



**Condensed Consolidated Interim Financial Statements**

**For the Nine Months Ended**

**September 30, 2012**

#### **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**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (unaudited)

(Expressed in Canadian Dollars)

|   | <u>September 30</u><br><u>2012</u> | <u>December 31</u><br><u>2011</u> |
|---|------------------------------------|-----------------------------------|
| <b>ASSETS</b>                                     |                                    |                                   |
| <b>Current</b>                                    |                                    |                                   |
| Cash  | \$ 1,080,600                       | \$ 1,615,231                      |
| Receivables (Note 4)                              | 10,246                             | 31,032                            |
| Prepaid expenses                                  | 10,091                             | 10,074                            |
|   | <u>1,100,937</u>                   | <u>1,656,337</u>                  |
| <b>Equipment</b> (Note 5)                         | 138,175                            | 166,245                           |
| <b>Exploration deposits</b> (Note 6)              | 4,000                              | 34,000                            |
| <b>Mineral properties</b> (Note 7)                | 33,449,008                         | 33,385,028                        |
|   | <u>\$ 34,692,120</u>               | <u>\$ 35,241,610</u>              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                                    |                                   |
| <b>Current liabilities</b>                        |                                    |                                   |
| Accounts payable and accrued liabilities (Note 8) | \$ 17,155                          | \$ 173,648                        |
|   | <u>17,155</u>                      | <u>173,648</u>                    |
| <b>Shareholders' equity</b>                       |                                    |                                   |
| Share capital (Note 10)                           | 103,655,034                        | 103,655,034                       |
| Reserves (Note 10)                                | 746,297                            | 760,212                           |
| Deficit   | <u>(69,726,366)</u>                | <u>(69,347,284)</u>               |
|   | <u>34,674,965</u>                  | <u>35,067,962</u>                 |
|   | <u>\$ 34,692,120</u>               | <u>\$ 35,241,610</u>              |

**Basis of presentation** (Note 1)**Nature and continuance of operations** (Note 1)

Approved and authorized by the Board on November 8, 2012

*"Randy C. Turner"*

Randy C. Turner, Director

*"John McDonald"*

John McDonald, Director

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

**CANTERRA MINERALS CORPORATION**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (unaudited)

(Expressed in Canadian Dollars)

|   | Three Month<br>Period Ended<br>September 30<br><u>2012</u> | Three Month<br>Period Ended<br>September 30<br><u>2011</u> | Nine Month<br>Period Ended<br>September 30<br><u>2012</u> | Nine Month<br>Period Ended<br>September 30<br><u>2011</u> |
|---|--|--|---|---|
| <b>EXPENSES</b>   |  |  |   |   |
| Business development  | \$ 1,571   | \$ 2,759   | \$ 5,653  | \$ 13,279   |
| Depreciation  | 9,460  | 13,336   | 28,070  | 39,428  |
| Insurance   | -  | -  | 35,100  | 43,280  |
| Legal, audit and accounting                                     | 579  | 16,027   | 10,067  | 34,159  |
| Management fees and corporate services                          | 3,350  | 7,239  | 11,410  | 32,225  |
| Office and miscellaneous  | 15,965   | 11,723   | 43,133  | 47,437  |
| Regulatory and transfer agent fees                              | 1,795  | 1,362  | 14,569  | 15,570  |
| Rent  | 26,609   | 20,731   | 85,664  | 91,416  |
| Travel  | 713  | 2,434  | 8,272   | 7,595   |
| Wages and benefits  | 26,468   | 42,329   | 76,860  | 172,617   |
| Property Cost (recovery)  | <u>(22,531)</u>  | <u>-</u>   | <u>(22,531)</u>   | <u>-</u>  |
| <b>Loss before other items</b>                                  | <u>(63,979)</u>  | <u>(117,940)</u>   | <u>(296,267)</u>  | <u>(497,006)</u>  |
| <b>OTHER ITEMS</b>  |  |  |   |   |
| Interest income   | 3,480  | -  | 10,138  | 1,535   |
| Write-off of exploration deposits                               | -  | -  | (30,000)  | -   |
| Write-off of mineral properties (Note 7)                        | <u>(76,868)</u>  | <u>(28,657)</u>  | <u>(76,868)</u>   | <u>(85,604)</u>   |
|   | <u>(73,388)</u>  | <u>(28,657)</u>  | <u>(96,730)</u>   | <u>(84,069)</u>   |
| <b>Loss and comprehensive loss for the period</b>               | <u>\$ (137,367)</u>  | <u>(146,597)</u>   | <u>\$ (392,997)</u>                                       | <u>\$ (581,075)</u>                                       |
| <b>Basic and diluted loss per common share (Note 13)</b>        | <u>\$ (0.01)</u>   | <u>\$ (0.01)</u>   | <u>\$ (0.01)</u>  | <u>\$ (0.02)</u>  |
| <b>Weighted average number<br/>of common shares outstanding</b> | 49,411,009   | 35,657,743   | 49,411,009  | 35,657,743  |

