MINERVA MINERALS LIMITED

Financial Statements

As at

September 30, 2010 and 2009

AUDITORS' REPORT

To the Shareholders of
Minerva Minerals Limited

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

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

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

Berris Mangan

CHARTERED ACCOUNTANTS

Vancouver, B.C.
December 6, 2010

MINERVA MINERALS LIMITED

BALANCE SHEETS

	September 30 2010	September 30 2009
ASSETS		
CURRENT		
Cash	$ 1,552	$ 14,788
Receivables	2,333	-
	3,885	14,788
MINERAL PROPERTY COSTS (Note 4)	15,421	13,621
	$ 19,306	$ 28,409
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	$ 42,515	$ 4,462
Due to related party (Note 7)	17,560	-
	60,075	4,462
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5(b))		
Authorized		
Unlimited number of common shares with no par value		
Issued		
4,331,000 shares (September 30, 2009 - 4,331,000 shares)	268,556	268,556
CONTRIBUTED SURPLUS (Note 5(b))	80,726	80,726
DEFICIT	(390,051)	(325,335)
	(40,769)	23,947
	$ 19,306	$ 28,409

Contingent liabilities (Note 14)

Approved on behalf of the Board:

"David Jenkins"
David Jenkins Director

"Stephen Ripley"
Stephen Ripley Director

See accompanying notes to financial statements

MINERVA MINERALS LIMITED
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	Year Ended September 30 2010	Year Ended September 30 2009
REVENUE	$ -	$ -
EXPENSES		
Accounting, audit and legal	45,671	17,862
Administrative	-	19,373
Bank charges	421	484
Exploration (Note 4 (a))	4,124	4,124
Public relations, filing, transfer and regulatory fees	14,500	12,239
Salaries, management and consulting fees (Note 6)	-	18,000
LOSS BEFORE OTHER INCOME	(64,716)	(72,082)
OTHER INCOME		
Interest income	-	81
Other income (Note 4(a))	-	16,043
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(64,716)	(55,958)
DEFICIT AT BEGINNING OF YEAR	(325,335)	(269,377)
DEFICIT AT END OF YEAR	$ (390,051)	$ (325,335)
BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	4,331,000	4,331,000

See accompanying notes to financial statements

MINERVA MINERALS LIMITED
STATEMENTS OF CASH FLOWS

	Year ended September 30 2010	Year ended September 30 2009
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the year	$ (64,716)	$ (55,958)
Items not involving cash:		
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(2,333)	195
Increase (decrease) in accounts payable and accrued liabilities	38,053	4,198
Increase in due to related party	17,560	-
	(11,436)	(51,565)
INVESTING ACTIVITIES		
Mineral property costs incurred	(1,800)	(1,620)
INCREASE (DECREASE) IN CASH	(13,236)	(53,185)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	14,788	67,973
CASH AND EQUIVALENTS AT END OF YEAR	$ 1,552	$ 14,788

See accompanying notes to financial statements

1. NATURE OF OPERATIONS

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”), 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, 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, 2010, the Company had no operating revenue, a cumulative deficit of $390,051, a working capital deficiency of $56,190, and minimal cash. 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) Concentration of credit risk

The Company places its cash and cash equivalents with high credit quality financial institutions. The Company may occasionally maintain balances in a financial institution which are beyond insured amounts.

(e) 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)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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)

(k) 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.

(l) Share and warrant units

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

(m) 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, 2010 and 2009.

(n) 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.

(o) Financial instruments

The Company has classified its cash as held-for-trading. The Company has also classified 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.

(o) 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

In January of 2006, the Canadian Institute of Chartered Accountants (“CICA”) adopted a strategic plan to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (“IFRS”) for certain types of entities over a transition period ending in 2011. The Company has not yet fully assessed the impact of the adoption of IFRS.

4. MINERAL PROPERTY COSTS

Mineral property costs consist of:

	2010	2009
B.C., Canada		
Ashcroft 1 Claim	$ 1	$ 1
Lone Tree Showing - Claims No. 1, 2, 3 and 4	15,420	13,620
	$ 15,421	$ 13,621

Acquisition costs and deferred exploration expenditures incurred during the years ended September 30, 2010, 2009 and 2008 were as follows:

	Ashcroft 1 Claim	Lone Tree Showing - Claims No. 1, 2, 3 and 4	Total
Balance as at September 30, 2008	$ 1	$ 12,000	$ 12,001
Payment in lieu of exploration expenditures	-	1,620	1,620
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

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.

a) 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, 2011. Exploration expenditures of $4 per hectare, or payment in lieu of such expenditures, are required to renew the claim beyond the initial claim register date (June 14, 2005) for each of the second and third anniversary years, and $8 per hectare for each subsequent anniversary year. During the year ended September 30, 2010, the Company incurred payment in lieu of exploration expenditures totaling $4,124 (2009 - $4,124) on the Ashcroft property, which was charged to operations.

4. MINERAL PROPERTY COSTS (continued)

a) Ashcroft 1 Claim, B.C., Canada (continued)

The Company does 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 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 of the 2009 year.

b) Lone Tree Showing, Claims No. 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, 2011 to November 17, 2011. 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, 2010, the Company incurred payment in lieu of exploration expenditures totaling $1,800 (2009 - $1,620), which were recorded as capitalized mineral property costs.

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, 2010 were as follows:

	Number of Shares	Amount $	Surplus $
Balance, September 30, 2006	3,200,000	187,000	-
Shares issued pursuant to public offering (i)	1,131,000	81,556	-
Fair value of options issued to directors (Note 5(d))	-	-	68,467
Fair value of warrants issued	-	-	12,259
Balance, September 30, 2007, 2008, 2009 and 2010	4,331,000	268,556	80,726

(i) Effective August 9, 2007 the Company completed its Initial Public Offering (the "IPO") of 1,131,000 common shares at a price of $0.18 per share for gross proceeds of $203,580. Included in the costs of the offering were agent's warrants which expired during the 2009 year as described in Note 5(e).

