

MINERVA MINERALS LIMITED

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MINERVA MINERALS LIMITED

*Financial Statements
First Quarter Report*

Three months ended December 31, 2010 and 2009

NOTICE TO READER OF THE INTERIM FINANCIAL STATEMENTS

The unaudited financial statements of Minerva Minerals Limited and the accompanying Balance Sheets as at December 31, 2010 and the Statements of Operations, Comprehensive Loss and Deficit and Cash Flows for the three months then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Berris Mangan. The financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

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MINERVA MINERALS LIMITED
BALANCE SHEETS

(unaudited)

	December 31 2010	September 30 2010
ASSETS		
CURRENT		
Cash	\$ 22,119	\$ 1,552
Receivables	1,974	2,333
	<u>24,093</u>	<u>3,885</u>
MINERAL PROPERTY COSTS (Note 3)	16,141	15,421
	<u>\$ 40,234</u>	<u>\$ 19,306</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4(a)) due to related party	\$ 20,085	\$ 42,515
	<u>17,560</u>	<u>17,560</u>
	<u>37,645</u>	<u>60,075</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 4(b))		
Authorized		
Unlimited number of common shares with no par value		
Issued		
4,731,000 shares (September 30, 2010 - 4,331,000 shares)	328,556	268,556
CONTRIBUTED SURPLUS (Note 4(b))	80,726	80,726
DEFICIT	<u>(406,693)</u>	<u>(390,051)</u>
	<u>2,589</u>	<u>(40,769)</u>
	<u>\$ 40,234</u>	<u>\$ 19,306</u>

Approved on behalf of the Board:

"David Jenkins"

David Jenkins Director

"Stephen Ripley"

Stephen Ripley Director

See accompanying notes to the financial statements.

MINERVA MINERALS LIMITED
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(unaudited)

	Three Months Ended December 31 2010	Three Months Ended December 31 2009
REVENUE	\$ -	\$ -
EXPENSES		
Accounting, audit and legal	14,118	9,696
Administrative	-	-
Bank charges	147	110
Public relations, filing, transfer and regulatory fees	2,377	2,279
LOSS BEFORE OTHER INCOME	(16,642)	(12,085)
OTHER INCOME (EXPENSES)		
Interest income	-	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (16,642)	\$ (12,085)
DEFICIT AT BEGINNING OF YEAR	(390,051)	(325,335)
DEFICIT AT END OF PERIOD	\$ (406,693)	\$ (337,420)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	4,621,110	4,331,000

See accompanying notes to the financial statements.

MINERVA MINERALS LIMITED**STATEMENTS OF CASH FLOWS**

(unaudited)

	Three Months Ended December 31 2010	Three Months Ended December 31 2009
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period	\$ (16,642)	\$ (12,085)
Items not involving cash:		
Changes in non-cash working capital items:		
(Increase) decrease in receivables	359	(97)
Increase (decrease) in accounts payable and accrued liabilities	(22,430)	7,680
	<u>(38,713)</u>	<u>(4,502)</u>
INVESTING ACTIVITIES		
Mineral property costs incurred	<u>(720)</u>	<u>(720)</u>
FINANCING ACTIVITIES		
Proceeds from the issuance of shares, net of issuance costs	<u>60,000</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	20,567	(5,222)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	1,552	14,788
CASH AND EQUIVALENTS AT END OF PERIOD	<u>\$ 22,119</u>	<u>\$ 9,566</u>

See accompanying notes to the 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"), (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 3. The ultimate outcomes of these matters cannot presently be determined because they are contingent on future events.

These unaudited interim 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 December 31, 2010, the Company had no operating revenue, a cumulative deficit of \$406,693, a working capital deficiency of \$13,552, 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 unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Basis of presentation

The accompanying unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and follow the same accounting policies and methods of application as the most recent annual financial statements dated September 30, 2010 except as disclosed in note 2. These unaudited interim financial statements should be read in conjunction with those annual financial statements and the notes thereto. Accordingly, this report does not include all of the information and footnotes required by accounting principles generally accepted in Canada for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended December 31, 2010, are not necessarily indicative of the results that may be expected for the year ended September 30, 2011.