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

**CANTERRA MINERALS CORPORATION**

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (unaudited)

(Expressed in Canadian Dollars)

|  | <b>Nine Month<br/>Period Ended<br/>September 30<br/>2012</b> | <b>Nine Month<br/>Period Ended<br/>September 30<br/>2011</b> |
|--|--|--|
| <b>Cash flows from operating activities</b>                        |  |  |
| Income (loss) for the period                                       | \$ (392,997)   | \$ (581,075)   |
| Items not affecting cash:  |  |  |
| Depreciation   | 28,070   | 39,428   |
| Write-off of mineral deposits                                      | 30,000   | -  |
| Write-off of mineral properties                                    | 76,868   | 85,604   |
| Changes in non-cash working capital items:                         |  |  |
| (Increase) decrease in receivables                                 | 5,571  | 55,159   |
| (Increase) decrease in prepaid expenses                            | (17)   | 11,846   |
| Increase (decrease) in accounts payable<br>and accrued liabilities | (37,480)<br>-  | -<br>225,003   |
|  | <hr/>  | <hr/>  |
| Net cash used in operating activities                              | <u>(289,985)</u>   | <u>(164,035)</u>   |
| <b>Cash flows from investing activities</b>                        |  |  |
| (Acquisition) disposition of equipment                             | -  | 15,000   |
| Mineral property expenditures                                      | (244,646)  | (281,709)  |
| Exploration deposits   | -  | 138,088  |
|  | <hr/>  | <hr/>  |
| Net cash used in investing activities                              | <u>(244,646)</u>   | <u>(128,621)</u>   |
| <b>Change in cash during the period</b>                            | (534,631)  | (292,656)  |
| <b>Cash, beginning of the period</b>                               | <u>1,615,231</u>   | <u>459,768</u>   |
| <b>Cash, end of the period</b>                                     | <u>\$ 1,080,600</u>  | <u>\$ 167,112</u>  |

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

**CANTERRA MINERALS CORPORATION**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (unaudited)

(Expressed in Canadian Dollars)

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|   | <u>Share Capital</u> |                       |                   |                        |                      |
|---|----------------------|-----------------------|-------------------|------------------------|----------------------|
|   | <u>Number</u>        | <u>Amount</u>         | <u>Reserves</u>   | <u>Deficit</u>         | <u>Total</u>         |
| Balance, December 31, 2011              | 49,411,009           | \$ 103,655,034        | \$ 760,212        | \$ (69,347,284)        | \$ 35,067,962        |
| Reserves transferred on expired options | -                    | -                     | (13,915)          | 13,915                 | -                    |
| Loss for the period                     | -                    | -                     | -                 | (392,997)              | (392,997)            |
| Balance, September 30, 2012             | <u>49,411,009</u>    | <u>\$ 103,655,034</u> | <u>\$ 746,297</u> | <u>\$ (69,726,366)</u> | <u>\$ 34,674,965</u> |
| Balance, December 31, 2010              | 35,957,743           | \$ 101,723,305        | \$ 2,412,310      | \$ (69,834,772)        | \$ 34,300,843        |
| Reserves transferred on expired options | -                    | -                     | (1,455,441)       | 1,455,441              | -                    |
| Loss for the year                       | -                    | -                     | -                 | (581,075)              | (581,075)            |
| Balance, September 30, 2011             | <u>35,957,743</u>    | <u>\$ 101,723,305</u> | <u>\$ 956,869</u> | <u>\$ (68,960,406)</u> | <u>\$ 33,719,768</u> |

## **CANTERRA MINERALS CORPORATION**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Canterra Minerals Corporation (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 Company's head office and principal address is 1410 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N8. The Company's registered and records office is 2300 – 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5.

