate the amounts that will eventually be paid in settlement after more than 12 months from the reporting date. Therefore, the amount was classified as current.

Management, on the advice of counsel, does not expect the outcome of any of the remaining cases will give rise to any significant loss beyond the amounts recognised at September 30, 2011. None of the provisions will be discussed here in further detail so as to not seriously prejudice the Company's position.

Deferred income taxes

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

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

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

SUMMARY OF ACCOUNTING POLICIES (Continued)

Deferred income taxes (Continued)

The income tax expense is composed of current and deferred taxes. Taxes are recognized in the income statement unless they related to items carried in other comprehensive income or directly in shareholders' equity.

Current income tax and mining tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. The current income tax expense is based on income for the period adjusted for non-taxable or non-deductible items. The mining tax expense is based on income for the period for each mining site under production adjusted for non-taxable or non-deductible items. Calculation of current tax and mining tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly examines positions in tax returns where tax regulations are subject to interpretation. Where appropriate, the Company sets up a provision based on amount likely to be paid to tax authorities.

Deferred income taxes are recognized using the liability method on temporary differences between the tax basis of the assets and liabilities and their carrying amount in the statement of financial position. Deferred income tax assets and liabilities are calculated without discounting at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are not recognized for temporary differences resulting from the initial recognition of assets and liabilities acquired other than in a business combination.

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

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in net earnings, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce tax deductions for expenses related to prospecting activities to the benefit of the shareholders. Under the liability method, deferred taxes relating to temporary differences resulting from this renunciation are recorded, at the time of the renunciation of the tax deductions with a corresponding reduction of capital stock.

SUMMARY OF ACCOUNTING POLICIES (Continued)

Equity

Share capital represents the amount received on the issue of shares less issuance costs.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through shares represents an issue of ordinary shares and the sale of tax deductions to the investors. The sale of tax deductions is deferred and presented as other liabilities in the statement financial position. The proceeds received of flow-through placements are allocated between share capital and the liability using the residual method which means that the shares are valued at fair value of existing shares at the time of issuance and the residual proceeds are allocated to the liability. When the Company has renounced to its tax deductions and has incurred its eligible expenditures, (or when it has incurred its eligible expenditures and has the intention to renounce), the sale of tax deductions is recognized in profit or loss as a reduction of deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax base.

Contributed surplus includes charges related to share options until such equity instruments are exercised and charges related to expired warrants.

Warrants includes charges related to warrants until such equity instruments are exercised or expired.

Retained deficit includes all current and prior period retained profits or losses.

SUMMARY OF ACCOUNTING POLICIES (Continued)

Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees or a third party providing similar services and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees or a third party providing similar services are rewarded using share-based payments, the fair value of the services rendered by the employees is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments to employees or third parties providing similar services are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. The warrants issued to brokers are recognized as issuance costs of equity instruments and the counterpart is credited to warrants in the equity.

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

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to share capital.

Segmental reporting

In accordance with IFRS 8, *Operating Segments*, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Executive Chairman and the Board of Directors in order to assess each segment's performance.

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

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (Continued)

Exploration and evaluation assets

Technical feasibility and commercial viability

Decisions regarding the technical feasibility and commercial viability of the exploration and evaluation assets involves a number of assumptions, such as estimated reserves, resource price forecasts, expected production volumes and discount rates, which could all change significantly in the future.

Impairment of property and equipment and exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses are subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

The total impairment loss of the exploration and evaluation assets and property and equipment recognized in profit or loss amounts to \$6,580 and \$nil respectively for the period ended September 30, 2011 and (\$4,123,536 and \$nil respectively for the year ended June 30, 2011 and \$43,640 and \$nil respectively at the date of transition, July 1, 2011). No reversal of impairment losses has been recognized for the reporting periods.

Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement.

EQUITY

Share capital

The share capital of the Company consists only of fully paid ordinary shares.

Authorized :

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

Unlimited number of preferred shares without par value, voting, issuable in series, the directors defining the rights and privileges of these shares upon issuance.