MINERVA MINERALS LIMITED
Notes to the Interim Financial Statements
December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) 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.

3. MINERAL PROPERTY COSTS

Mineral property costs consist of:

	December 31 2010	September 30 2010
	\$	\$
<u>B.C., Canada</u>		
Ashcroft 1 Claim	1	1
Lone Tree Showing - Claim Nos. 1, 2, 3 and 4	16,140	15,420
	<u>16,141</u>	<u>15,421</u>

Acquisition costs and deferred exploration expenditures incurred during the three month period ended December 31, 2010 and the year ended September 30, 2010 were as follows:

	Ashcroft 1 Claim	Lone Tree Showing - Claim Nos. 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
Payment in lieu of exploration expenditures	-	720	720
Balance as at December 31, 2010	1	16,140	16,141

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 \$8 per hectare, or payment in lieu of such expenditures, will be required to renew the claim beyond that date. For the three months ended December 31, 2010, the Company incurred exploration expenses of \$0 (years ended September 30, 2010 - \$4,124; 2009 - \$4,124 and 2008 – \$52,413).

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 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.

3. MINERAL PROPERTY COSTS (continued)

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

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.

The Company 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 recovered costs, sales and option proceeds received are credited against the costs of the related property, with any excess credited to earnings.

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, 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 three months ended December 31, 2010, the Company incurred payment in lieu of exploration expenditures totalling \$720 (year ended September 30, 2010 - 1,800; 2009 - \$1,620), 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.

4. 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 during the three months ended December 31, 2010 and the years ended September 30, 2010 and 2009 were as follows:

MINERVA MINERALS LIMITED
Notes to the Interim Financial Statements
December 31, 2010 and 2009

4. CAPITAL STOCK (continued)

	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 4(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
Shares issued pursuant to public offering (ii)	400,000	60,000	-
Balance, December 31, 2010	4,731,000	328,556	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. The Company's agent, Research Capital Corporation, was paid a cash commission equal to 7% of the proceeds from the sale of the common shares pursuant to the IPO and a corporate finance fee of \$20,000, plus GST. Additionally, the Company granted agent's warrants to Research Capital Corporation and members of its selling group entitling them to purchase up to 113,100 common shares at an exercise price of \$0.18 per common share, exercisable on or before August 9, 2009.

(ii) 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.

(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 and the three months ended December 31, 2010. Stock option transactions to December 31, 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, 2010 and December 31, 2010	420,000	0.18

MINERVA MINERALS LIMITED
Notes to the Interim Financial Statements
December 31, 2010 and 2009

4. CAPITAL STOCK (continued)

(d) Stock options (continued)

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 December 31, 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	10.49	0.18
140,000	140,000	14.66	0.18
420,000	420,000	12.58	0.18

(e) Share Purchase Warrants

A summary of the Company's warrants outstanding at December 31, 2010 and 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 in August 2009	(113,100)	\$ 0.18
Balance, September 30, 2009, 2010 and December 31, 2010	-	-

5. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2010, the Company incurred management fees of \$0 (year ended September 30, 2010, \$0) to an individual who is a director and officer of the Company.

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

6. 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.

7. 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 December 31, 2010 and September 30, 2010.

8. 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.

9. MANAGEMENT OF CAPITAL RISK

The Company includes as capital its cash and cash equivalents, common shares 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.

10. 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 its 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.

(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.

11. STATEMENTS OF CASH FLOWS – SUPPLEMENTAL INFORMATION

There were no significant non-cash transactions occurring during the three months ended December 31, 2010 and year ended September 30, 2010.

12. CONTINGENT LIABILITIES

The Company is self-insured against business and liability risks and does not have third party insurance coverage.