The recovery of the amounts comprised in mineral properties 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 condensed consolidated interim 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 has no source of recurring revenue. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. 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.

### **2. BASIS OF PREPARATION**

#### **Statement of Compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

#### **Basis of Consolidation and Presentation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries (Note 9). All significant intercompany transactions and balances have been eliminated upon consolidation.

## CANTERRA MINERALS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

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### 2. BASIS OF PREPARATION (continued)

#### Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the depreciation of equipment, recoverability of mineral properties, valuation of share-based payments, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

#### Economic recoverability and probability of future economic benefits of exploration and evaluation costs

Management has determined that exploration, evaluation, and related costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

#### Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

#### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expect timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

#### Depreciation for equipment

Depreciation expense is allocated based on assumed asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of comprehensive loss.

#### Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rates:

|                              |     |
|------------------------------|-----|
| Furniture and equipment      | 20% |
| Computer equipment           | 30% |
| Field supplies and equipment | 20% |



## CANTERRA MINERALS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

#### Financial instruments

##### Financial assets

The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

## CANTERRA MINERALS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities*: This category consists of liabilities carried at amortized cost using the effective interest method.

#### **Mineral properties**

The Company's mineral properties are considered exploration and evaluation assets. Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

#### **Provision for environmental rehabilitation**

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

#### **Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

## **CANTERRA MINERALS CORPORATION**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### **Impairment of tangible and intangible assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

#### **Share-based payments**

The Company grants stock options to directors, officers, employees and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital.

#### **Flow through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow through shares whereby the premium paid for the flow through shares in excess of the market value of the shares without flow through features at the time of issue is credited to other liabilities and included in income at the same time the qualifying expenditures are made.

## CANTERRA MINERALS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **New standards not yet adopted**

The Company has not yet adopted the following revised or new IFRS that have been issued but are not yet effective at September 30, 2012:

- IFRS 9, Financial Instruments (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets and liabilities.
- IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Associates and Joint Ventures (all effective January 1, 2013) provide guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of "control" for identifying entities which are to be consolidated.
- IFRS 13, Fair Value Measurement (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.
- IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after July 1, 2012) requires that elements of other comprehensive income that may subsequently be recycled through profit and loss be differentiated from those items that will not be recycled.
- Amendments IAS 12, Income Taxes (effective for annual periods beginning on or after January 1, 2012) introduce an exception to the general measurement requirements in respect of investment properties measured at fair value.
- IAS 19, Employee Benefits (effective January 1, 2013) introduces changes to the accounting for defined benefit plans and other employee benefits that include modification of the accounting for termination benefits and classification of other employee benefits.
- IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures were revised and reissued to align with the new consolidation guidance.

The Company is currently assessing the impact that these new accounting standards will have in the consolidated financial statements.

**CANTERRA MINERALS CORPORATION**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

**4. RECEIVABLES**

The Company's receivables are as follows:

|                     | September 30, 2012 | December 31, 2011 |
|---------------------|--------------------|-------------------|
| HST receivable      | \$ 10,246          | \$ 15,257         |
| Advances receivable | -                  | 15,775            |
| <b>Total</b>        | <b>\$ 10,246</b>   | <b>\$ 31,032</b>  |

