



Unaudited Consolidated Interim  
Condensed Financial Statements  
As at September 30, 2011  
(expressed in Canadian dollars,  
except share and per share amounts)

## **Matamec Explorations inc.**

Unaudited Consolidated Interim Condensed Financial Statements

As at September 30, 2011

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# Matamec Explorations Inc.

Consolidated statements of income (loss)

For the three and nine months ended September 30, 2011 and 2010

(unaudited)

	Notes	September 30, 2011	December 31, 2010
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		4,504,289	4,723,295
Short-term investments		15,321	15,247
Subscriptions receivable		-	1,100,000
Sales taxes receivable		184,538	84,299
Tax credits receivable		1,618,638	743,933
Other receivables		12,479	12,723
Prepaid expenses		40,002	94,660
		<u>6,375,267</u>	<u>6,774,157</u>
<b>Non-Current Assets</b>			
Funds reserved for exploration		-	1,161,595
Investment in shares of a private society		1	1
Investment in shares of a listed company (cost : \$9,200)		20,000	84,000
Equipment, at cost less accumulated amortization		61,361	44,905
Mining properties	5	2,284,314	2,266,338
Deferred exploration expenses	6	8,040,622	6,343,355
		<u>10,406,298</u>	<u>9,900,194</u>
		<u>16,781,565</u>	<u>16,674,351</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		931,607	549,840
Other assets		-	106,683
Deferred income tax liability		-	161,525
		<u>931,607</u>	<u>818,048</u>
<b>Non-current liabilities</b>			
Deferred income tax liability		937,200	943,000
		<u>1,868,807</u>	<u>1,761,048</u>
<b>Equity</b>			
Share capital	7	23,205,330	22,003,881
Warrants		2,699,949	2,909,756
Contributed surplus		1,305,967	971,389
Accumulated other comprehensive income		10,800	74,800
Deficit		(12,309,288)	(11,046,523)
		<u>14,912,758</u>	<u>14,913,303</u>
		<u>16,781,565</u>	<u>16,674,351</u>

# Matamec Explorations Inc.

Consolidated statements of income (loss)

For the three and nine months ended September 30, 2011 and 2010

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Interest and other income</b>	14,031	11	42,174	52
<b>Administrative expenses</b>				
Salaries and fringe benefits	134,542	25,480	220,541	77,366
Rent and office expenses	28,061	11,726	66,322	37,114
Consulting fees	28,453	19,857	96,814	57,727
Stock-based compensation	232,145	91,376	387,620	197,137
Trustees and registration fees	26,333	12,819	51,456	30,001
Shareholders' reports	13,911	24,009	42,800	46,704
Professional fees	80,822	32,899	248,160	140,381
Insurance, taxes and licenses	3,261	843	9,857	2,600
Travelling and entertainment expenses	104,671	37,199	388,236	184,509
Telecommunications	6,513	2,319	15,350	8,703
Interest in unsecured debenture	-	-	-	44,822
Part XII.6 tax	-	2,978	816	3,014
Interest and bank charges	218	23,207	739	23,605
Depreciation of equipment	2,175	2,211	6,523	6,561
	661,105	286,923	1,535,234	860,244
<b>Loss and profit before sale and write-off of mining properties</b>	647,074	286,912	1,493,060	860,192
Gain on disposal of a mining property	-	5,673	-	(84,155)
Write-off of deferred costs	-	-	43,239	-
Write-off of mining properties	-	-	1,224	5,420
<b>Loss before deferred income tax</b>	647,074	292,585	1,537,523	781,457
Deferred income tax (recovery)	(5,800)	(151,954)	(274,008)	(38,820)
<b>Net loss</b>	641,274	140,631	1,263,515	742,637
<b>Basic and diluted net loss per share</b>	0,006	0,002	0,01	0,008
<b>Weighted average number of shares outstanding basic and diluted</b>	117,634,153	92,560,996	117,117,054	89,168,386

## Matamec Explorations Inc.

Consolidated statements of comprehensive income (loss)

For the three and nine months ended September 30, 2011 and 2010

(unaudited)

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	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Net loss for the period</b>	641,274	140,631	1,263,515	742,637
<b>Other comprehensive income :</b>				
Financial assets available for sale				
Loss on change in fair value of an investment	(10,000)	-	(64,000)	-
<b>Other comprehensive income for the period, net of taxes</b>	(10,000)	-	(64,000)	-
<b>Total comprehensive loss for the period attributable to Matamec Explorations Inc. shareholders</b>	651,574	140,631	1,327,515	742,637

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# Matamec Explorations Inc.