	Number of shares		
	Periods ended		
	September 30, 2011	June 30, 2011	September 30, 2010
Shares issued and fully paid			
Shares issued and fully paid at beginning of period	201,686,865	128,692,505	128,692,505
Private placements	-	18,305,668	-
Flow-through private placements	-	54,338,692	4,902,992
Exercise of broker warrants	-	350,000	350,000
Total shares issued and fully paid at end of period	<u>201,686,865</u>	<u>201,686,865</u>	<u>133,945,497</u>

Warrants

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

	September 30, 2011		June 30, 2011		September 30, 2010	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$		\$
Balance, beginning of reporting period	49,975,840	0.59	41,256,954	0.76	41,256,954	0.76
Granted	-	-	27,563,822	0.41	2,749,567	0.49
Exercised	-	-	(350,000)	0.50	(350,000)	0.50
Expired	-	-	(18,494,936)	0.70	-	-
Balance, end of reporting period	<u>49,975,840</u>	0.59	<u>49,975,840</u>	0.59	<u>43,656,521</u>	0.75

EQUITY (Continued)**Warrants (Continued)**

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

Expiry date	Exercise price	September 30,	June 30	September 30,
		2011	2011	2010
		Number	Number	Number
	\$			
March 20, 2011	0.50	-	-	768,657
March 20, 2011	0.65	-	-	13,254,229
April 20, 2011	0.50	-	-	149,700
April 20, 2011	0.65	-	-	1,322,350
May 16, 2011	0.99	-	-	3,000,000
December 12, 2011	0.65	6,739,517	6,739,517	6,739,517
January 8, 2012	0.65	2,000,000	2,000,000	2,000,000
February 17, 2012	0.40	6,865,221	6,865,221	-
March 3, 2012	0.40	9,946,200	9,946,200	-
March 5, 2012	0.65	2,850,000	2,850,000	2,850,000
March 29, 2012	0.65	60,000	60,000	60,000
May 15, 2012	1.00	9,375,001	9,375,001	9,375,001
June 20, 2012	1.00	1,250,000	1,250,000	1,250,000
July 19, 2012	1.00	312,500	312,500	312,500
February 17, 2013	0.40	4,045,834	4,045,834	-
March 3, 2013	0.40	3,957,000	3,957,000	-
May 31, 2013	0.48	2,574,567	2,574,567	2,574,567
		<u>49,975,840</u>	<u>49,975,840</u>	<u>43,656,521</u>

Share-based payments

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.

		September 30, 2011		June 30, 2011		September 30, 2010	
		Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
			\$		\$		\$
Outstanding, beginning of period		7,865,000	0.75	7,487,250	0.77	7,487,250	0.77
Granted		-	-	669,000	0.43	330,000	0.55
Expired		<u>(60,000)</u>	0.62	<u>(291,250)</u>	0.72	<u>(3,750)</u>	0.50
Outstanding, end of period		<u>7,805,000</u>	0.75	<u>7,865,000</u>	0.75	<u>7,813,500</u>	0.76

Share-based payments *(Continued)*

The table below summarizes the information related to share options as at September 30, 2011:

Expiry Date	Exercise Price	2011		Remaining Time life
		Number of shares		
		exercisable	outstanding	
	\$			
March 22, 2012	0.50	175,000	175,000	0.50
September 22, 2012	0.43	100,000	100,000	1.00
September 22, 2012	0.50	100,000	100,000	1.00
September 22, 2012	0.67	100,000	100,000	1.00
September 22, 2012	0.70	100,000	100,000	1.00
September 22, 2012	0.87	100,000	100,000	1.00
September 22, 2012	1.00	100,000	100,000	1.00
November 28, 2012	0.50	100,000	100,000	1.17
November 28, 2012	0.60	35,000	35,000	1.17
November 28, 2012	1.00	150,000	150,000	1.17
October 6, 2013	1.00	30,000	30,000	2.02
January 21, 2014	1.00	440,000	440,000	2.33
March 17, 2014	0.97	30,000	30,000	2.50
January 26, 2015	0.60	150,000	150,000	3.33
October 5, 2015	0.70	50,000	50,000	4.02
November 29, 2016	0.50	375,000	375,000	5.17
May 28, 2017	0.80	100,000	100,000	5.67
August 30, 2017	0.67	75,000	75,000	5.92
September 17, 2017	0.68	5,000	5,000	5.96
January 10, 2018	0.82	15,000	15,000	6.27
January 23, 2018	0.80	28,000	28,000	6.31
February 3, 2018	1.00	1,875,000	1,875,000	6.33
September 15, 2018	0.48	20,000	20,000	6.96
February 16, 2019	0.59	59,000	59,000	7.38
May 14, 2019	0.49	15,000	15,000	7.63
July 1, 2019	0.43	75,000	75,000	7.75
September 2, 2019	0.41	100,000	100,000	7.92
September 28, 2019	0.66	120,000	120,000	8.00
January 17, 2020	0.57	100,000	100,000	8.29
February 18, 2020	0.50	59,000	59,000	8.38
March 31, 2020	0.70	2,125,000	2,125,000	8.50
April 11, 2020	0.70	350,000	350,000	8.54
July 18, 2020	0.70	75,000	75,000	8.79
September 2, 2020	0.56	15,000	15,000	8.92
September 22, 2020	0.50	120,000	120,000	8.98
February 25, 2021	0.32	316,750	339,000	9.40
		<u>7,827,250</u>	<u>7,805,000</u>	