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, 2010, 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.

There were no stock options granted in the years ended September 30, 2010 and 2009. Stock option transactions to September 30, 2010 and the number of outstanding options are summarized below:

	Number Of Shares	Weighted Average Exercise Price
Balance, September 30, 2006	-	$ -
Options granted	560,000	0.18
Options cancelled	(140,000)	0.18
Balance, September 30, 2007, 2008, 2009 and 2010	420,000	$ 0.18

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.

The following table summarizes information about options outstanding under the Company's stock option plan at September 30, 2010:

Options outstanding and exercisable			
Number outstanding	Number exercisable	Average remaining contractual life (in months)	Weighted average exercise price per share
280,000	280,000	13.51	$ 0.18
140,000	140,000	17.69	0.18
420,000	420,000	15.60	$ 0.18

5. CAPITAL STOCK (continued)

(e) Share Purchase Warrants

A summary of the Company's warrants outstanding at September 30, 2010 and 2009 is presented below:

	Number of Warrants to Purchase Shares	Weighted Average Exercise Price
Balance, September 30, 2008	113,100	$ 0.18
Warrants expired August 9, 2009	113,100	0.18
Balance, September 30, 2009 and 2010	-	$ -

6. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2009, the Company incurred management fees of $18,000 to an individual who is a director and officer of the Company. At September 30, 2009, unpaid management fees of $4,141 were included in accounts payable and accrued liabilities.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. DUE TO RELATED PARTY

Advances from a director and officer of the Company are unsecured, non-interest bearing and have no specified terms of repayment.

8. FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

Financial instruments of the Company include cash, accounts payable and due to related party. The carrying amounts of these financial instruments approximate their fair values because of the short term nature of the instruments.

The Company places its cash with high credit quality financial institutions. The Company did not have funds deposited in banks beyond the insured limits at September 30, 2010 and 2009.

9. INCOME TAXES

The provisions for income taxes reported for the years ended September 30, 2010 and 2009 differ from the amounts computed by applying the Canadian statutory federal and provincial income tax rates to the net loss as follows:

		2010		2009
Combined statutory income tax rate		28.9%		30.1%
Recovery of income taxes computed at statutory rates	$	(18,703)	$	(16,844)
Non-deductible expenses		-		-
Tax benefits of losses and temporary differences not recognized		18,703		16,844
Income tax provision	$	-	$	-

The approximate tax effects of each type of temporary difference at September 30, 2010 and 2009 that gives rise to a significant future income tax asset are as follows:

		2010		2009
Non-capital losses carried forward	$	88,850	$	68,200
Financing fees		5,250		10,700
Mineral property costs		13,600		12,600
Less: valuation allowance		(107,700)		(91,500)
	$	-	$	-

At September 30, 2010, the Company had accumulated non-capital losses of approximately $355,000 which may be applied against future taxable income. The non-capital losses will expire, if unutilized, in the 2026 through 2030 years.

In addition, at September 30, 2010, the Company had Cumulative Canadian Development Expenses and Canadian Exploration Expenses totaling approximately $70,000, 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.

10. SEGMENTED INFORMATION

The Company considers its business to consist of a single reportable operating segment, being the acquisition, exploration and development of mineral resources properties.

11. MANAGEMENT OF CAPITAL RISK

The Company includes as capital its cash and cash equivalents, capital stock and contributed surplus. The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As the Company has no cash flow from operations, to maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt or dispose of assets.

In order to facilitate the management of its capital, the Company's policy is to prepare annual expenditure budgets that are updated as necessary depending on various factors, including capital deployed, results from the exploration and development of its properties, and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations.

12. MANAGEMENT OF FINANCIAL RISK

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks, such as liquidity risk, market risk and other price risks. The risk to financial instruments is managed by the senior management of the Company under policies and directions approved by the Board of Directors (the "Board"). Relevant policies include a cash investment policy. The Board monitors these policies on a quarterly basis. The Board has not approved the use of derivative financial products.

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. In order to reduce credit risk, the Company holds its cash in large Canadian financial institutions.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis as well as its planned capital expenditures. As at September 30, 2010, the Company had insufficient cash and cash equivalents to fund ongoing operating expenditures for the next year.

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of the Company is the Canadian dollar. The Company holds it cash resources principally in Canadian dollars with a limited amount held in US dollars and incurs expenses principally in Canadian dollars. Therefore, the effects of currency movements on the Company's net income are small.

12. MANAGEMENT OF FINANCIAL RISK (continued)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through interest on cash and cash equivalents. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments are generally held in variable rate instruments.

13. STATEMENTS OF CASH FLOWS – SUPPLEMENTAL INFORMATION

There were no significant non-cash transactions occurring during the years ended September 30, 2010 and 2009.

14. CONTINGENT LIABILITIES

The Company is self-insured against business and liability risks, does not have third party insurance coverage, and consequently is significantly financially exposed to such risks.

15. PLANNED ACQUISITION

On May 20, 2010, the Company entered into a Letter of Intent with Nickel Oil & Gas Corp. (“Nickel”), to acquire all of the issued and outstanding common shares of Nickel, subject to certain conditions, including a requirement that Nickel complete certain financing. The conditions were not met, and the Company did not proceed with the proposed acquisition.

16. SUBSEQUENT EVENTS

On October 29, 2010, the Company completed a non-brokered private placement of 400,000 common shares issued at a price of $0.15 per share, for gross proceeds of $60,000. The proceeds from this private placement are to be used for general working capital purposes.