Consolidated statements of changes and equity

For the nine months ended September 30, 2011 and 2010

(unaudited)

	Number of common shares outstanding	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total of equity attributable to Matamec shareholders
		\$	\$	\$	\$	\$	\$
<b>Balance – January 1, 2011</b>	<b>116,230,186</b>	<b>22,003,881</b>	<b>2,909,756</b>	<b>971,389</b>	<b>74,800</b>	<b>(11,046,523)</b>	<b>14,913,303</b>
Loss for the period	-	-	-	-	-	(1,263,515)	(1,263,515)
Other comprehensive (loss) income	-	-	-	-	(64,000)	-	(64,000)
Comprehensive (loss) for the period	-	-	-	-	(64,000)	(1,263,515)	(1,327,515)
<b>Share options</b>							
Share-based compensation	-	-	-	387,620	-	-	387,620
Fair value of options exercised	-	53,042	-	(53,042)	-	-	-
<b>Warrants</b>							
Fair value of warrants exercised	-	209,807	(209,807)	-	-	-	-
Proceeds from exercise of options	3,175,000	798,750	-	-	-	-	798,750
Employee share purchase plan	565,000	120,650	-	-	-	-	120,650
Property payment	40,000	19,200	-	-	-	-	19,200
Share issue costs	-	-	-	-	-	750	750
<b>Balance – September 30, 2011</b>	<b>120,010,186</b>	<b>23,205,330</b>	<b>2,699,949</b>	<b>1,305,967</b>	<b>10,800</b>	<b>(12,309,288)</b>	<b>14,912,758</b>
<b>Balance – January 1, 2010</b>	<b>86,924,133</b>	<b>14,047,345</b>	<b>1,251,213</b>	<b>710,253</b>	<b>-</b>	<b>(8,814,687)</b>	<b>7,194,124</b>
Net loss for the period	-	-	-	-	-	(742,637)	(742,637)
Comprehensive (loss) for the period	-	-	-	-	-	(742,637)	(742,637)
<b>Share options</b>							
Share-based compensation	-	-	-	197,134	-	-	197,134
Fair value of options exercised	-	17,280	-	(17,277)	-	-	3
<b>Warrants</b>							
Fair value of warrants exercised	-	(422,401)	483,808	-	-	-	61,407
Employee share purchase plan	400,000	52,000	-	-	-	-	52,000
Property payment	179,526	40,000	-	-	-	-	40,000
Share issue costs	-	-	-	-	-	(150,226)	(150,226)
Private placements	3,218,750	625,000	-	-	-	-	625,000
Flow-through shares	4,200,000	714,000	-	-	-	-	714,000
<b>Balance – September 30, 2010</b>	<b>94,922,409</b>	<b>15,073,224</b>	<b>1,735,021</b>	<b>890,110</b>	<b>-</b>	<b>(9,707,550)</b>	<b>7,990,805</b>

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

# Matamec Explorations Inc.

Consolidated statements of cash flows

For the nine months ended September 30, 2011 and 2010

(unaudited)

	Notes	2011	2010
		\$	\$
<b>Operating activities</b>			
Net loss for the period		(1,263,515)	(742,637)
Adjustment for :			
Interest income		(42,174)	-
Share-based compensation		387,620	197,137
Depreciation of equipment		6,523	6,561
Write-off of mining properties		1,224	5,420
Write-off of deferred costs		43,239	-
Interest on unsecured debenture		-	44,822
Deferred tax expense (recovery)		(274,008)	(38,820)
Gain on disposal of a mining property		-	(84,155)
		(1,141,091)	(611,672)
Change in non-cash working capital items	9	336,430	118,853
Cash flows used in operating activities		(804,661)	(492,819)
<b>Investing activities</b>			
Government assistance and mining duties credits received		-	220,643
Deferred exploration costs		(2,568,099)	(1,745,032)
Mining properties		-	(29,660)
Equipment		(28,181)	(8,023)
Interest income		39,683	5
Cash flows used in investing activities		(2,556,597)	(1,562,067)
<b>Financing activities</b>			
Subscriptions receivable		1,100,000	-
Repayment of long-term debt		-	(4,954)
Issuance of common shares, net of issue expenses		880,730	1,420,836
Cash flows generated from (used in) financing activities		1,980,730	1,415,882
<b>Decrease in cash and cash equivalent</b>		(1,380,528)	(639,004)
<b>Cash and cash equivalents – beginning of period</b>		5,900,138	1,177,699
<b>Cash and cash equivalents – end of period</b>		4,524,480	538,695
<b>Less: funds reserved for exploration</b>		-	(535,502)
<b>Cash and cash equivalents presented on the balance sheets</b>		4,519,610	3,193