RELATED PARTY TRANSACTIONS

Key directors of the Company are the members of the Board of directors. The remuneration paid to directors or companies controlled by these directors includes the following expenses:

	June 30, 2011 (365 days)
Short-term benefits to directors	\$
Professional fees	72,000
Consulting fees	300,500
Rental expenses	36,000
Total short-term benefits to directors	408,500
Share-based payments	138,800
Total remuneration	547,300

CONTINGENCIES

- (a) The Company has a lease commitment for the rent of the head office. The rental agreement expires during the following year end and the minimum payments payable totals \$21,000.
- (b) During the previous year, \$22,762,333 was received as a result of flow-through financings. During the period ended March 31, 2011, the Company renounced \$11,330,567 and will renounce \$11,431,766 during the period that will end March 31, 2012. Exploration expenses of \$10,707,375 must be spent before December 31, 2012.
- (c) The Company is partly financed by issuance of flow-through common shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has taken all the necessary measures to meet its commitment. The Company recognizes provisions when deemed necessary.
- (d) The estate of an employee of a contractor (Montali Inc.) commenced a lawsuit against the Company for an amount of \$1,121,394 concerning an industrial accident. The Company considers the above mentioned lawsuit as unfounded considering the contract intervened between the Company and Montali. Furthermore, the amount claimed will have to be reduced by the CSST benefits considering that it was an industrial accident. Moreover, the insurer bond to take up the interest of the Company. As at June 30, 2011, no amount was recognized concerning this lawsuit.

POST-REPORTING DATE EVENTS

On December 20, 2011 the Company closed a private placement with Industrial Alliance Securities Inc. and National Bank Financial Inc. (the "Agents") by issuing a total of 20,841,909 units (the "Units") for aggregate gross proceeds of \$7,086,249.06.

Each Unit shall consist of one common share (a "Share") and one-half of one transferable common share purchase warrant of Metanor (a whole common share purchase warrant, a "Warrant"). Each Warrant shall entitle the holder thereof to acquire one common share in the capital of Metanor (a "Warrant Share") at a price of \$0.40 per Warrant Share for a period of 2 years from the Closing Date.

The Company paid the Agents a cash commission equal to up to 6.5% of the gross proceeds raised.

TRANSITION TO IFRS

These are the Company's first consolidated interim financial statements prepared in accordance with IFRS for a part of the period covered by the first IFRS annual financial statements. The date of transition to IFRS is July 1, 2010.

The Company's IFRS accounting policies presented in Note 4 have been applied in preparing the financial statements for the reporting period ended September 30, 2011, the comparative information and the opening statement of financial position at the date of transition.

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

First-time adoption – exemptions applied

Upon transition, IFRS 1 dictate certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Company are set out below:

Mandatory exceptions

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

Financial assets liabilities that were derecognised before July 1, 2010 as per the previous GAAP, have not been accounted for under IFRS. The Company has applied the IFRS amendment in advance at the date of application of the exception, July 1, 2010.

Optional exemptions

The Company has chosen not to apply IFRS 2, *Share-based Payment*, retrospectively to options granted before November 7, 2002 and vested before the date of transition to IFRS.

Asset retirement obligations

The Company elected to adopt the exemption from IFRS 1 allowing a first-time adopter not to comply with requirements from IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" for changes in such liabilities that occurred before the date of transition. By applying this exemption, the Company has measured the liability as at the date of transition, has estimated the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate that would have applied for that liability over the intervening period, and has calculated the accumulated depreciation on that amount, as at the date of transition, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the Company in accordance with IFRS. The residual of this adjustment at the date of transition must be registered in the opening retained deficit. Subsequently, the Company adjusted its liability, its property and equipment and its exploration and evaluation assets.

