MINERVA MINERALS LIMITED

Financial Statements

For the years ended September 30, 2011 and 2010

PALMER REED
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Minerva Minerals Limited

We have audited the financial statements of Minerva Minerals Limited, which comprise the balance sheets as at September 30, 2011 and 2010 and the statements of operations, comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Minerva Minerals Limited as at September 30, 2011 and 2010 and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we direct attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of material uncertainty that may cast significant doubt about Minerva Minerals Limited's ability to continue as a going concern.

TORONTO, CANADA

January 27, 2012

Palmer Reed

Chartered Accountants
Licensed Public Accountants

MINERVA MINERALS LIMITED
BALANCE SHEETS

As at September 30,		**2011**		2010
ASSETS				
CURRENT				
Cash	**$**	**201,585**	$	1,552
Receivables		**1,606**		2,333
		203,191		3,885
MINERAL PROPERTY COSTS (Note 4)		**19,577**		15,421
	$	**222,768**	$	19,306
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 6)	**$**	**4,229**	$	42,515
Due to related party		**-**		17,560
		4,229		60,075
SHAREHOLDERS' EQUITY				
CAPITAL STOCK (Note 5(b))				
Authorized				
Unlimited number of common shares with no par value				
Issued				
9,151,000 shares (September 30, 2010 - 4,331,000 shares)		**654,143**		268,556
CONTRIBUTED SURPLUS (Note 5(b))		**68,259**		80,726
DEFICIT		**(503,863)**		(390,051)
		218,539		(40,769)
	$	**222,768**	$	19,306

Nature of operations and going concern (Note 1)

Approved on behalf of the Board:

"David Jenkins"
David Jenkins Director

"James Fairbairn"
James Fairbairn Director

See accompanying notes to the financial statements.

MINERVA MINERALS LIMITED
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

Year Ended September 30,		**2011**		2010
EXPENSES				
Accounting, audit and legal		**19,266**		45,671
Administrative		**2,002**		421
Exploration (Note 4)		**4,124**		4,124
Public relations, filing, transfer and regulatory fees		**12,820**		14,500
Salaries, management and consulting fees (Notes 6)		**75,600**		-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		**(113,812)**		(64,716)
DEFICIT AT BEGINNING OF YEAR		**(390,051)**		(325,335)
DEFICIT AT END OF YEAR	**$**	**(503,863)**	$	(390,051)
BASIC AND DILUTED LOSS PER SHARE	**$**	**(0.02)**	$	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		**5,939,931**		4,331,000

See accompanying notes to the financial statements.

MINERVA MINERALS LIMITED
STATEMENTS OF CASH FLOWS

Year Ended September 30,		**2011**		2010
OPERATING ACTIVITIES				
Net loss	**$**	**(113,812)**	$	(64,716)
Items not involving cash:				
Changes in non-cash working capital items:				
(Increase) decrease in receivables		**727**		(2,333)
Increase (decrease) in accounts payable and accrued liabilities		**(38,286)**		38,053
Increase (decrease) in due to related party		**(17,560)**		17,560
		(168,931)		(11,436)
INVESTING ACTIVITIES				
Mineral property costs incurred		**(4,156)**		(1,800)
FINANCING ACTIVITIES				
Proceeds from the issuance of shares, net of issuance costs		**373,120**		-
INCREASE (DECREASE) IN CASH		**200,033**		(13,236)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR		**1,552**		14,788
CASH AND EQUIVALENTS AT END OF YEAR	**$**	**201,585**	$	1,552

See accompanying notes to the financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Minerva Minerals Limited ("the Company") was incorporated on June 5, 2006 under the Canada Business Corporations Act. The shares of the Company were listed on the Canadian National Stock Exchange ("the CNSX"), (formerly the Canadian Trading and Quotation System Inc. Stock Exchange), commencing trading on August 13, 2007. The Company is in the business of location, acquisition, exploration and development of mineral properties.

Management of the Company plans to devote its efforts to locate, acquire and explore mineral properties with potential reserves. To date, the Company has not determined whether properties acquired contain ore reserves that are economically recoverable, has only recently commenced significant exploration work and is considered to be in the development stage.