Additional information related to the statement of cash flows

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

# Matamec Explorations Inc.

## Condensed notes to the interim consolidated financial statements

For the nine months ended September 30, 2011 and 2010

(unaudited)

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### 1. Incorporation, nature of operations and going concern

The Company, incorporated under Part 1A of the Québec Companies Act, is a mining exploration business. Since February 14, 2011 the Company is regulated by the Business Corporation Act (Quebec). It has not yet determined whether the mining properties contain economically recoverable ore reserves. The recoverability of the amounts shown for mining properties depends upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to continue exploration work and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

For the year ended September 30, 2011, the Company recorded a loss of \$1,263,515 (\$742,637 in 2010). In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments for exploration and development programs and pay general and administrative costs.

Management periodically seeks additional form of financing through the issuance of new equity instruments and the exercise of stock options to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for its assets may be less than amounts recorded in these consolidated financial statements.

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

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary were the going concern assumption would not be appropriate. These adjustments could be material.

### 2. Basis of preparation and adoption of IFRS

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate the International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these unaudited interim consolidated financial statements of 2011. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of International Financial Reporting Standards. The accounting policies followed in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's unaudited condensed interim consolidated financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported equity as at September 30, 2010, on net loss and comprehensive loss for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2010.

The accounting policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of November 23, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in restatement of these unaudited condensed interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's unaudited condensed interim financial statements for the quarter ended March 31, 2011, prepared in accordance with IFRS applicable to interim financial statements.

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

# **Matamec Explorations Inc.**

Condensed notes to the interim consolidated financial statements

For the nine months ended September 30, 2011 and 2010

(unaudited)

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### **3. Critical accounting estimates and judgments**

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **4. Transition to IFRS**

The effect of the Company's transition from Canadian GAAP to IFRS, as described in Note 2, is summarized in this note as follows:

- a. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS;
- b. Adjustments to the statement of cash flows.

# Matamec Explorations Inc.

Consolidated statements of cash flows

For the nine months ended September 30, 2011 and 2010

(unaudited)

## 4. Transition to IFRS (continued)

a. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS;

	Note	September 30, 2010		
		Canadian GAAP	Adj.	IFRS
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		3,193		3,193
Short-term investment		15,230		15,230
Subscription receivable		20,000		20,000
Sales taxes receivable		37,450		37,450
Tax credits receivable		593,248		593,248
Other receivables		9,520		9,520
Prepaid expenses		30,865		30,865
		<u>709,506</u>		<u>709,506</u>
<b>Non-current assets</b>				
Funds reserved for exploration		535,502		535,502
Investment in shares of private society		1		1
Equipment, at cost less accumulated amortization		48,757		48,757
Mining properties		2,308,334		2,308,334
Deferred exploration expenses		6,691,551		6,691,551
		<u>9,584,145</u>		<u>9,584,145</u>
		<u><b>10,293,651</b></u>		<u><b>10,293,651</b></u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		479,666		479,666
Other assets	4 a.	-	43,590	43,590
Deferred income tax liability	4 a.	-	43,590	43,590
		<u>479,666</u>	<u>87,180</u>	<u>566,846</u>
<b>Non-current liabilities</b>				
Deferred income tax liability		1,736,000		1,736,000
<b>Equity</b>				
Share capital	4 a.	16,413,514	(1,340,290)	15,073,224
Warrants		1,735,021		1,735,021
Contributed surplus	4 a.	794,827	95,283	890,110
Deficit	4 a.	(10,865,377)	1,157,827	(9,707,550)
		<u>8,077,985</u>	<u>(87,180)</u>	<u>7,990,805</u>
		<u><b>10,293,651</b></u>		<u><b>10,293,651</b></u>