TRANSITION TO IFRS (Continued)

Reconciliations of equity

Equity at the date of transition and at September 30, 2010 and as at June 30, 2011 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Notes	July 1st 2010	September 30, 2010	June 30 2011
		\$	\$	\$
Equity under pre-change accounting standards		51,126,584	51,393,094	64,925,159
Decreases in equity reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS		-	-	-
Shares issued by flow-through private placements	15.5a)	(258,362)	(711,752)	(2,390,198)
Asset retirement obligations	15.5b)	(144,676)	(139,803)	(123,853)
Equity under IFRS		<u>50,723,546</u>	<u>50,541,539</u>	<u>62,411,108</u>

TRANSITION TO IFRS (Continued)

First-time adoption – exemptions applied (Continued)

Reconciliation of comprehensive loss

Total comprehensive loss for the reporting period ended September 30, 2010 and June 30, 2011 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Notes	September 30 2010	June 30 2011
		\$	\$
Comprehensive loss under pre-change accounting standards		(3,447,819)	(11,607,082)
Decreases in total comprehensive income reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and FRS			
Shares issued by flow-through private placements	a)	36,909	485,690
Asset retirement obligations	b)	4,873	20,823
Total comprehensive loss under IFRS		<u>(3,406,037)</u>	<u>(11,100,569)</u>

July 1, 2010

Pre-charge accounting standards description	Notes	Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
ASSETS					
Current assets					
Cash		973,677		973,677	Cash
Temporary investments		4,658		4,658	Temporary investments
Taxes receivable		560,011		560,011	Good and services tax receivable
Tax credits receivable related to exploration		1,450,685		1,450,685	Tax credit and credit on duties receivable
Other receivables		959,135		959,135	Other receivable
Prepaid expenses		436,466		436,466	Prepaid expenses
		<u>4,384,632</u>		<u>4,384,632</u>	
Non-current					
Material and supplies for exploration		845,130		845,130	Material and supplies for exploration
Deposits on contracts, without interest or terms of payment		123,153		123,153	Deposits on contracts, without interest or terms of payment
Advances on production royalties, without interest		240,820		240,820	Advances on production royalties, without interest
Property, plant and equipment	b)	26,205,345	799,077	27,004,422	Property and equipment
Mineral properties	c)	8,753,516	23,465,584	32,219,100	Exploration and evaluation assets
Deferred exploration expenses	c)	<u>23,465,584</u>	<u>(23,465,584)</u>	-	
		<u>59,633,548</u>	<u>799,077</u>	<u>60,432,625</u>	
		<u>64,018,180</u>	<u>799,077</u>	<u>64,817,257</u>	Total assets
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	a)	4,388,812		4,388,812	Trade and other payables
		-	258,362	258,362	Other payables
Royalties payable		284,704		284,704	Royalties payable
Revolving credit		5,216,540		5,216,540	Revolving credit
Short-term instalments on long-term debt and obligations under capital leases		<u>409,244</u>		<u>409,244</u>	Short-term instalments on long-term debt and obligations under capital leases
		10,299,300		10,557,662	
Long-term debt		205,442		205,442	Long-term debt
Assets retirement obligations	b)	<u>2,386,854</u>	<u>943,753</u>	<u>3,330,607</u>	Assets retirement obligations
		12,891,596	1,202,115	14,093,711	
		<u>12,891,596</u>	<u>1,202,115</u>	<u>14,093,711</u>	Total liabilities
SHAREHOLDERS' EQUITY					
Capital stock	a)	68,947,879	793,088	69,740,967	Share capital
Stock-options	a)	1,758,076	553,634	2,311,710	Stock-options
Contributed surplus		5,041,027		5,041,027	Contributed surplus
Deficit	a)b)	<u>(24,620,398)</u>	<u>(1,749,760)</u>	<u>(26,370,158)</u>	Retained deficit
		<u>51,126,584</u>	<u>(403,038)</u>	<u>50,723,546</u>	Total equity
		<u>64,018,180</u>	<u>799,077</u>	<u>64,817,257</u>	Total liabilities and equity