The Company's ability to continue to operate and to meet its obligations as they come due is dependent upon its ability to obtain additional financing as necessary and to successfully develop its existing mineral property interests or one or more alternative investments. The continued development of the Company's Ashcroft and Lone Tree Showing Property is uncertain as explained in Note 4. The ultimate outcomes of these matters cannot presently be determined because they are contingent on future events.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and satisfaction of liabilities in the normal course of business. At September 30, 2011, the Company had no operating revenue, a cumulative deficit of $503,863 and working capital of $198,962. The mineral property claims of the Company have unproven mineral and exploration value. These factors create substantial doubt as to the ability of the Company to continue as a going concern.

Management of the Company believes that it will be successful in securing the additional short term financing necessary to fund operations for the upcoming year, and that the going concern assumption remain appropriate.

These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management 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. Actual results may differ from those estimates.

Areas of significant measurement uncertainty for the Company include impairment of capitalized mineral property costs and identification of asset retirement obligations.

(b) Cash and cash equivalents

Cash consists of cash on hand and deposits in banks. Cash equivalents are highly liquid instruments with a maturity of three months or less when purchased, which are intended for use in short term operations.

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at the average exchange rate in effect during the period. Realized and unrealized foreign exchange gains and losses are included in earnings.

(d) Mineral properties

The Company is in the exploration stage and accounts for its interests in mineral properties on a cost basis whereby all direct costs, net of pre-production revenue, related to the acquisition of, exploration for and development of the properties are capitalized. Prior to commercial production, all sales and option proceeds received are credited against the costs of the related property, with any excess credited to earnings. Under this method, the amount shown as a mineral property asset represents costs incurred to date less amounts amortized and/or written off and proceeds received on the sale of mineral properties and options and does not necessarily represent present or future values. Once commercial production has commenced, the net costs of the applicable property that have been capitalized are charged to operations using the unit-of-production method based on estimated proven and probable recoverable reserves. Costs related to abandoned properties are charged to operations. The Company does not accrue estimated future costs of maintaining in good standing its mineral properties.

On an ongoing basis, the carrying amount of capitalized mineral costs incurred prior to the establishment of a proven reserve is reviewed on a property-by-property basis to consider if any impairment exists. Management's determination of impairment is based on whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued, whether exploration results to date are promising, and whether additional exploration work is being planned in the near future, and can be adequately financed.

Subsequent to proven reserves being identified, the Company reviews at least annually the carrying amounts of its mineral properties, on a property-by-property basis, based on the exploration and development results experienced by the Company and others, to consider if any impairment exists. The review of the carrying amount of any producing property is made with reference to estimated future operating results and net cash flows. When the carrying amount of a property exceeds its estimated net recoverable amount, an impairment is considered to exist, and the mineral property is written down to its estimated net recoverable value.

The assessment of the recoverability of the cost amounts reported for mineral properties is dependent on confirmation of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to successfully complete development and attain future profitable operations or proceeds from disposition. Management's estimates of recoverability of the investment in mineral properties are based on current conditions. However, it is possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying amounts.

Management considers each property to be a separate cost centre for the purpose of applying assessments of carrying amounts.

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

(e) Property option agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are typically exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

(f) Income taxes

The Company uses the liability method of accounting for income taxes. Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and the corresponding tax amounts, using substantively enacted income tax rates at each balance sheet date. Future income tax assets also result from unused tax losses carried forward and other deductions. Future income tax assets are recognized to the extent that realization of such assets is considered more likely than not.

(g) Earnings per share

Basic earnings or loss per share is computed by dividing the net earnings or loss by the weighted average number of common shares outstanding during the year. Fully diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if the effect on earnings per share is dilutive. For this purpose, the treasury stock method is used, which assumes that proceeds from the exercise of stock options and warrants are used to purchase common shares at the average market price during the year. In a loss period, the basic and diluted loss per share are generally the same, as the effect of common shares issuable upon the exercise of stock options and warrants is anti-dilutive.

(h) Asset retirement obligations

The Company recognizes the fair value of any liability for an asset retirement obligation in the period in which it is incurred, discounted to its estimated present value at the Company’s credit adjusted risk-free rate, by increasing the carrying amount of the related asset by the same amount as the liability that is recorded. The Company applies the expected cash flow approach to estimate the fair value of the liability. When a reasonable estimate of a value of the liability can not be made in the period that the asset retirement obligation is incurred, the liability is recognized in the year in which a reasonable estimate of the liability can be made. The asset retirement cost is amortized over the asset's estimated useful life and charged to operations. The liability amount is increased each reporting period due to the passage of time and the amount of such accretion is charged to operations in the period. Revisions to the original estimates of cost or timing of the cash flows may result in a change to the obligation. Actual costs incurred to settle the obligation are charged against the liability.