**5. EQUIPMENT**

|                                 | Furniture<br>and<br>equipment | Computer<br>equipment | Field<br>Supplies and<br>equipment | Total      |
|---------------------------------|-------------------------------|-----------------------|------------------------------------|------------|
| <b>Cost</b>                     |                               |                       |                                    |            |
| Balance, January 1, 2011        | \$ 231,434                    | \$ 411,045            | \$ 179,603                         | \$ 822,082 |
| Additions                       | -                             | -                     | -                                  | -          |
| Balance, December 31, 2011      | 231,434                       | 411,045               | 179,603                            | 822,082    |
| Additions (dispositions)        | -                             | -                     | (15,000)                           | (15,000)   |
| Balance, September 30, 2012     | \$ 231,434                    | \$ 411,045            | \$ 164,603                         | \$ 807,082 |
| <b>Accumulated depreciation</b> |                               |                       |                                    |            |
| Balance, January 1, 2011        | \$ 142,258                    | \$ 349,972            | \$ 95,843                          | \$ 588,073 |
| Depreciation                    | 17,786                        | 18,272                | 16,706                             | 52,764     |
| Balance, December 31, 2011      | 160,044                       | 368,244               | 112,549                            | 640,837    |
| Depreciation                    | 10,679                        | 7,786                 | 9,604                              | 28,069     |
| Balance, September 30, 2012     | \$ 170,723                    | \$ 376,030            | \$ 122,153                         | \$ 668,906 |
| <b>Carrying amounts</b>         |                               |                       |                                    |            |
| As at January 1, 2011           | \$ 89,176                     | \$ 61,073             | \$ 83,760                          | \$ 234,009 |
| As at December 31, 2011         | \$ 71,390                     | \$ 42,801             | \$ 52,054                          | \$ 166,245 |
| As at September 30, 2012        | \$ 60,711                     | \$ 35,015             | \$ 42,450                          | \$ 138,176 |

**6. 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 mineral properties (Note 7).

## CANTERRA MINERALS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

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### 7. 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, except as described below, are properly registered and in good standing.

#### ***Buffalo Hills Property, Alberta***

A 33% interest.

#### ***Pasfield Lake Property, Saskatchewan***

An 82% interest. The property is subject to an underlying 3% net smelter return royalty ("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.

#### ***Other Properties, Saskatchewan - Riverlake Property***

A 51% interest in certain claims.

#### ***Other Properties, Saskatchewan - Mann Lake Property***

A 60% interest subject to a 2.5% NSR. The Company may buy back 1.5% of the NSR for \$1,500,000.

#### ***Other Properties, Saskatchewan - West Carswell Property***

A 100% interest.

#### ***Chartrand, Revell, Esox, Bedivere, and Taylor Properties, Ontario***

Each a 100% interest. During the period, the Company wrote-off all costs associated with these properties.

#### ***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.

#### ***Other Properties, Ontario – Tak Property***

A 10% interest, subject to a sliding scale NSR ranging from 3% to 6%.

#### ***Mountain Lake, 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.

#### ***Other Properties, Nunavut - Kendall River***

A 50% interest subject to a 5% NSR, one-half of which may be purchased back for a cash payment of \$2,500,000.

#### ***Hilltop/Cache Property, Northwest Territories***

A 100% interest/An 80% interest.

#### ***King Property, Northwest Territories***

A 100 % interest.

#### ***Other Properties, Northwest Territories - Carat***

A 70% interest.

**CANTERRA MINERALS CORPORATION**

 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 (Expressed in Canadian Dollars)