June 30, 2011

Pre-charge accounting standards description	Notes	Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
ASSETS					
Current assets					
Cash		2,649,947		2,649,947	Cash
Temporary investments		10,692,452		10,692,452	Temporary investments
Taxes receivable		436,569		436,569	Good and services tax receivable
Tax credits receivable related to exploration		1,450,685		1,450,685	Tax credit and credit on duties receivable
Other receivables		44,464		44,464	Other receivable
Prepaid expenses		<u>289,193</u>		<u>289,193</u>	Prepaid expenses
		<u>15,563,310</u>		<u>15,563,310</u>	
Non-current					
Material and supplies for exploration		891,160		891,160	Material and supplies for exploration
Deposits on contracts, without interest or terms of payment		171,876		171,876	Deposits on contracts, without interest or terms of payment
Advances on production royalties, without interest		215,703		215,703	Advances on production royalties, without interest
Guarantee on deposit		236,938		236,938	Guarantee on deposit
Property, plant and equipment	b)	27,836,247	501,617	27,836,247	Property and equipment
Mineral properties	c)	8,772,244	35,036,984	43,809,228	Exploration and evaluation assets
Deferred exploration expenses	c)	<u>35,036,984</u>	<u>(35,036,984)</u>	<u>-</u>	
		<u>73,161,152</u>	<u>501,617</u>	<u>73,662,769</u>	Total assets
		<u>88,724,462</u>	<u>501,617</u>	<u>89,226,079</u>	
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		6,570,500		6,570,500	Trade and other payables
	a)	-	2,390,198	2,390,198	Other payables
Royalties payable		469,193		469,193	Royalties payable
Short-term instalments on long-term debt and obligations under capital leases		<u>144,759</u>		<u>144,759</u>	Short-term instalments on long-term debt and obligations under capital leases
		7,184,452	2,390,198	9,574,650	
Long-term debt		269,673		269,673	Long-term debt
Unearned revenue		13,694,600		13,694,600	Unearned revenue
Assets retirement obligations		<u>2,650,578</u>	<u>625,470</u>	<u>3,276,048</u>	Assets retirement obligations
		<u>23,799,303</u>	<u>3,015,668</u>	<u>26,814,971</u>	Total liabilities
SHAREHOLDERS' EQUITY					
Capital stock	a)	93,658,962	(1,824,438)	91,834,524	Share capital
Stock-options	a)	734,656	553,634	1,288,920	Stock-options
Contributed surplus		6,759,021		6,759,021	Contributed surplus
Deficit	a)b)	<u>(36,227,480)</u>	<u>(1,243,247)</u>	<u>(37,470,727)</u>	Retained deficit
		<u>64,925,159</u>	<u>(2,514,051)</u>	<u>62,411,108</u>	Total equity
		<u>88,724,462</u>	<u>501,617</u>	<u>89,226,079</u>	Total liabilities and equity

The following table shows the total effect of the transition on the statement of comprehensive loss :

Pre-change accounting standards description	Notes	September 30, 2010		IFRS description	
		Previous GAAP	Effect of transition to IFRS		IFRS
Directors' stock-based compensation		49,650		49,650	Share-based payments
Salaries and fringe benefits		248,633		248,633	Salaries and fringe benefits
Professional fees		75,050		75,050	Professional fees
Investors relations		101,897		101,897	Investors relations
Travel and entertainment		67,011		67,011	Travel and entertainment
Reports to shareholders		5,011		5,011	Reports to shareholders
Maintenance and repairs		9,440		9,440	Maintenance and repairs
Office expenses		21,643		21,643	Office expenses
Trustees and registration fees		11,268		11,268	Trustees and registration fees
Rental expenses		9,000		9,000	Rental expenses
Insurance		18,036		18,036	Insurance
Loss on exchange rate		(6,538)		(6,538)	Loss on exchange rate
Financing fees		668,399		668,399	Financing fees
Bank charges		2,293		2,293	Bank charges
Interest		7,179		7,179	Interest
Interest on long-term debt		13,421		13,421	Interest on long-term debt
Interest on revolving credit		202,931		202,931	Interest on revolving credit
Amortization of equipment		22,179		22,179	Amortization of equipment
Write down of mineral properties and deferred exploration expenses	b)	1,922,184	(4,873)	1,917,311	Disposal Impairment of exploration and evaluation assets
		(3,448,687)	4,873	(3,443,814)	Operation loss
Other income		868		868	Other income
Loss before income taxes		(3,447,819)		(3,442,946)	Loss before income taxes
Future income taxes	a)	-	36,909	36,909	Deferred income taxes
Net loss		<u>(3,447,819)</u>	<u>41,782</u>	<u>(3,406,037)</u>	Total comprehensive income for the period
Basic and diluted net loss per share		<u>(0.026)</u>		<u>(0.026)</u>	Basic and diluted per ordinary share

The following table shows the total effect of the transition on the statement of comprehensive loss :