(i) Stock-based compensation

The Company has established a stock-based compensation plan which is described in Note 5(d). All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. The fair value of stock options is calculated using the Black-Scholes model, generally at the date of grant for employee options, and is amortized to expense over the vesting period, with the offsetting entry made to contributed surplus. If the stock options are exercised, the proceeds are added to capital stock, and the applicable amounts of contributed surplus are transferred to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

(j) Share issue costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Deferred share issue costs are charged to capital stock when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

(k) Share and warrant units

The proceeds from units issued are allocated between shares and warrants on the basis of their relative estimated fair values.

(l) Comprehensive income

Comprehensive income is comprised of net income and other comprehensive income which represents changes in shareholders' equity during a period arising from certain transactions and other events with non-owner sources. The Company did not have accumulated other comprehensive income as at September 30, 2011 and 2010.

(m) Government assistance

The Company recognizes British Columbia Mining Exploration Tax Credits at the time that entitlement to the credit is established. Such amounts earned related to expenses are reported as a recovery of the related expenses, and amounts earned related to assets are reported as a reduction of the cost of the related assets.

(n) Related party transactions

Related party transactions occurred in the normal course of business and were recorded at the exchange value, reflecting the consideration determined and agreed to by the parties.

(o) Financial instruments

The Company has classified its cash as held-for-trading. The Company has also classified its receivables as loans and receivables and its accounts payable as other financial liabilities.

All financial instruments are to be measured at fair value on initial recognition except for those arising from certain related party transactions. Measurement in subsequent periods is made based on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities classified as held-for-trading are to be measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are to be measured at amortized cost using the effective interest method of amortization. Financial assets classified as available-for-sale are to be measured at fair value with unrealized gains and losses being recognized in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

(p) Impairment of long-lived assets

The Company reviews for impairment of long-lived assets, including mineral property costs, which are held for use, whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected future cash flows. The assessment of recoverability is made based on projected undiscounted future net cash flows that are directly associated with the asset's use and eventual disposition. The amount of the impairment, if any, is measured as the difference between the carrying amount and the fair value of the impaired asset and is presented as an expense in the current period.

3. ADOPTION OF NEW ACCOUNTING PRINCIPLES

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board for financial years beginning on or after January 1, 2011. The transition from Canadian GAAP to IFRS is applicable to the Company for the first quarter of 2012 when the Company will prepare both the current and comparative financial information using IFRS.

4. MINERAL PROPERTY COSTS

Mineral property costs consist of:

	September 30 2011	September 30 2010
	$	$
B.C., Canada		
Ashcroft 1 Claim	1	1
Lone Tree Showing - Claim Nos. 1, 2, 3 and 4	19,576	15,420
	19,577	15,421

Acquisition costs and deferred exploration expenditures incurred during the years ended September 30, 2011 and 2010 were as follows:

	Ashcroft 1 Claim	Lone Tree Showing - Claim Nos. 1, 2, 3 and 4	Total
	$	$	$
Balance as at September 30, 2009	1	13,620	13,621
Payment in lieu of exploration expenditures	-	1,800	1,800
Balance as at September 30, 2010	1	15,420	15,421
Payment in lieu of exploration expenditures	-	4,156	4,156
Balance as at September 30, 2011	1	19,576	19,577

4. MINERAL PROPERTY COSTS, (continued)

Ownership of mineral interests involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance histories of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

Ashcroft 1 Claim, B.C., Canada

Effective June 6, 2006 the Company acquired a 100% mineral interest in a 491 hectare property located near Cache Creek in the Kamloops Mining Division, British Columbia for cash consideration of $100.

The claim is currently in good standing until June 14, 2012. Exploration expenditures of $8 per hectare, or payment in lieu of such expenditures, will be required to renew the claim beyond that date. For the year ended September 30, 2011, the Company incurred payments in lieu of exploration of $4,124 (years ended September 30, 2010 - $4,124) on the Ashcroft property, which was charged to operations.