**7. MINERAL PROPERTIES (continued)**

|                                  | Alberta              | Saskatchewan   |                | Ontario          |                |               | Nunavut        |               | Northwest Territories |                  |                  | Total             |
|----------------------------------|----------------------|----------------|----------------|------------------|----------------|---------------|----------------|---------------|-----------------------|------------------|------------------|-------------------|
|                                  | Buffalo Hills        | Pasfield       | Other          | Nickel Bay       | Gold           | Other         | Mtn Lake       | Other         | Hilltop/Carat         | King             | Other            |                   |
| <b>Acquisition costs</b>         |                      |                |                |                  |                |               |                |               |                       |                  |                  |                   |
| Balance, January 1, 2011         | \$ 8,278,519         | 570,688        | 578,430        | 250,000          | 197,000        | 112           | 240,906        | 50,569        | 252,770               | 60,509           | 132,772          | 10,612,275        |
| Additions                        | -                    | -              | -              | -                | 163,376        | -             | -              | -             | -                     | -                | -                | 163,376           |
| Written off                      | -                    | -              | -              | -                | (303,033)      | -             | -              | -             | -                     | -                | -                | (303,033)         |
| Recoveries                       | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Balance, December 31, 2011       | \$ 8,278,519         | 570,688        | 578,430        | 250,000          | 57,343         | 112           | 240,906        | 50,569        | 252,770               | 60,509           | 132,772          | 10,472,618        |
| Additions:                       | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Written off                      | -                    | -              | -              | -                | (57,343)       | -             | -              | -             | -                     | -                | -                | (57,343)          |
| Recoveries:                      | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Balance, September 30, 2012      | \$ 8,278,519         | 570,688        | 578,430        | 250,000          | -              | 112           | 240,906        | 50,569        | 252,770               | 60,509           | 132,772          | 10,415,275        |
| <b>Exploration costs</b>         |                      |                |                |                  |                |               |                |               |                       |                  |                  |                   |
| Balance, January 1, 2011         | \$ 3,509,789         | -              | -              | 2,546,302        | 21,749         | 30,140        | -              | -             | 5,928,635             | 6,844,247        | 3,904,692        | 22,785,554        |
| Geology & Geophysics             | 17,114               | -              | -              | 22,659           | 20,172         | 36,096        | -              | -             | 5,304                 | 14,499           | 17,236           | 133,080           |
| Field Sampling                   | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Drilling                         | 5,660                | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | 5,660             |
| Land Tenure                      | 21,042               | -              | -              | 25,419           | 424            | 693           | -              | -             | 9,898                 | 20,445           | -                | 77,921            |
| Reports & Data Evaluation        | 2,811                | -              | -              | -                | 17,829         | 2,885         | -              | -             | -                     | -                | -                | 23,525            |
| Mineralogy                       | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Environmental & Safety           | -                    | -              | -              | 14,568           | -              | -             | -              | -             | -                     | 6,611            | 32,165           | 53,344            |
| Community Relations              | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Written off                      | 46,627               | -              | -              | 62,646           | 38,425         | 39,674        | -              | -             | 15,202                | 41,555           | 49,401           | 293,530           |
| Recoveries                       | (25,936)             | -              | -              | -                | (40,649)       | (38,338)      | -              | -             | -                     | -                | (49,401)         | (154,324)         |
| Balance, December 31, 2011       | \$ 3,518,130         | -              | -              | 2,608,948        | 19,525         | 31,476        | -              | -             | 5,943,837             | 6,885,802        | 3,904,692        | 22,912,410        |
| Geology & Geophysics             | 49,915               | -              | -              | -                | -              | -             | -              | -             | 12,573                | 37,512           | -                | 100,000           |
| Field Sampling                   | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Drilling                         | 5,280                | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | 5,280             |
| Land Tenure                      | 15,109               | -              | -              | -                | -              | -             | -              | -             | 5,136                 | 15,323           | -                | 35,568            |
| Reports & Data Evaluation        | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Mineralogy                       | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Environmental & Safety           | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Community Relations              | -                    | -              | -              | -                | -              | -             | -              | -             | -                     | -                | -                | -                 |
| Written off                      | 70,304               | -              | -              | -                | -              | -             | -              | -             | 17,709                | 52,835           | -                | 140,848           |
| Recoveries                       | -                    | -              | -              | -                | (19,525)       | -             | -              | -             | -                     | -                | -                | (19,525)          |
| Balance, September 30, 2012      | \$ 3,588,434         | -              | -              | 2,608,948        | -              | 31,476        | -              | -             | 5,961,546             | 6,938,637        | 3,904,692        | 23,033,733        |
| <b>Total, January 1, 2011</b>    | <b>\$ 11,788,308</b> | <b>570,688</b> | <b>578,430</b> | <b>2,796,302</b> | <b>218,749</b> | <b>30,252</b> | <b>240,906</b> | <b>50,569</b> | <b>6,181,405</b>      | <b>6,904,756</b> | <b>4,037,464</b> | <b>33,397,829</b> |
| <b>Total, December 31, 2011</b>  | <b>\$ 11,796,649</b> | <b>570,688</b> | <b>578,430</b> | <b>2,858,948</b> | <b>76,868</b>  | <b>31,588</b> | <b>240,906</b> | <b>50,569</b> | <b>6,196,607</b>      | <b>6,946,311</b> | <b>4,037,464</b> | <b>33,385,028</b> |
| <b>Total, September 30, 2012</b> | <b>\$ 11,866,953</b> | <b>570,688</b> | <b>578,430</b> | <b>2,858,948</b> | <b>-</b>       | <b>31,588</b> | <b>240,906</b> | <b>50,569</b> | <b>6,214,316</b>      | <b>6,999,146</b> | <b>4,037,464</b> | <b>33,449,008</b> |