			June 30, 2011		
Pre-change accounting standards description	Notes	Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
Directors' stock-based compensation		138,800		138,800	Share-based payments
Salaries and fringe benefits		879,923		879,923	Salaries and fringe benefits
Professional fees		1,254,215		1,254,215	Professional fees
Investors relations		481,197		481,197	Investors relations
Travel and entertainment		371,361		371,361	Travel and entertainment
Reports to shareholders		87,211		87,211	Reports to shareholders
Maintenance and repairs		34,702		34,702	Maintenance and repairs
Office expenses		126,050		126,050	Office expenses
Trustees and registration fees		101,217		101,217	Trustees and registration fees
Rental expenses		36,000		36,000	Rental expenses
Insurance		74,161		74,161	Insurance
Loss on disposal of fixed assets		218,051		218,051	Loss on Impairment of non-financial assets
Gain on exchange rate		17,739		17,739	Gain on exchange rate
Financing fees		1,221,299		1,221,299	Financing fees
Bank charges		6,523		6,523	Bank charges
Interest		5,430		5,430	Interest
Interest on long-term debt		42,213		42,213	Interest on long-term debt
Interest on revolving credit		476,411		476,411	Interest on revolving credit
Amortization of equipment		90,920		90,920	Amortization of equipment
Write down of mineral properties and deferred exploration expenses	b)	4,141,150	(20, 823)	4,120,327	Disposal Impairment of exploration and evaluation assets
Part X11.6 income taxes		50,921		50,921	Part X11.6 income taxes
Compensation for provision		3,600,000		3,600,000	Compensation for provision
Write down of mineral properties and deferred exploration expenses		3,209		3,209	Disposal on impairment exploration and evaluation assets
		(13,458,703)	20,823	(13,437,880)	Operation loss
Other income		35,621		35,621	Other income
Loss before income taxes		(13,423,082)	20,823	(13,402,259)	Loss before income taxes
Future income taxes	a)	1,816,000	485,690	2,301,690	Deferred income taxes
Net loss		(11,607,082)	506,513	(11,100,569)	Total comprehensive income for the period
Basic and diluted net loss per share		(0.072)		0.069	Basic and diluted per ordinary share

Notes to reconciliation

a) Shares issued by flow-through placements

Under Pre-change accounting standards, the entire proceeds received on the issuance of flow-through shares were credited to share capital. When the renouncement of the tax deductions related to the resource expenditure for income tax purposes, temporary taxable differences were created and a deferred income tax was recorded, and the related charge was treated as share issue costs.

Under IFRS, issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the obligation to revert the tax benefit to the investors and is recognized as other liabilities in the statement of financial position. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability. Once the Company renounces its tax deductions and has incurred qualifying expenses (or has incurred qualifying expenses and intends to renounce its tax deductions), the sale of the tax deductions is recognized in the loss in reduction of the deferred income taxes and a future tax liability is recognized for the temporary difference between the carrying amount of the qualifying expenses capitalized in the assets and its tax basis, the counterpart being recognized as deferred income taxes in the loss.

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

The impact on the Company's transition to IFRS is to decrease other liabilities by \$2,390,198 (increase by \$2,390,198 at June 30, 2011 and \$711,752 at September 30, 2010), decrease share capital by \$nil (\$1,824,438 at June 30, 2011, increase by \$302,789 at September 30, 2010), increase warrants by \$553,634 (\$553,634 at June 30, 2011 and September 30, 2010) and decrease deficit by \$2,497,756 (increase by \$1,243,247 at June 30, 2011 and \$1,707,918 at September 30, 2010).

b) Assets retirement obligations

As stated in the section entitled "IFRS optional exemptions applied at the time of the transition", the Company elected to adopt the optional exemption from IFRS 1 allowing a first-time adopter not to comply with requirements from IFRIC1 for changes in such liabilities that occurred before the date of transition. Consequently, the Company has evaluated the provisions as at July 1, 2010 and estimated the amount that will be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. Under Canadian GAAP, the provision for asset retirement obligations is not adjusted for changes in the discount rate, whereas under IFRS, the provision for asset retirement obligation must be adjusted for changes in the discount rate. The evaluation of the liability as at July 1, 2010 resulted in an increase of \$943,753 of the asset retirement obligations and a net increase of \$799,074 of the corresponding Property, plant and equipment. Consequently, the Company has increased its retained deficit by \$144,676 on the transition date.

- c) Mining properties and deferred exploration expenses have been grouped for presentation under exploration and evaluation assets.

Presentation differences

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.

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 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

RESSOURCES

METANOR

RESSOURCES

INC.

**RESSOURCES MÉTANOR INC.
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