The Company did not have a definitive plan to further develop or otherwise seek to derive revenue from the property. Further exploration of the property has been deferred and significant uncertainty exists in regard to the ability of the Company to raise additional financing for such further exploration, and as to the Company's ultimate ability to successfully generate profits from the property, or otherwise recover the costs incurred. For these reasons, capitalized costs incurred in respect to the property were considered impaired and an amount of $61,926 was charged to operations for the 2008 year.

In March of 2009, the Company received a refundable British Columbia Mining Exploration Tax Credit (the "METC") in the amount of $16,043 with respect to certain qualified mining exploration expenses ($52,413) that the Company incurred on the Ashcroft property during the year ended September 30, 2008. The METC refund was recorded as Other income in the 2009 year.

Lone Tree Showing, Claim Nos. 1, 2, 3 and 4, B.C., Canada

Effective December 3, 2007 the Company acquired a 100% interest in the Lone Tree Showing claims, for cash consideration of $12,000. The four mineral claims, totaling 409 hectares are located directly to the west of the Ashcroft property near Cache Creek in the Kamloops Mining Division, British Columbia.

The claims are in good standing with renewal dates ranging from August 8, 2012 to November 17, 2012. Exploration expenditures of $4 per hectare, or payment in lieu of such expenditures, are required to renew the claim beyond the initial claim register dates (August 8, 2007 to November 17, 2007) for each of the second and third anniversary years, and $8 per hectare for each subsequent anniversary year. During the year ended September 30, 2011, the Company incurred payment in lieu of exploration expenditures totalling $4,157 (year ended September 30, 2010 - $1,800), which were recorded as capitalized mineral property costs.

Ownership of mineral interests involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance histories of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

5. CAPITAL STOCK

(a) Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares with no par value.

(b) Changes in issued capital stock and contributed surplus to September 30, 2011 were as follows:

	Number of Shares	Amount $	Surplus $
Balance, September 30, 2010 and 2009	4,331,000	268,556	80,726
Shares issued pursuant to public offering (i)	400,000	60,000	-
Shares issued pursuant to exercise of stock options	420,000	75,600	-
Contributed surplus transferred on exercise of stock options	-	68,467	(68,467)
Shares issued pursuant to public offering (ii)	4,000,000	280,000	-
Fair value of warrants on issued pursuant to public offering (ii)	-	(48,000)	48,000
Share issue costs			
Broker warrants issued	-	(8,000)	8,000
Cash	-	(42,480)	-
Balance, September 30, 2011	9,151,000	654,143	68,259

(i) On October 29, 2010, the Company completed a non-brokered private placement consisting of 400,000 common shares of the Company at a price of $0.15 per share to raise gross proceeds of $60,000.

(ii) On June 21, 2011, the Company closed a non-brokered private placement of 4,000,000 units (the "Units") at a price of $0.07 per Unit for proceeds of $280,000 (the "Private Placement"). Each Unit consists of one common share and one-half of one share purchase warrant (the "Warrants"); each whole Warrant entitles the holder to purchase one additional common share at a price of $0.10 per common share until June 21, 2012.

The Company paid fees totaling $42,480 and issued an aggregate 320,000 finder's warrants (the "Finder's Warrants") to finders who assisted with this placement, in accordance with regulatory policies. Each Finder's Warrant will entitle the holder to purchase one common share at a price of $0.10 per common share until June 21, 2012.

The fair value of the warrants of $48,000 and broker warrants of $8,000 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.5%
Exercise price	$0.10
Expected volatility	100%
Expected life of warrants	1 year
Expected dividend yield	Nil

5. CAPITAL STOCK, (continued)

(c) Escrowed shares

Included in issued capital stock at September 30, 2009 are 525,000 common shares held in escrow, which were to be released on a staged basis. On August 13, 2007, the date that the Company's shares were listed on the CNSX, 10% (175,000 common shares) of the originally escrowed shares were released and 15% of the escrowed shares were to be released every six months thereafter. As of September 30, 2011, all the shares held in escrow had been released.

(d) Stock options

During the 2007 year, a stock option plan was approved by the directors and shareholders of the Company. The plan provides that the aggregate number of shares reserved for issuance is to be 10% of the total number of issued and outstanding common shares of the Company from time to time. These options vest immediately when issued, unless otherwise stated.