## CANTERRA MINERALS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

### 8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

|                     | September 30, 2012 | December 31, 2011 |
|---------------------|--------------------|-------------------|
| Trade payables      | \$ 17,155          | \$ 143,648        |
| Accrued liabilities | -                  | 30,000            |
| Total               | \$ 17,155          | \$ 173,648        |

### 9. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Canterra Minerals Corporation and its subsidiaries listed in the following table:

| Name of Subsidiary         | Country of Incorporation | Ownership | Principal Activity |
|----------------------------|--------------------------|-----------|--------------------|
| Nickel Bay Resources Ltd.  | British Columbia, Canada | 100%      | Inactive           |
| Triex Minerals Corporation | British Columbia, Canada | 100%      | Holding company    |
| Triex Minerals (US) Inc.   | Nevada, USA              | 100%      | Inactive           |

#### *Key Management Personnel*

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

The Company entered into the following transactions with related parties and key management personnel during the period ended September 30, 2012:

- a) Paid or accrued \$45,000 (2011 - \$Nil) for rent to Independence Gold Corp., a company with common directors.
- b) Paid or accrued wages included in wages and benefits \$22,500 (2011 - \$Nil) to Independence Gold Corp., a company with common directors.
- c) Paid or accrued management fees of \$Nil (2011 - \$21,250) to Rand Explorations Ltd., a company controlled by Randy C. Turner, an officer of the Company.
- d) Paid or accrued geological consulting fees included in mineral properties of \$Nil (2011 - \$3,750) to Rand Explorations Ltd.
- e) Paid or accrued consulting fees included in management fees of \$11,200 (2011 - \$6,475) to Adera Company Management Inc., a management company controlled by J. Christopher Mitchell, an officer of the Company.
- f) Paid or accrued wages included in wages and benefits of \$Nil (2011 - \$66,664) to David Clarke, the former President of the Company.
- g) Paid or accrued wages included in mineral properties of \$Nil (2011 - \$66,664) to David Clarke, the former President of the Company.
- h) Paid or accrued wages included in mineral properties of \$100,000 (2011 - \$NIL) to Walter Melynk, the Vice President of Exploration for the Company.



**CANTERRA MINERALS CORPORATION**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
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**9. RELATED PARTY TRANSACTIONS (continued)**

Included in accounts payable and accrued liabilities at September 30, 2012 is \$7,752 (December 31, 2011 - \$5,722) due to companies with common directors; and \$3,943 (December 31, 2011 - \$5,722) to companies controlled by directors and officers.

Included in receivables at September 30, 2012 is \$6,239 (December 31, 2011 - \$560) due from companies with common directors.

**10. SHARE CAPITAL AND RESERVES**

## a) Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting only of common shares are fully paid.

## b) Stock options

The Company has an incentive stock options 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, 2012, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

| Number of Shares | Exercise Price | Expiry Date                                   |
|------------------|----------------|---|
| 19,500           | 0.33           | October 1, 2012 <i>(subsequently expired)</i> |
| 365,000          | 0.33           | October 9, 2012 <i>(subsequently expired)</i> |
| 187,000          | 0.33           | January 23, 2013                              |
| 5,000            | 0.33           | February 6, 2013                              |
| 225,250          | 0.33           | January 26, 2014                              |
| 915,000          | 0.25           | April 14, 2015                                |
| <u>1,716,750</u> |                |   |

