CANTERRA

MINERALS CORPORATION

Consolidated Financial Statements

For the Year Ended

December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Canterra Minerals Corporation

We have audited the accompanying consolidated financial statements of Canterra Minerals Corporation, which comprise the consolidated statements of financial position as at December 31, 2012, December 31, 2011 and December 31, 2010 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Canterra Minerals Corporation as at December 31, 2012, December 31, 2011 and December 31, 2010 and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Canterra Minerals Corporation's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

March 27, 2013

NEXIA INTERNATIONAL

CANTERRA MINERALS CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31 2012	December 31 2011 (Note 2)	December 31 2010 (Note 2)
ASSETS			
Current			
Cash	$ 958,244	$ 1,615,231	$ 459,768
Receivables (Note 4)	33,806	31,032	97,657
Prepaid expenses	1,717	10,074	18,920
	993,767	1,656,337	576,345
Equipment (Note 5)	128,716	166,245	234,009
Exploration deposits (Note 6)	4,000	34,000	172,088
Exploration advances	-	-	16,300
Mineral properties (Note 7)	8,724,570	10,472,617	10,612,275
	$ 9,851,053	$ 12,329,199	$ 11,611,017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities (Note 8)	$ 74,245	$ 173,649	$ 95,728
	74,245	173,649	95,728
Shareholders' equity			
Share capital (Note 10)	103,655,034	103,655,034	101,723,305
Reserves (Note 10)	189,889	760,212	1,722,857
Deficit	(94,068,115)	(92,259,696)	(91,930,873)
	9,776,808	12,155,550	11,515,289
	$ 9,851,053	$ 12,329,199	$ 11,611,017

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

Approved and authorized by the Board on March 27, 2013

"Randy C. Turner"	*"John McDonald"*
Randy C. Turner, Director	John McDonald, Director

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

CANTERRA MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
for the years ended December 31 (Expressed in Canadian Dollars)

	2012	2011
EXPENSES		(Note 2)
Business development	$ 6,780	$ 16,385
Depreciation	37,529	52,764
Insurance	42,998	51,970
Legal, audit and accounting	33,070	64,520
Management fees and corporate services	17,910	25,225
Office and miscellaneous	37,709	87,536
Regulatory and transfer agent fees	28,252	24,922
Rent	115,120	114,896
Travel	8,535	8,308
Wages and benefits	104,102	180,344
Exploration expenditures (Note 7)	445,550	281,180
	(877,555)	(908,050)
Interest income	13,911	1,534
Recovery of previous write-downs	262,949	-
Write-off of exploration deposits	(30,000)	-
Write-off of mineral properties (Note 7)	(1,748,047)	(403,033)
	(1,501,187)	(401,499)
Loss and comprehensive loss for the year	$ (2,378,742)	$ (1,309,549)
Basic and diluted loss per common share	$ (0.05)	$ (0.04)
Weighted average number of common shares outstanding	49,411,009	36,297,687

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

CANTERRA MINERALS CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31 (Expressed in Canadian Dollars)

	2012	2011 (Note 2)
Cash flows from operating activities		
Income (loss) for the year	$ (2,378,742)	$ (1,309,549)
Items not affecting cash:		
Depreciation	37,529	52,764
Write-off of exploration deposits	30,000	-
Write-off of mineral properties	1,748,047	403,033
Changes in non-cash working capital items:		
(Increase) decrease in exploration advances	-	16,300
(Increase) decrease in receivables	(2,774)	66,625
(Increase) decrease in prepaid expenses	8,357	8,846
Increase (decrease) in accounts payable and accrued liabilities	(99,404)	77,921
Net cash used in operating activities	(656,987)	(684,060)
Cash flows from financing activities		
Issuance of capital stock for cash	-	1,972,990
Share issuance costs	-	(71,180)
Loan proceeds received	-	125,000
Repayment of loan proceeds	-	(125,000)
Net cash provided by financing activities	-	1,901,810
Cash flows from investing activities		
(Acquisition) disposition of equipment	-	15,000
Acquisition of mineral properties	-	(215,375)
Exploration deposits	-	138,088
Net cash used in investing activities	-	(62,287)
Change in cash during the year	(656,987)	1,155,463
Cash, beginning of the year	1,615,231	459,768
Cash, end of the year	$ 958,244	$ 1,615,231