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

# Matamec Explorations Inc.

Consolidated statements of cash flows

For the nine months ended September 30, 2011 and 2010

(unaudited)

## 4. Transition to IFRS (continued)

### a. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (continued)

Notes	Three months ended September 30, 2010			Nine months ended September 30, 2010		
	Cdn GAAP <sup>1)</sup>	Adj.	IFRS	Cdn GAAP <sup>1)</sup>	Adj.	IFRS
	\$	\$	\$	\$	\$	\$
<b>Interest and other income</b>	11	-	11	52	-	52
<b>Administrative expenses</b>						
Salaries and fringe benefits	25,480	-	25,480	77,366	-	77,366
Rent and office expenses	11,726	-	11,726	37,114	-	37,114
Consulting fees	19,857	-	19,857	57,727	-	57,727
Stock-based compensation	89,643	1,733	91,376	179,707	17,430	197,137
Trustees and registration fees	12,819	-	12,819	30,001	-	30,001
Shareholders' reports	24,009	-	24,009	46,704	-	46,704
Professional fees	32,899	-	32,899	140,381	-	140,381
Insurance, taxes and licenses	843	-	843	2,600	-	2,600
Travelling and entertainment expenses	37,199	-	37,199	184,509	-	184,509
Telecommunications	2,319	-	2,319	8,703	-	8,703
Interest in unsecured debenture	-	-	-	44,822	-	44,822
Part XII.6 tax	2,978	-	2,978	3,014	-	3,014
Interest and bank charges	23,207	-	23,207	23,605	-	23,605
Depreciation of equipment	2,211	-	2,211	6,561	-	6,561
	285,190	1,733	286,923	842,814	17,430	860,244
<b>Loss and profit before sale and write-off of mining properties</b>	(285,179)	1,733	(286,912)	842,762	17,430	860,192
Gain on disposal of a mining property	(5,673)	-	(5,673)	(84,155)	-	(84,155)
Write-off of mining properties	-	-	-	5,420	-	5,420
<b>Loss before deferred income tax</b>	(290,852)	1,733	(292,585)	764,027	17,430	781,457
Deferred income tax (recovery)	-	(151,954)	(151,954)	-	(38,820)	(38,820)
<b>Loss attributable to Matamec Explorations Inc. shareholders</b>	(290,852)	(150,221)	140,631	764,027	(21,390)	742,637
<b>Loss per share</b>						
Basic and diluted	0.003	-	0.003	0.008	-	0.008

<sup>1)</sup>Certain Canadian GAAP figures have been reclassified to conform with the Company's IFRS financial statement presentation (note 4 a.).

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

# Matamec Explorations Inc.

Condensed notes to the interim consolidated financial statements

For the nine months ended September 30, 2011 and 2010

(unaudited)

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## 4. Transition to IFRS *(continued)*

### *a. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (continued)*

Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. On the date the expenses are renounced (by filing the prescribed forms) to the investors, a deferred tax liability is recognized as a cost of issuing the shares (a reduction in share capital). While IFRS does not provide specific guidance on the accounting for flow-through shares, it is generally agreed that the method required by the Securities and Exchange Commission - under US GAAP - is appropriate. As a result, under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference ("premium") between the amount recognized in share capital and the amount the investors pay for the shares is recognized as a deferred gain which is reversed into earnings as eligible expenditures are made. The tax effect resulting from the renunciation is recorded as a deferred tax expense when eligible expenditures have been made.

According to Canadian GAAP, when share options are granted, its fair value on the date of the grant is charged under the account "stock-based compensation" based on the percentage of exercisable options. Whereas under IFRS, this amount is depreciated according to their exercise schedule, i.e. 18 months.

### *b. Adjustments to the statement of cash flows*

The transition from Canadian GAAP to IFRS had no significant impact on the statement of cash flows, except that, under IFRS, cash flows related to interest are classified in a consistent manner as operating, investing or financing activities each period. Under Canadian GAAP, cash flows related to interest received or paid were classified as operating activities.

