



Condensed Consolidated Interim Financial Statements

For the Six Months Ended

June 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>June 30</u> <u>2012</u>	<u>December 31</u> <u>2011</u>
ASSETS		
Current		
Cash	\$ 1,216,667	\$ 1,615,231
Receivables (Note 4)	24,654	31,032
Prepaid expenses	10,532	10,074
	<u>1,251,853</u>	<u>1,656,337</u>
Equipment (Note 5)	147,634	166,245
Exploration deposits (Note 6)	4,000	34,000
Mineral properties (Note 7)	33,471,592	33,385,028
	<u>\$ 34,875,079</u>	<u>\$ 35,241,610</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 62,747	\$ 173,648
	<u>62,747</u>	<u>173,648</u>
Shareholders' equity		
Share capital (Note 10)	103,655,034	103,655,034
Reserves (Note 10)	749,566	760,212
Deficit	<u>(69,592,268)</u>	<u>(69,347,284)</u>
	<u>34,812,332</u>	<u>35,067,962</u>
	<u>\$ 34,875,079</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 August 22, 2012

"Randy C. 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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (unaudited)

(Expressed in Canadian Dollars)

	Three Month Period Ended June 30 2012	Three Month Period Ended June 30 2011	Six Month Period Ended June 30 2012	Six Month Period Ended June 30 2011
EXPENSES				
Business development	\$ 2,030	\$ 2,302	\$ 4,082	\$ 10,520
Depreciation	9,356	13,191	18,610	26,092
Insurance	-	-	35,100	43,280
Legal, audit and accounting	7,519	9,555	9,488	18,132
Management fees and corporate services	5,820	2,340	8,060	24,986
Office and miscellaneous	11,448	16,629	27,168	35,714
Regulatory and transfer agent fees	1,023	1,182	12,774	14,208
Rent	28,411	37,460	59,055	70,685
Travel	1,743	2,970	7,559	5,161
Wages and benefits	26,869	50,229	50,392	130,288
Loss before other items	<u>(94,219)</u>	<u>(135,858)</u>	<u>(232,288)</u>	<u>(379,066)</u>
OTHER ITEMS				
Interest income	3,894	6	6,658	1,535
Write-off of exploration deposits	-	-	(30,000)	-
Write-off of mineral properties (Note 7)	-	-	-	(56,947)
	<u>3,894</u>	<u>6</u>	<u>(23,342)</u>	<u>(55,412)</u>
Loss and comprehensive loss for the period	<u>\$ (90,325)</u>	<u>(135,852)</u>	<u>\$ (255,630)</u>	<u>\$ (434,478)</u>
Basic and diluted loss per common share (Note 13)	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	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)

	Six Month Period Ended June 30 <u>2012</u>	Six Month Period Ended June 30 <u>2011</u>
Cash flows from operating activities		
Income (loss) for the period	\$ (255,630)	\$ (434,478)
Items not affecting cash:		
Depreciation	18,611	26,092
Write-off of mineral deposits	30,000	-
Write-off of mineral properties	-	56,947
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(8,837)	20,517
(Increase) decrease in prepaid expenses	(458)	11,846
Increase (decrease) in accounts payable and accrued liabilities	8,112	157,814
	<u>(208,202)</u>	<u>(161,262)</u>
Net cash used in operating activities	<u>(208,202)</u>	<u>(161,262)</u>
Cash flows from investing activities		
Mineral property expenditures	(190,362)	(222,346)
Exploration deposits	-	138,088
	<u>(190,362)</u>	<u>(84,258)</u>
Net cash used in investing activities	<u>(190,362)</u>	<u>(84,258)</u>
Change in cash during the period	(398,564)	(245,520)
Cash, beginning of the period	<u>1,615,231</u>	<u>459,768</u>
Cash, end of the period	<u>\$ 1,216,667</u>	<u>\$ 214,248</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)

	<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	-	-	(10,646)	10,646	-
Loss for the period	-	-	-	(255,630)	(255,630)
Balance, June 30, 2012	<u>49,411,009</u>	<u>\$ 103,655,034</u>	<u>\$ 749,566</u>	<u>\$ (69,592,268)</u>	<u>\$ 34,812,332</u>
Balance, December 31, 2010	35,957,743	\$ 101,723,305	\$ 2,299,079	\$ (69,145,319)	\$ 34,300,843
Reserves transferred on expired options	-	-	(1,386,683)	1,386,683	-
Loss for the year	-	-	-	(434,478)	(434,478)
Balance, June 30, 2011	<u>35,957,743</u>	<u>\$ 101,723,305</u>	<u>\$ 912,396</u>	<u>\$ (68,193,114)</u>	<u>\$ 33,866,365</u>

CANTERRA MINERALS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

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 SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

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.

CANTERRA MINERALS CORPORATION

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

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.

