CANTERRA

MINERALS CORPORATION

Consolidated Financial Statements

For the Nine Months Ended

September 30, 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Canterra Minerals Corporation (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CANTERRA MINERALS CORPORATION
Consolidated Balance Sheets
unaudited - prepared by management

	September 30 2010	December 31 2009
ASSETS		
Current		
Cash	$ 1,152,733	$ 2,820,287
Receivables	136,962	222,077
Prepaid expenses	24,203	18,981
	1,313,898	3,061,345
Equipment (Note 3)	251,488	303,167
Exploration deposits (Note 4)	172,088	314,282
Mineral properties (Note 5)	18,316,042	18,316,042
Deferred exploration costs (Note 6)	55,610,530	54,641,653
	$ 75,664,046	$ 76,636,489
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 122,853	$ 288,153
Future income taxes	737,000	737,000
	859,853	1,025,153
Shareholders' equity		
Capital stock (Note 7)	100,594,087	100,594,087
Contributed surplus (Note 7)	4,718,112	4,567,962
Deficit	(30,508,006)	(29,550,713)
	74,804,193	75,611,336
	$ 75,664,046	$ 76,636,489

Basis of presentation (Note 1)
Commitments (Note 11)

On behalf of the Board:

"Randy Turner"
Randy C. Turner, Director

"Mike Muzylowski"
Mike Muzylowski, Director

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

CANTERRA MINERALS CORPORATION
Consolidated Statements of Operations and Deficit
unaudited - prepared by management

	Three Month Period Ended September 30 2010	Three Month Period Ended September 30 2009	Nine Month Period Ended September 30 2010	Nine Month Period Ended September 30 2009
EXPENSES				
Amortization	$ 17,480	$ 14,789	$ 51,679	$ 43,724
Business development	4,267	5,932	45,767	39,156
Insurance	14,229	14,784	49,560	50,039
Legal, audit and accounting	22,760	27,330	71,450	90,169
Management fees and corporate services	88,459	91,037	260,780	267,136
Office and miscellaneous expenses	32,948	17,709	100,015	46,714
Regulatory and transfer agent fees	(3,176)	1,886	22,000	12,970
Rent	54,613	54,621	163,107	160,656
Stock-based compensation (Note 8)	-	-	150,150	-
Travel	5,309	5,197	16,386	20,301
Wages and benefits	80,116	54,034	273,024	205,996
Expense recovery	(70,142)	(10,040)	(220,763)	(35,647)
Loss before other items and income taxes	(246,863)	(277,279)	(983,155)	(901,214)
OTHER ITEMS				
Interest income	160	-	25,862	6,511
Write-off of deferred exploration costs (Note 6)	-	(4)	-	(170)
	160	(4)	25,862	6,341
Loss and comprehensive loss for the period	(246,703)	(277,283)	(957,293)	(894,873)
Deficit, beginning of the period	(30,261,303)	(28,274,445)	(29,550,713)	(27,656,855)
Deficit, end of the period	$ (30,508,006)	$ (28,551,728)	$ (30,508,006)	$ (28,551,728)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.05)
Weighted average number of common shares outstanding	35,657,743	18,690,117	35,657,743	18,690,117

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

CANTERRA MINERALS CORPORATION
Consolidated Statements of Cash Flows
unaudited - prepared by management