# Matamec Explorations Inc.

Condensed notes to the interim consolidated financial statements

For the nine months ended September 30, 2011 and 2010

(unaudited)

## 5. Mining properties

	Interest	December 31, 2010	Additions	Disposals	Write-off	September 30, 2011
		\$	\$	\$	\$	\$
Sakami	100%	115,300	-	-	(600)	114,700
Zeus	100%	144,828	-	-	-	144,828
Tansim	100%	46,712	-	-	-	46,712
Valmont	100%	110,400	-	-	-	110,400
Vulcain	100%	183,647	-	-	(624)	183,023
Lesperance	50%	15,495	-	-	-	15,495
Matheson Pelangio	100%	27,141	-	-	-	27,141
Matheson JV	50%	1,581,455	-	-	-	1,581,455
Matheson-East	-	41,360	19,200	-	-	60,560
		2,266,338	19,200	-	(1,224)	2,284,314

	Interest	January 1, 2010	Additions	Disposals	Write-off	December 31, 2010
		\$	\$	\$	\$	\$
Sakami	100%	120,720	-	-	(5,419)	115,301
Zeus	100%	138,796	6,032	-	-	144,828
Tansim	100%	45,308	1,404	-	-	46,712
Valmont	100%	110,400	-	-	-	110,400
Vulcain	100%	172,779	10,920	-	(52)	183,647
Lesperance	50%	15,495	-	-	-	15,495
Montclerg	51%	709,988	-	(709,988)	-	-
Matheson Pelangio	100%	27,141	-	-	-	27,141
Matheson JV	50%	1,613,455	40,079	-	(72,080)	1,581,454
Matheson-East	-	-	41,360	-	-	41,360
		2,954,082	99,795	(709,988)	(77,551)	2,266,338

## 6. Deferred exploration costs

	December 31, 2010	Additions	Disposal	Tax credits	Write-off	September 30, 2011
	\$	\$	\$	\$	\$	\$
Sakami	2,189,652	15,203	-	(911)	(10,264)	2,193,680
Zeus	1,517,384	2,017,414	-	(684,396)	-	2,850,402
Tansim	144,664	43,405	-	(10,911)	-	177,158
Valmont	216,509	148,423	-	(51,384)	-	313,548
Vulcain	1,271,962	251,266	-	(98,191)	(9,947)	1,415,090
Lesperance	158,694	79,213	-	(28,912)	-	208,995
Matheson Pelangio	72,283	317	-	-	-	72,600
Matheson JV	772,207	36,942	-	-	-	809,149
	6,343,355	2,592,183	-	(874,705)	(20,211)	8,040,622

	January 1, 2010	Additions	Disposal	Tax credits	Write-off	December 31, 2010
	\$	\$	\$	\$	\$	\$
Sakami	2,184,130	5,615	-	(93)	-	2,189,652
Zeus	590,719	1,578,217	-	(651,552)	-	1,517,384
Tansim	88,129	87,752	-	(31,217)	-	144,664
Valmont	183,231	57,129	-	(23,851)	-	216,509
Vulcain	1,269,737	3,668	-	(251)	(1,192)	1,271,962
Lesperance	156,645	3,517	-	(1,468)	-	158,694
Montclerg	595,938	11,298	(607,236)	-	-	-
Matheson Pelangio	70,793	1,490	-	-	-	72,283
Matheson JV	864,882	666,536	-	-	(759,211)	772,207
	6,004,204	2,415,222	(607,236)	(708,432)	(760,403)	6,343,355

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

# Matamec Explorations Inc.

Condensed notes to the interim consolidated financial statements  
For the nine months ended September 30, 2011 and 2010  
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## 7. Capital stock

The Company is authorized to issue an unlimited number of common shares of no par value.