Stock option transactions are summarized as follows:

|                                    | September 30, 2012 |                                 | December 31, 2011 |                                 |
|------------------------------------|--------------------|---------------------------------|-------------------|---------------------------------|
|                                    | Number of Options  | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Balance, beginning of period       | 1,924,000          | \$ 0.29                         | 2,696,250         | \$ 0.30                         |
| Granted                            | -                  | -                               | -                 | -                               |
| Exercised                          | -                  | -                               | -                 | -                               |
| Expired/cancelled                  | (207,250)          | 0.33                            | (772,250)         | 0.31                            |
| Balance, end of period             | <u>1,716,750</u>   | <u>\$ 0.29</u>                  | <u>1,924,000</u>  | <u>\$ 0.29</u>                  |
| Options exercisable, end of period | 1,716,750          | \$ 0.29                         | 1,924,000         | \$ 0.29                         |

**CANTERRA MINERALS CORPORATION**

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**10. SHARE CAPITAL AND RESERVES (continued)**

## c) Warrants

As at September 30, 2012 the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

| <b>Number of Warrants</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|---------------------------|-----------------------|--------------------|
| 13,153,266                | \$0.25                | June 21, 2013      |
| 450,196                   | \$0.25                | June 21, 2013      |
| <u>13,603,462</u>         |                       |                    |

The outstanding share purchase warrants above are subject to an acceleration clause whereby in the event that the common shares trade at a closing price on the TSX Venture Exchange of greater than \$0.50 per common share during any twenty consecutive trading-day period at any time after April 22, 2012, the Company may accelerate the expiry date by giving such notice to the holders thereof and in such case the warrants will expire on the 21<sup>st</sup> business day after the date on which such notice is given.

Share purchase warrant transactions were as follows:

|                                     | <b>September 30, 2012</b> |  | <b>December 31, 2011</b>  |  |
|-------------------------------------|---------------------------|--|---------------------------|--|
|                                     | <b>Number of Warrants</b> | <b>Weighted Average Exercise Price</b> | <b>Number of Warrants</b> | <b>Weighted Average Exercise Price</b> |
| Balance, beginning of period        | 13,603,462                | \$ 0.25                                | -                         | -                                      |
| Granted                             | -                         | -                                      | 13,603,462                | \$ 0.25                                |
| Exercised                           | -                         | -                                      | -                         | -                                      |
| Expired/cancelled                   | -                         | -                                      | -                         | -                                      |
| Balance, end of period              | <u>13,603,462</u>         | <u>\$ 0.25</u>                         | <u>13,603,462</u>         | <u>\$ 0.25</u>                         |
| Warrants exercisable, end of period | <u>13,603,462</u>         | <u>\$ 0.25</u>                         | <u>13,603,462</u>         | <u>\$ 0.25</u>                         |

**11. SEGMENT INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of mineral properties in Canada.

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The significant non-cash investing and financing transactions during the period ended September 30, 2012 consisted of:

- a) Mineral property costs of \$1,386 included in accounts payable.

The significant non-cash investing and financing transactions during the period ended September 30, 2011 consisted of:

- a) Mineral property costs of \$23,462 included in accounts payable; and
- b) Mineral property recoveries \$22,922 included in receivables.

## CANTERRA MINERALS CORPORATION

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### 13. LOSS PER SHARE

The basic and diluted loss per share for the period ended September 30, 2012 was \$0.01 (2011 - \$0.02).

The calculation of basic and diluted loss per share for the period ended September 30, 2012, was based on the loss attributable to common shareholders of \$392,997 (2011 - \$581,075) and the weighted average number of common shares outstanding of 49,411,009 (2011 - 35,657,743). The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive. As at September 30, 2012 the total number of potentially dilutive shares excluded from the calculation of loss per share was 15,320,212 (2011 - 1,938,000).

### 14. 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, exploration deposits 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 focuses 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.

*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 exploration partners 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 Company's cash is invested in interest bearing accounts at major Canadian chartered banks. Because of these circumstances, the Company does not believe it has a material exposure to credit risk.

*Interest rate risk* - Interest rate risk is the risk that the fair value of 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 in cash is limited because the Company's deposits are redeemable on demand.

*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.

## **CANTERRA MINERALS CORPORATION**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

FOR THE NINE MONTHS ENDED September 30, 2012 (Expressed in Canadian Dollars)

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### **15. 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 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.