	Three Month Period Ended September 30 2010	Three Month Period Ended September 30 2009	Nine Month Period Ended September 30 2010	Nine Month Period Ended September 30 2009
Cash flows from operating activities				
Income (loss) for the period	$ (246,703)	$ (277,283)	$ (957,293)	$ (894,873)
Items not affecting cash:				
Amortization	17,480	14,789	51,679	43,724
Stock-based compensation	-	-	150,150	-
Write-off of deferred exploration costs	-	4	-	170
Changes in non-cash working capital items:				
(Increase) decrease in prepaid expenses	14,228	25,981	(5,222)	(5,262)
(Increase) decrease in receivables	(13,852)	(18,918)	85,115	164,068
Increase (decrease) in accounts payable and accrued liabilities	31,244	108,001	(190,663)	352,437
Net cash provided by (used in) operating activities	(197,603)	(147,426)	(866,234)	(339,736)
Cash flows from financing activities				
Related party loan	-	250,000	-	750,000
Share issuance costs	-	(15,500)	-	(15,500)
Net cash provided by financing activities	-	234,500	-	734,500
Cash flows from investing activities				
Exploration deposits	-	-	142,194	444,528
Deferred exploration costs	(293,244)	(169,810)	(1,294,288)	(2,169,407)
Deferred exploration costs recovery	-	-	350,774	105,875
Net cash provided by (used in) investing activities	(293,244)	(169,810)	(801,320)	(1,619,004)
Change in cash during the period	(490,847)	(82,736)	(1,667,554)	(1,224,240)
Cash, beginning of the period	1,643,580	124,393	2,820,287	1,265,897
Cash, end of the period	$ 1,152,733	$ 41,657	$ 1,152,733	$ 41,657

Supplemental disclosure with respect to cash flows (Note 10)

1. BASIS OF PRESENTATION

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period consolidated statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

Changes in accounting policies

Effective January 1, 2009, the Company adopted new accounting policies of the Canadian Institute of Chartered Accountants Handbook:

Goodwill and intangible Assets

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including those developed internally. At the same time, the AcSB amended Section 1000, Financial Statement Concepts, to clarify the criteria for recognition of an asset. Items that no longer meet the definition of an asset are no longer recognized with assets.

The adoption of Section 3064 had no impact on the Company's consolidated balance sheets, consolidated statements of operations and deficit and consolidated statements of cash flows.

Financial instruments – disclosures

CICA Handbook Section 3862, "Financial instruments – disclosures" was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See Note 13 for relevant disclosures.

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

1. BASIS OF PRESENTATION (continued)

Business Combinations, Consolidated Financial Statements and Non-controlling Interest

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently.

2. NATURE OF OPERATIONS AND GOING CONCERN

The Company is incorporated under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves.

The recovery of the amounts comprising mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and there is substantial doubt about the Company's ability to continue as a going concern. The Company has reduced expenditures to conserve cash, including curtailing most exploration activities other than for the work on the Buffalo Hills project in Alberta. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	September 30, 2010	**December 31, 2009**
Deficit	$ (30,508,006)	$ (29,550,713)
Working capital	$ 1,191,045	$ 2,773,192

3. EQUIPMENT

	September 30, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 231,434	$ 136,643	$94,791	$231,434	$ 120,041	$ 111,393
Computer equipment	411,045	343,383	67,662	411,045	323,900	87,145
Field supplies and equipment	179,603	90,568	89,035	179,603	74,974	104,629
	$822,082	$570,594	$251,488	$822,082	$518,915	$303,167

4. EXPLORATION DEPOSITS

Exploration deposits are interest-bearing and are held by major financial institutions on behalf of mining regulators. These deposits are held primarily for prospecting permits and will be released upon the Company incurring certain exploration expenditures on specific mineral properties. Exploration deposits surrendered to mining regulators are included in deferred exploration costs (Note 6).

5. MINERAL PROPERTIES

Title to mineral properties involves certain 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 conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

The Company holds interests in various mineral claims located in Canada, the acquisition costs of which are as follows:

Northwest Territories & Nunavut	2010	2009
Cache Property, Northwest Territories An 80% interest.	$ 85,139	$ 85,139
Carat Property, Northwest Territories A 70% interest.	132,772	132,772
Hilltop Property, Northwest Territories A 100% interest.	167,631	167,631
Kelsey Property, Northwest Territories A 60% interest.	200,766	200,766
King Property, Northwest Territories A 100 % interest.	60,509	60,509
Lac des Bois Property, Northwest Territories A 100% interest.	379,553	379,553
Lena West Property, Northwest Territories A 100% interest.	4,723,599	4,723,599
Dismal Lake Property, Northwest Territories A 50% interest. Certain claims are subject to a 5% Net Smelter Returns Royalty ("NSR"). The Company and its partner may purchase one-half the royalty at any time up to six months after the date commercial production has been achieved on the optioned property for an aggregate cash payment of $5,000,000.	136,317	136,317
Brodeur Property, Nunavut A 100% interest subject to either a 60% back-in right of 200% of expenditures or a 2% production royalty.	420,060	420,060
IC Property, Nunavut A 46.79% interest.	465,180	465,180
Kendall River Property, Nunavut A 50% interest subject to a 5% NSR, one-half of which may be purchased back for a cash payment of $2,500,000.	50,569	50,569
Mountain Lake Property, Nunavut A 50% interest. Certain claims are subject to a 5% NSR. The Company and its partner may purchase one-half the royalty at any time up to six months after the date commercial production has been achieved on the optioned property for an aggregate cash payment of $5,000,000.	240,906	240,906
Total Northwest Territories & Nunavut Properties:	$ 7,063,001	$ 7,063,001

5. MINERAL PROPERTIES *(continued)*

Alberta, Ontario and Saskatchewan	2010	2009
Buffalo Hills Property, Alberta A 28.5% interest. The Company can increase its interest to 36.25% by incurring exploration expenditures of not less than $7,500,000 on or before April 30, 2010.	$ 8,278,519	$ 8,278,519
Nickel Bay Property, Ontario A 100% interest, subject to a 1.5% NSR. The Company may buy back up to 1% of the NSR through staged payments to 2019.	250,000	250,000
Weiland Property, Ontario A 40% interest.	1,575,292	1,575,292
Tak Property, Ontario A 10% interest, subject to a sliding scale NSR ranging from 3% to 6%.	112	112
Riverlake Property, Saskatchewan A 51% interest in certain claims. The Company can increase its ownership interest to 70% by incurring $3,600,000 in staged exploration expenditures ($2,122,287 previously incurred) on or before November 24, 2011.	131,776	131,776
Mann Lake Property, Saskatchewan A 60% interest subject to a 2.5% NSR. The Company may buy back 1.5% of the NSR for $1,500,000.	275,721	275,721
Pasfield Lake Property, Saskatchewan An 82% interest. The property is subject to an underlying 3% NSR, which may be reduced to a 1% NSR by making a cash payment of $2,000,000 at any time up to six months after the date commercial production has been achieved.	570,688	570,688
West Carswell Property, Saskatchewan A 100% interest.	170,933	170,933
Total Alberta, Ontario and Saskatchewan Properties:	$ 11,253,041	$ 11,253,041
Total Mineral Properties	**$ 18,316,042**	**$ 18,316,042**

6. DEFERRED EXPLORATION COSTS

		Brodeur	Buffalo Hills	Lena	Nickel Bay	King	Weiland	Other*	Total
Balance, as at December 31, 2009	$	6,424,506	3,028,289	19,413,787	2,530,056	6,726,385	1,802,522	14,716,108	54,641,653
Geology		-	-	-	-	-	-	1,350	1,350
Geophysics		-	1,811	-	2,272	-	-	-	4,083
Field Sampling		-	-	-	-	-	-	-	-
Drilling		-	695,346	-	400	-	-	-	695,746
Land Tenure		962	136,192	76	3,067	10,515	818	7,609	159,239
Planning		9,921	32,629	73	415	4,260	32	796	48,126
Data Evaluation		-	-	-	-	-	-	207	207
Mineralogy		10,144	1,285	1,850	-	1,850	-	91	15,220
Reporting		-	7,509	-	2,943	-	19	114	10,585
GIS		-	5,670	-	2,284	157	-	1,088	9,199
Environmental & Safety		251,016	14,282	-	-	100,024	-	-	365,322
Technical Studies		-	-	-	-	-	-	10,574	10,574
		272,043	894,724	1,999	11,381	116,806	869	21,829	1,319,651
Costs recovered		-	(350,774)	-	-	-	-	-	(350,774)
		272,043	543,950	1,999	11,381	116,806	869	21,829	968,877
Balance, as at September 30, 2010	$	6,696,549	3,572,239	19,415,786	2,541,437	6,843,191	1,803,391	14,737,937	55,610,530

* included in "Other" are deferred exploration costs of $5,928,622 incurred on the Hilltop/Cache property.