Changes in the Company's issued capital stock are as follows:

	September 30, 2011		December 31, 2010	
	Number	Amount \$	Number	Amount \$
<b>Balance at beginning of year</b>	<b>116,230,186</b>	<b>22,003,881</b>	<b>86,924,133</b>	<b>14,047,345</b>
Shares issued in consideration of acquisition of mining properties	40,000	19,200	219,526	59,200
Shares issued for cash				
Flow-through shares	-	-	6,520,000	2,000,000
Premium on flow-through shares	-	-	-	(241,000)
Private placements	-	-	17,568,750	6,365,000
Value of warrants granted	-	-	-	(1,818,908)
Exercise of :				
Stock options	565,000	120,650	540,000	78,600
Warrants	3,175,000	798,750	4,457,777	1,061,944
Amounts from contributed surplus :				
Exercise of warrants	-	209,807	-	407,050
Exercise of stock options	-	53,042	-	44,650
<b>Balance at end of year</b>	<b>120,010,186</b>	<b>23,205,330</b>	<b>116,230,186</b>	<b>22,003,881</b>

On January 20, 2011, 75,000 common shares were issued following the exercise of 75,000 stock options at \$0.20 per share for an amount of \$15,000. Also, 100,000 common shares were issued following the exercise of 30,000 options at \$0.22 and 70,000 options at \$0.185 for an amount of \$19,550.

On January 25, 2011, 60,000 common shares were issued following the exercise of 60,000 stock options at \$0.22 per share.

On February 18, 2011, 25,000 common shares were issued following the exercise of 25,000 warrants at \$0.35 per share.

On February 24, 2011, the Company issued 150,000 common shares following the exercise of 150,000 options at \$0.10 per share.

On February 25, 2011, 40,000 common shares at \$0.48 per share were issued for the second payment for the Matheson-East property for an amount of \$19,200.

On April 6, 2011, 75,000 common shares at \$0.25 per share were issued following the exercise of 75,000 warrants for an amount of \$18,750.

On May 3, 2011, 500,000 common shares were issued following the exercise of 75,000 options at \$0.40 per share for an amount of \$30,000, 325,000 warrants at \$0.25 per share for an amount of \$81,250 and 100,000 warrants at \$0.35 per share for an amount of \$35,000.

On May 25, 2011, 165,000 common shares were issued following the exercise of 90,000 options at \$0.35 per share for an amount of \$31,500 and 75,000 warrants at \$0.35 per share for an amount of \$26,250.

On August 2, 2011, 40,000 common shares were issued following exercise of 40 000 options at 0.16\$ per share for an amount of 6,400\$.

On September 2, 2011, 495,000 common shares were issued following the exercise of 300,000 warrants at a price of 0.25\$, 170,000 warrants at a price of 0.20\$ and 25,000 warrants at a price of 0.35\$ for an amount of 117,750\$.

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

# Matamec Explorations Inc.

Condensed notes to the interim consolidated financial statements

For the nine months ended September 30, 2011 and 2010

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## 7. Capital stock (continued)

On September 6, 2011, 200,000 common shares were issued following the exercise of 200,000 warrants at a price of 0.25\$ for an amount of 50,000\$.

On September 27, 2011, 1,855,000 common shares were issued following the exercise of 50,000 options at a price of 0.10\$, 1,700,000 warrants at a price of 0.25\$ and 105,000 warrants at a price of 0.20\$ for a total amount of 446,000\$

## 8. Options and warrants

### *Options*

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to officers, directors and employees of the Company as well as persons providing ongoing services to the Company. During the year, the Company changed the number of options that can be granted, increasing it to 9,839,129 options. The exercise price of options, established by the Board of directors, cannot be less than the market price of the Company's shares on the date preceding the date of grant. The options are vested gradually over a period of eighteen months.

A summary of the status of the Company's stock option plan as at September 30, 2011 is presented hereafter:

	September 30, 2011		December 31, 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance – January 1	6,215,000	0.23	5,285,000	0.20
Granted	1,211,800	0.43	2,055,000	0.29
Expired and cancelled	(181,800)	0.11	(585,000)	0.17
Exercised	(565,000)	0.21	(540,000)	0.15
Balance – end of period	<u>6,680,000</u>	<u>0.27</u>	<u>6,215,000</u>	<u>0.23</u>
Options exercisable at end of year	4,879,130	0.23	4,182,500	0.28

As of September 30, 2011, the balance of options available for grant under the plan is 104,829 (3,115,734 in September 30, 2010).