Supplemental disclosure with respect to cash flows (Note 12)

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

CANTERRA MINERALS CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

	Share Capital				
	Number	Amount	Reserves	Deficit	Total
Balance, December 31, 2010	35,957,743	$ 101,723,305	$ 1,722,857	$ (91,930,873)	$ 11,515,289
Issued for cash	13,153,266	1,972,990	-	-	1,972,990
Issued for mineral properties	300,000	48,000	-	-	48,000
Share issuance costs	-	(89,261)	18,081	-	(71,180)
Reserves transferred on expired options	-	-	(980,726)	980,726	-
Loss for the year	-	-	-	(1,309,549)	(1,309,549)
Balance, December 31, 2011	49,411,009	103,655,034	760,212	(92,259,696)	12,155,550
Reserves transferred on expired options	-	-	(570,323)	570,323	-
Loss for the year	-	-	-	(2,378,742)	(2,378,742)
Balance, December 31, 2012	49,411,009	$ 103,655,034	$ 189,889	$ (94,068,115)	$ 9,776,808

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

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.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and has no source of recurring revenue. These uncertainties may 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 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 consolidated 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.

	2012	**2011**
Deficit	$ (94,068,115)	$ (92,259,696)
Working capital	$ 919,522	$ 1,482,688

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance 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 consolidated 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 consolidated 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.

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 year.

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, expected 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.

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

2. BASIS OF PREPARATION *(continued)*

Change in Accounting Policy

During the current fiscal year, the Company changed its accounting policy for mineral property exploration costs. Previously, the Company capitalized acquisition costs of mineral properties, deferred exploration and evaluation expenditures directly related to specific mineral properties, net of recoveries received. Under the new policy, property exploration and evaluation costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. All direct costs related to the acquisition of mineral property interests will continue to be capitalized. Development expenditures incurred subsequent to a development decision are capitalized and will be amortized on the unit of production method based upon estimated proven and probable reserves. Management believes that this treatment provides a more accurate depiction of the asset base of the Company prior to establishing the economic feasibility of its resource base.

As provided by IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company has accounted for this change on a retrospective basis. The impact of this change was to reduce mineral properties and increase deficit by $22,912,411 and $22,785,554, respectively, as at December 31, 2011 and 2010. Additionally, the loss for fiscal 2011 has been increased from $1,182,691 to $1,309,549 and loss per share from $0.03 to $0.04. Furthermore, cash flows used in operating and investing activities for fiscal 2011 have changed by $167,132.

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 indentified 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%

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Cash is included in this category.

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. Receivables and exploration deposits are included in this category.

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.

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. Accounts payable and accrued liabilities are included in this category.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Mineral properties

The Company accounts for its mineral properties as exploration and evaluation assets in accordance with IRFS 6, *Exploration for and Evaluation of Mineral Resources*. The Company capitalizes mineral property acquisition costs, which include the cash consideration, option payments under an earn-in arrangement, and the fair value of common shares issued for mineral properties. The acquisition costs are deferred until the property is placed into production, sold or abandoned or determined to be impaired. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The Company expenses to operations all exploration and evaluation costs incurred prior to the determination of economically recoverable reserves. Exploration and evaluation expenditure relates costs incurred for investigation and evaluation of potential mineral reserves and resources, including trenching, exploratory drilling, sampling, mapping, and other activities in searching for ore bodies under the properties, and evaluate the technical and commercial viability of developing mineral properties identified through exploration. Exploration and evaluation expenditures, net of any recoveries, are recorded on a property by property basis.

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.

The Company does not have any significant environmental rehabilitation provisions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

For vested options that have expired or were cancelled unexercised, the Company reverses the share-based payment reserve against the deficit.