6. DEFERRED EXPLORATION COSTS

		Brodeur	Buffalo Hills	Lena	Nickel Bay	King	Weiland	Other*	Total
Balance, as at December 31, 2008	$	6,441,602	2,791,070	19,410,306	1,086,739	6,621,418	1,777,800	16,022,528	54,151,463
Geology		-	951	-	325	-	-	-	1,276
Geophysics		-	6,637	-	188,738	-	3,147	2,423	200,945
Field Sampling		-	-	968	-	616	7,749	880	10,213
Drilling		-	161,668	-	1,094,819	352	1,555	346	1,258,740
Land Tenure		(29,693)	75,743	-	4,478	16,028	4,328	13,071	83,955
Planning		(983)	21,037	200	82,957	6,033	1,421	2,583	113,248
Data Evaluation		-	301	-	-	-	-	2,153	2,454
Mineralogy		11,034	4,060	2,313	-	2,313	325	-	20,045
Reporting		1,794	16,622	-	34,020	-	4,291	69	56,796
GIS		752	4,031	-	29,349	-	1,906	629	36,667
Environmental & Safety		-	73,066	-	28	79,625	-	22,791	175,510
Technical Studies		-	1,900	-	8,603	-	-	-	10,503
		(17,096)	366,016	3,481	1,443,317	104,967	24,722	44,945	1,970,352
Costs recovered		-	(128,797)	-	-	-	-	-	(128,797)
Written off during the year		-	-	-	-	-	-	(1,351,365)	(1,351,365)
		(17,096)	237,219	3,481	1,443,317	104,967	24,722	(1,306,420)	490,190
Balance, as at December 31, 2009	$	6,424,506	3,028,289	19,413,787	2,530,056	6,726,385	1,802,522	14,716,108	54,641,653

* included in "Other" are deferred exploration costs of $5,923,291 incurred on the Hilltop/Cache property.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares		Capital Stock		Contributed Surplus
Authorized					
Unlimited common shares without par value					
Unlimited preferred shares without par value					
Common shares issued					
Balance as at December 31, 2008	18,690,115	$	93,849,035	$	4,454,731
Issued for acquisition of subsidiary	16,967,628		6,787,052		113,231
Future income taxes on exploration costs renounced to shareholders	-		(42,000)		-
Balance as at December 31, 2009	35,657,743	$	100,594,087	$	4,567,962
Stock-based compensation	-		-		150,150
Balance as at September 30, 2010	35,657,743	$	100,594,087	$	4,718,112

On December 14, 2009 the Company issued 16,967,628 common shares at a price of $0.40 per share as consideration towards the acquisition of its wholly owned subsidiary, Triex Minerals Corporation.

On December 9, 2009 the Company consolidated its share capital on a 10:1 basis, as approved by the shareholders of the Company. All share and per share amounts have been restated to reflect this share consolidation.

8. STOCK OPTIONS AND WARRANTS

Stock Options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at September 30, 2010, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Options	Exercise Price	Expiry Date
174,250	$ 2.94	February 2, 2011
308,000	$ 7.50	June 12, 2011
8,500	$ 2.94	August 11, 2011
174,250	$ 5.00	January 22, 2012
17,000	$ 4.71	July 27, 2012
31,000	$ 3.00	October 1, 2012
365,000	$ 3.00	October 9, 2012
187,000	$ 2.35	January 23, 2013
7,500	$ 3.00	February 6, 2013
242,250	$ 0.41	January 26, 2014
947,500	$ 0.25	April 14, 2015
2,462,250		

8. STOCK OPTIONS AND WARRANTS (continued)

Stock Options (continued)

Stock option transactions are summarized as follows:

	September 30, 2010		December 31, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	1,830,250	$ 3.87	1,038,500	$ 5.90
Assumed on acquisition of subsidiary	-	-	1,253,750	2.20
Granted	947,500	0.25	-	-
Exercised	-	-	-	-
Expired/cancelled	(315,500)	4.89	(462,000)	3.90
Balance, end of period	2,462,250	$ 2.35	1,830,250	$ 3.87
Options exercisable, end of period	2,462,250	$ 2.35	1,830,250	$ 3.87

During the period ended September 30, 2010, the Company granted 947,500 (2009 - Nil) stock options with a fair value of $150,150 (2009 - $Nil) or $0.15 (2009 - $Nil) per option. Stock-based compensation expense was $150,150 (2009 - $Nil) which was credited to contributed surplus on the balance sheet.

Options - Stock-based compensation

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options assumed and granted during the noted periods:

	2010	**2009**
Risk-free interest rate	3.12%	1.60%
Expected life of options	4.19 years	2.21 years
Annualized volatility	90.31%	126.00%
Dividend rate	0.00%	0.00%

Warrants

As at September 30, 2010, the Company had no outstanding share purchase warrants, enabling the holders to acquire further shares.

9. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2010, the Company entered into the following transactions with related parties:

a) Paid or accrued $9,741 (2009 - $11,520) for administrative fees included in management fees and corporate services to a company controlled by a director.

b) Paid or accrued $29,376 (2009 - $28,687) for geological consulting fees included in deferred exploration costs to a company controlled by a director.

c) Paid or accrued $166,464 (2009 - $163,072) for management fees to a company controlled by a director.

d) Paid or accrued $17,074 (2009 - $10,043) for consulting services included in management fees and corporate services, to a company controlled by an officer.

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

9. RELATED PARTY TRANSACTIONS (continued)

Included in receivables at September 30, 2010 is $47,225 (2009 - $8,190) due from companies with common directors.

Included in accounts payable and accrued liabilities at September 30, 2010 is $40,533 (2009 - $541,406) due to companies controlled by directors and officers.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the period September 30, 2010 consisted of the accrual in accounts payable and accrued liabilities of $32,529 of deferred exploration.

The significant non-cash transactions for the period ended September 30, 2009 consisted of:

a) The accrual in accounts payable and accrued liabilities of $25,135 of deferred exploration costs; and

b) The accrual in receivables of $22,922 in deferred exploration costs recovered.

11. COMMITMENTS

The Company had the following commitments at September 30, 2010:

a) The Company is committed to an operating lease on its premises expiring December 31, 2011. The Company's annual lease commitments and estimated operating costs for the next 2 years are as follows:

2010		49,673
2011		198,690
	$	248,363

b) The Company is a party to a management agreement with a company controlled by a director which requires the Company to pay $21,250 per month for geological consulting, corporate services and management. The contract is adjusted annually for cost of living increases.

12. SEGMENTED INFORMATION

The Company conducts substantially all of its operations in Canada in one business segment, being the acquisition and exploration of mineral properties.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash is measured based on level 1 of the fair value hierarchy.

The fair values of receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk and liquidity risk. The overall risk management program focusses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under the direction and guidance of the Board of Directors. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk - Credit risk is the risk of a financial loss to the company if a counter-party to a financial instrument fails to meet its contractual obligation.

The Company manages credit risk by carrying short-term investments with investment grade ratings. The Company's receivables consist primarily of sales tax receivables due from federal and provincial government agencies and receivables from vendors with whom the Company has established credit policies. The Company does not have a significant concentration of credit risk with any single counter-party. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash.

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. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The risk that the Company will realize a loss as a result of the decline in the fair value of any short-term investments included in cash is limited because these investments, although available for sale, are generally held to maturity.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances, asset sales or a combination thereof. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk - The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of diamonds and precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

14. CAPITAL MANAGEMENT

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 Company defines capital that it manages as cash and equity, consisting of common shares, stock options and warrants.

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