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%

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 SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

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 SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

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 SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

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 June 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 SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

4. RECEIVABLES

The Company's receivables are as follows:

	June 30, 2012	December 31, 2011
HST receivable	\$ 9,428	\$ 15,257
Advances receivable	15,226	15,775
Total	\$ 24,654	\$ 31,032

5. EQUIPMENT

	Furniture and equipment	Computer equipment	Field Supplies and equipment	Total
Cost				
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, June 30, 2012	\$ 231,434	\$ 411,045	\$ 164,603	\$ 807,082
Accumulated depreciation				
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	7,080	5,162	6,367	18,609
Balance, June 30, 2012	\$ 167,124	\$ 373,406	\$ 118,916	\$ 659,446
Carrying amounts				
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 June 30, 2012	\$ 64,310	\$ 37,639	\$ 45,687	\$ 147,636

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 SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

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, Esso, Bedivere, and Taylor Properties, Ontario

Each a 100% interest.

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 SIX MONTHS ENDED JUNE 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	
Acquisition costs												
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	-	-	-	-	-	-	-	-	-	-	-	-
Recoveries:	-	-	-	-	-	-	-	-	-	-	-	-
Balance, June 30, 2012	\$ 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
Exploration costs												
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)
Recoveries	(12,350)	-	-	-	-	-	-	-	-	-	-	(12,350)
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	3,332	-	-	-	-	-	-	-	15,481	46,187	-	65,000
Field Sampling	-	-	-	-	-	-	-	-	-	-	-	-
Drilling	3,960	-	-	-	-	-	-	-	-	-	-	3,960
Land Tenure	(2,855)	-	-	-	-	-	-	-	5,136	15,323	-	17,604
Reports & Data Evaluation	-	-	-	-	-	-	-	-	-	-	-	-
Mineralogy	-	-	-	-	-	-	-	-	-	-	-	-
Environmental & Safety	-	-	-	-	-	-	-	-	-	-	-	-
Community Relations	-	-	-	-	-	-	-	-	-	-	-	-
Written off	4,437	-	-	-	-	-	-	-	20,617	61,510	-	86,564
Recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Balance, June 30, 2012	\$ 3,522,567	-	-	2,608,948	19,525	31,476	-	-	5,964,454	6,947,312	3,904,692	22,998,974
Total, January 1, 2011	\$ 11,788,308	570,688	578,430	2,796,302	218,749	30,252	240,906	50,569	6,181,405	6,904,756	4,037,464	33,397,829
Total, December 31, 2011	\$ 11,796,649	570,688	578,430	2,858,948	76,868	31,588	240,906	50,569	6,196,607	6,946,311	4,037,464	33,385,028
Total, June 30, 2012	\$ 11,801,086	570,688	578,430	2,858,948	76,868	31,588	240,906	50,569	6,217,224	7,007,821	4,037,464	33,471,592

CANTERRA MINERALS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
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8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	June 30, 2012	December 31, 2011
Trade payables	\$ 62,747	\$ 143,648
Accrued liabilities	-	30,000
Total	\$ 62,747	\$ 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 June 30, 2012:

- a) Paid or accrued \$30,000 (2011 - \$Nil) for rent to Independence Gold Corp., a company with common directors.
- b) Paid or accrued wages included in wages and benefits \$15,000 (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 \$7,850 (2011 - \$6,236) 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 - \$50,000) to David Clarke, the former President of the Company.
- g) Paid or accrued wages included in mineral properties of \$Nil (2011 - \$50,000) to David Clarke, the former President of the Company.
- h) Paid or accrued wages included in mineral properties of \$65,000 (2011 - \$NIL) to Walter Melynk, the Vice President of Exploration for the Company.

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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 June 30, 2012 is \$4,645 (December 31, 2011 - \$5,722) due to companies controlled by directors and officers.

Included in receivables at June 30, 2012 is \$15,225 (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 June 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
17,000	0.33	July 27, 2012 (subsequently expired)
22,000	0.33	October 1, 2012
365,000	0.33	October 9, 2012
187,000	0.33	January 23, 2013
5,000	0.33	February 6, 2013
233,750	0.33	January 26, 2014
920,000	0.25	April 14, 2015
<u>1,749,750</u>		

Stock option transactions are summarized as follows:

	June 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	(174,250)	0.33	(772,250)	0.31
Balance, end of period	<u>1,749,750</u>	<u>\$ 0.29</u>	<u>1,924,000</u>	<u>\$ 0.29</u>
Options exercisable, end of period	<u>1,749,750</u>	<u>\$ 0.29</u>	<u>1,924,000</u>	<u>\$ 0.29</u>

CANTERRA MINERALS CORPORATION

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10. SHARE CAPITAL AND RESERVES (continued)

c) Warrants

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

Number of Warrants	Exercise Price	Expiry Date
13,153,266	\$0.25	June 21, 2013
450,196	\$0.25	June 21, 2013
13,603,462		

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 21st business day after the date on which such notice is given.

Share purchase warrant transactions were as follows:

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

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 June 30, 2012 consisted of:

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

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

- Mineral property costs of \$3,167 included in accounts payable; and
- Mineral property recoveries \$22,922 included in receivables.

CANTERRA MINERALS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
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13. LOSS PER SHARE

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

The calculation of basic and diluted loss per share for the period ended June 30, 2012, was based on the loss attributable to common shareholders of \$255,630 (2011 - \$434,478) 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 June 30, 2012 the total number of potentially dilutive shares excluded from the calculation of loss per share was 15,353,212 (2011 - 2,214,000).

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)
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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.