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 then recognized into income when the qualifying expenditures are made.

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 December 31, 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.

- IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures (both effective for annual periods beginning on or after January 1, 2013) 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.

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

4. RECEIVABLES

The Company's receivables are as follows:

	December 31, 2012	December 31, 2011
HST receivable	$ 19,201	$ 15,257
Advances receivable	14,605	15,775
Total	$ 33,806	$ 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 (dispositions)	-	-	(15,000)	(15,000)
Balance, December 31, 2011	231,434	411,045	164,603	807,082
Additions (dispositions)	-	-	-	-
Balance, December 31, 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	14,277	10,411	12,841	37,529
Balance, December 31, 2012	$ 174,321	$ 378,655	$ 125,390	$ 678,366
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 December 31, 2012	$ 57,113	$ 32,390	$ 39,213	$ 128,716

6. EXPLORATION DEPOSITS

Exploration deposits are interest-bearing and are held by major financial intuitions 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 expensed in mineral properties (Note 7).

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 are in good standing.

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

Northwest Territories & Nunavut	**2012**	**2011**
Hilltop/Cache Properties, Northwest Territories A 100% interest/An 80% interest.	$ 252,770	$ 252,770
King Property, Northwest Territories A 100% interest	60,509	60,509
Carat Property, Northwest Territories A 70% interest.	132,772	132,772
Kendall River Property, Nunavut A 50% interest subject to a 5% NSR, one-half of which may be purchased back for a cash payment of $2,500,000. During fiscal 2012, the Company wrote-off costs of $50,569 associated with this property.	-	50,569
Mountain Lake Property, Nunavut A 50% interest. Certain claims are subject to a 5% NSR. The Company and its partner may purchase one-half the royalty at any time up to six months after the date commercial production has been achieved on the optioned property for an aggregate cash payment of $5,000,000. During fiscal 2012, the Company wrote-off costs of $240,906 associated with this property.	-	240,906
Total Northwest Territories and Nunavut Properties:	$ 446,051	$ 737,526

Alberta, Ontario and Saskatchewan	**2012**	**2011**
Buffalo Hills Property, Alberta A 33% interest.	$ 8,278,519	$ 8,278,519
Nickel Bay Property, Ontario A 100% interest, subject to a 1.5% NSR. The Company may buy back up to 1% of the NSR through staged payments to 2019. During fiscal 2012, the Company wrote-off costs of $250,000 associated with this property.	-	250,000
Tak Property, Ontario A 10% interest, subject to a sliding scale NSR ranging from 3% to 6%. During fiscal 2012, the Company wrote-off all costs of $112 associated with this property.	-	112
Boxer Property, Ontario An option to purchase a 100% interest, subject to a 1.5% NSR. To acquire the property, the Company had to make cash payments of $96,000 ($20,000 paid to date) and issue 200,000 common shares (200,000 common shares issued to date with a fair value of $43,000) on or before December 13, 2014. During fiscal 2011, the Company decided not to continue with the option earn-in and wrote off costs of $88,000 associated with this property. Included in the write-off is $25,000 paid to the Optionor with respect to returning this property. The amount has been included in the mineral property write-offs recorded in the Statement of Comprehensive Loss.	-	-