As at September 30, 2011, the Company had 915,100 (September 30, 2010 – 13,100) options available for issuance under the plan. The options outstanding to purchase common shares are as follows:

	Number Of Shares $	Weighted Average Exercise Price $
Balance , September 30, 2009 and 2010	420,000	0.18
Options granted	-	-
Options exercised	(420,000)	0.18
Balance, September 30, 2011	-	-

The Black-Scholes model, used by the Company to calculate option values, was developed to estimate fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires highly subjective assumptions, including expected volatility, risk free interest rate and expected life of the option, which greatly affect the calculated values.

(e) Share Purchase Warrants

The following table summarizes information concerning outstanding warrants as at September 30, 2011:

Number of warrants	Class of shares	Expiry date	Exercise price
			$
2,000,000	Common	June 21, 2012	0.10
320,000	Common	June 21, 2012	0.10
2,320,000			

6. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2011, the Company incurred management fees of $75,600 (year ended September 30, 2010, $Nil) to directors of the Company.

7. DUE TO RELATED PARTY

As at September 30, 2011 the Company had $Nil (2010 - $17,560) due to a related party who is a director and officer of the Company. Advances from a related party of the Company are unsecured, non-interest bearing and have no specified terms of repayment.

8. INCOME TAXES

The provisions for income taxes reported for the years ended September 30, 2011 and 2010 differ from the amounts computed by applying the Canadian statutory federal and provincial income tax rates to the net loss as follows:

	2011	2010
Combined statutory income tax rate	**28.5%**	28.9%
Recovery of income taxes computed at statutory rates	**(32,000)**	(19,000)
Difference between current and future tax rate	**4,000**	-
Share issue costs	**(11,000)**	-
Tax benefits of losses and temporary differences not recognized	**39,000**	19,000
Income tax provision	**-**	-

The approximate tax effects of each type of temporary difference at September 30, 2011 and 2010 that gives rise to a significant future income tax asset are as follows:

	2011	2010
Non-capital losses carried forward	**125,000**	89,000
Financing fees	**8,000**	5,000
Mineral property costs	**14,000**	14,000
Valuation allowance	**(147,000)**	(108,000)
	-	-

At September 30, 2011, the Company had accumulated non-capital losses of approximately $500,000 which may be applied against future taxable income. The non-capital losses will expire, if unutilized, in the 2026 through 2031 years.

In addition, at September 30, 2011, the Company had Cumulative Canadian Development Expenses and Canadian Exploration Expenses totaling approximately $74,000, which are deductible against future year's taxable income and have no expiry date.

The Company has not recognized the potential tax benefit of these tax losses and deductions, as the ability of the Company to realize that benefit is uncertain.

9. FINANCIAL INSTRUMENTS

Fair value

The Company's financial instruments as at September 30, 2011 include cash, receivables, and accounts payable and accrued liabilities. The Company has designated its cash as held-for-trading, which is measured at fair value. Cash and is determined based on transaction value and is categorized as Level 1 measurement. Fair value of accounts payable and accrued liabilities is determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

Interest rate risk

The Company has cash balances bearing fixed interest rates and no interest bearing debt. The Company’s current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash consist of bank deposits, which have been invested a Canadian chartered bank, from which management believes the risk of loss is remote. As at September 30, 2011, the Company’s receivables primarily consist of amount due from the Canadian government. The Company’s receivables are normally collected within a 60-90 day period. The Company has not experienced any significant collection issues to September 30, 2011. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims filed.

The Company’s maximum exposure to credit risk as at September 30, 2011 is the carrying value of cash and receivables.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had current assets of $203,191 (2010 - $3,885) to settle current liabilities of $4,229 (2010 - $60,075). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Company’s financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at September 30, 2011, the Company had working capital of $198,962 (2010 – working capital deficiency of $56,190).

10. CAPITAL MANAGEMENT

The Company considers its capital to include components of shareholders' equity.

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, contributed surplus, and deficit, which as at September 30, 2011 totaled $218,539 (2010 – deficiency of $40,769).

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's investment policy is to invest its cash in low-risk, highly liquid, short-term interest-bearing investments, selected with regards to the expected timing of upcoming expenditures.

The Company expects its capital resources will be sufficient to carry out its exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2011. The Company is not subject to externally imposed capital requirements.

11. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees. The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.