# Matamec Explorations Inc.

Condensed notes to the interim consolidated financial statements

For the nine months ended September 30, 2011 and 2010

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## 8. Options and warrants (continued)

The exercise prices and the maturity dates of the options are shown in the following table :

Maturity Date	Exercise price \$	September 30, 2011	December 31, 2010
		Number of options	Number of options
January 31, 2011	0.110	-	181,800
July 20, 2011	0.160	-	40,000
December 31, 2011 (extension on december 31,2011)	0.350	60,000	150,000
October 25, 2011	0.360	100,000	100,000
November 5, 2011	0.400	75,000	150,000
February 26, 2012	0.260	800,000	800,000
July 17, 2012	0.220	710,000	800,000
November 21, 2012	0.180	110,000	110,000
May 13, 2014	0.110	218,200	218,200
May 13, 2014	0.160	400,000	400,000
June 29, 2014	0.100	200,000	400,000
November 1, 2014	0.190	660,000	660,000
November 15, 2014	0.190	400,000	400,000
July 7, 2015	0.140	400,000	400,000
August 29, 2015	0.185	210,000	280,000
October 25, 2015	0.360	1,125,000	1,125,000
August 17, 2016	0.430	1,211,800	
		<u>6,680,000</u>	<u>6,215,000</u>

For stock options granted during the year, an amount of \$387,620 (\$197,137 in 2010) was recognized in the statement of operations and credited to contributed surplus.

The fair value of each option granted was estimated using the “Black-Scholes” pricing model with the following weighted-average assumptions for the awards granted during the year:

### Warrants

A summary of the status of the warrants as of September 30, 2011 is presented hereafter:

	September 30, 2011		December 31, 2010	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance – January 1	15,352,264	0.40	6,027,666	0.25
Granted	-	-	13,782,375	0.42
Expired	(150,000)	0.25		
Exercised	(3,175,000)	0.25	(4,457,777)	0.24
Balance – end of period	<u>12,027,264</u>	<u>0.45</u>	<u>15,352,264</u>	<u>0.40</u>

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

# Matamec Explorations Inc.

Condensed notes to the interim consolidated financial statements

For the nine months ended September 30, 2011 and 2010

(unaudited)

## 8. Options and warrants (continued)

The exercise prices and the maturity dates of the warrants are shown in the following table:

Maturity date	Exercise price \$	September 30, 2011	December 31, 2010
		Number	Number
December 31, 2010 (Shares to be issued)	0.15	-	75,000
September 16, 2011	0.20	-	275,000
September 16, 2011	0.25	-	2,750,000
October 18, 2011	0.35	1,269,889	1,494,889
June 16, 2012	0.50	5,750,000	5,750,000
June 16, 2012	0.40	828,000	828,000
June 20, 2012	0.40	2,520,000	2,520,000
June 23, 2012	0.50	1,425,000	1,425,000
June 28, 2012	0.25	234,375	234,375
		<u>12,027,264</u>	<u>15,352,264</u>

### Contributed surplus

Changes in contributed surplus are as follows:

	September 30, 2011		December 31, 2010	
	Stock options \$	Warrants \$	Stock options \$	Warrants \$
Balance – January 1	971,389	2,909,756	781,359	1,251,213
Awards	387,620	-	234,680	2,065,593
Exercise of securities	(53,042)	(209,807)	(44,650)	(407,050)
Balance – end of period	<u>1,305,967</u>	<u>2,699,949</u>	<u>971,389</u>	<u>2,909,756</u>

## 9. Cash flow information

	Nine months ended September 30	
	2011 \$	2010 \$
<b>Changes in non-cash working capital items</b>		
Increase of subscription receivable	-	(20,000)
Decrease (increase) sales tax receivable	(100,239)	38,139
Increase of other receivables	244	-
Increase of loan to an administrator	-	(9,520)
Decrease (increase) of prepaid expenses	54,658	3,896
Increase of accounts payable and accrued charges	381,767	106,338
	<u>336,430</u>	<u>118,853</u>
<b>No-cash transactions</b>		
Shares issued for the acquisition of mining properties	19,200	40,000
Cost of mining property included in trade accounts payable and accrued liabilities	454,777	259,370
<b>Supplementary cash flow information</b>		
Mining taxes received	-	220,643

For the nine months ended September 30, 2011, the Company's investments in property, plant and equipment amounted to \$28 181 (\$8,023 in 2010). Also, the Company accrued refundable tax credits of \$944,645 (\$466,479 in 2010).

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