7. MINERAL PROPERTIES *(continued)*

Alberta, Ontario and Saskatchewan *(continued)*	**2012**	**2011**
Hornet Property, Ontario An option to purchase a 100% interest, subject to a 2.0% NSR. To acquire the property, the Company had to make cash payments of $121,000 ($50,000 paid to date) and issue 200,000 common shares (200,000 common shares issued to date with a fair value of $43,000) on or before December 13, 2014. During fiscal 2011, the Company decided not to continue with the option earn-in and wrote off costs of $118,000 associated with this property. Included in the write-off is $25,000 paid to the Optionor with respect to returning this property. The amount has been included in the mineral property write-offs recorded in the Statement of Comprehensive Loss.	$ -	$ -
Drake & Essex Property, Ontario An option to purchase a 100% interest, subject to a 2.0% NSR. To acquire the property, the Company had to make cash payments of $195,000 ($90,000 paid to date) and issue 400,000 common shares (200,000 common shares issued to date with a fair value of $43,000) on or before December 13, 2014. During fiscal 2011, the Company decided not to continue with the option earn-in and wrote off costs of $197,033 associated with this property. Included in the write-off is $50,000 paid to the Optionor with respect to returning this property. The amount has been included in the mineral property write-offs recorded in the Statement of Comprehensive Loss.	-	-
Chartrand, Revell, Esox, Bedivere, and Taylor Properties, Ontario Each a 100% interest. During fiscal 2012, the Company wrote-off costs of $57,343 associated with these properties.	**-**	57,343
Riverlake Property, Saskatchewan A 51% interest in certain claims. During fiscal 2012, the Company wrote-off costs of $131,776 associated with this property.	-	131,776
Mann Lake Property, Saskatchewan A 60% interest subject to a 2.5% NSR. The Company may buy back 1.5% of the NSR for $1,500,000. During fiscal 2012, the Company wrote-off costs of $275,721 associated with this property.	-	275,721
Pasfield Lake Property, Saskatchewan An 82% interest. The property is subject to an underlying 3% NSR, which may be reduced to a 1% NSR by making a cash payment of $2,000,000 at any time up to six months after the date commercial production has been achieved. During fiscal 2012, the Company wrote-off costs of $570,687 associated with this property.	-	570,687
West Carswell Property, Saskatchewan A 100% interest. During fiscal 2012, the Company wrote-off costs of $170,933 associated with this property.	-	170,933
Total Alberta, Ontario and Saskatchewan Properties:	$ 8,278,519	$ 9,735,091
Total Mineral Properties	$ **8,724,570**	$ **10,472,617**

7. MINERAL PROPERTIES *(continued)*

During the year ended December 31, 2011, the Company incurred exploration expenditures as follows:

	Geology & Geophysics	Field Sampling	Drilling	Land Use & Tenure	Data Evaluation	Reclamation & Safety	Recoveries	Total for the year
NWT								
Hilltop/Cache	5,304	-	-	9,898	-	-	-	**15,202**
King	14,499	-	-	20,445	-	6,611	-	**41,555**
Other	17,236	-	-	-	-	32,165	-	**49,401**
ONTARIO								
Nickel Bay	22,659	-	-	25,419	-	14,568	-	**62,646**
Gold	20,172	-	-	424	17,829	-	-	**38,425**
Other	36,096	-	-	693	2,885	-	-	**39,674**
ALBERTA								
Buffalo Hills	17,114	-	5,660	21,042	2,811	-	(12,350)	**34,277**
	133,080	**-**	**5,660**	**77,921**	**23,525**	**53,344**	**(12,350)**	**281,180**

During the year ended December 31, 2012, the Company incurred exploration expenditures as follows:

	Geology & Geophysics	Field Sampling	Drilling	Land Use & Tenure	Data Evaluation	Reclamation & Safety	Recoveries	Total for the year
NWT								
Hilltop/Cache	4,335	-	-	10,272	-	-	-	**14,607**
King	6,466	-	-	15,323	-	-	-	**21,789**
Other	73,807	-	-	4,762	-	170,144	-	**248,713**
NUNAVUT								
Mountain Lake	12,603	-	-	-	-	29,867	-	**42,470**
ALBERTA								
Buffalo Hills	8,869	-	5,280	15,109	-	628	(9,369)	**20,517**
ONTARIO								
Nickel Bay	2,803	-	-	-	-	6,643	-	**9,446**
Other	21,109	-	-	524	-	49,500	-	**71,133**
BRITISH COLUMBIA								
Reconnaissance	16,875	-	-	-	-	-	-	**16,875**
	146,867	**-**	**5,280**	**45,990**	**-**	**256,782**	**(9,369)**	**445,550**

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	December 31, 2012	December 31, 2011
Trade payables	$ 51,745	$ 143,649
Accrued liabilities	22,500	30,000
Total	$ 74,245	$ 173,649

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.

Compensation paid or payable to key management personnel for services rendered are as follows:

	Year ended December 31, 2012	**Year ended December 31, 2011**
Management fees	$ 17,700	$ 27,725
Geological consulting fees	135,000	70,414
Wages and benefits	-	66,664
Total	**$ 152,700**	**$ 164,803**

Amounts paid or payable to companies with officers and/or directors in common are as follows:

	Year ended December 31, 2012	**Year ended December 31, 2011**
Rent	$ 60,000	$ -
Wages and benefits	30,000	-
Total	**$ 90,000**	**$ -**

Included in receivables at December 31, 2012 is $3,063 (2011 - $560) due from companies with common directors and/or officers.

Included in accounts payable and accrued liabilities at December 31, 2012 is $Nil (2011 - $5,722) due to companies with common directors and/or officers.

During fiscal 2011, the Company received and repaid a $125,000 unsecured non-interest bearing loan from a company controlled by a director.

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

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) Issued Share Capital

On December 22, 2011 the Company issued 13,153,266 units at a price of $0.15 per unit for total proceeds of $1,972,990. Each unit consisted of one common share and one share purchase warrant. Agents' fees included the Company paying $67,530 and issuing 450,196 warrants exercisable into additional common shares at a price of $0.25 until June 21, 2013. The agents' warrants have been recorded at a fair value of $18,081 which is included in reserves. The fair value of the agents' warrants was determined using the Black-Scholes option pricing model using the following assumptions: Risk-free interest rate of 0.90%, expected life of 1.50 years, volatility of 87.52%, and a dividend rate of 0.00%.

On December 12, 2011 the Company issued 300,000 common shares, with a value of $48,000 as consideration towards the acquisition of mineral properties (see Note 7).

c) Stock options

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

As at December 31, 2012, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
187,000	0.33	January 23, 2013 *(subsequently expired)*
5,000	0.33	February 6, 2013 *(subsequently expired)*
225,250	0.33	January 26, 2014
915,000	0.25	April 14, 2015
1,332,250		

Stock option transactions are summarized as follows:

	December 31, 2012		December 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	1,924,000	$ 0.29	2,696,250	$ 0.30
Granted	-	-	-	-
Exercised	-	-	-	-
Expired/cancelled	(591,750)	0.33	(772,250)	0.31
Balance, end of year	1,332,250	$ 0.28	1,924,000	$ 0.29
Options exercisable, end of year	1,332,250	$ 0.28	1,924,000	$ 0.29

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

d) Warrants

As at December 31, 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, 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:

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

There were no significant non-cash investing and financing transactions during the year ended December 31, 2012.

The significant non-cash investing and financing transactions during the year ended December 31, 2011 consisted of:

a) The issuance of 300,000 common shares valued at $48,000 for mineral properties;
b) The issuance of 450,196 agents warrants at a value of $18,081.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash is measured based on level 1 of the fair value hierarchy. The fair values of receivables, exploration deposits, 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, if any, 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 Company is not exposed to any significant interest rate.

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

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

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders 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.

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

15. INCOME TAXES

A reconciliation of current income and deferred taxes at statutory rates with reported taxes follows:

	2012	2011
Income/(loss) before income taxes	$ (2,378,742)	$ (1,309,549)
Income tax recovery (expense)	$ (595,000)	$ (347,000)
Impact of different tax rates and other	(14,000)	(31,000)
Changes in unrecognized deductible temporary differences	609,000	378,000
Income tax (expense) recovery	$ -	$ -

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The unrecognized deductible temporary differences, unused tax losses and unused tax credits are as follows:

	2012	expiry dates	2011
Equipment	$ 956,000	not applicable	$ 859,000
Financing costs	71,000	2032 to 2035	216,000
Investment tax credit	2,395,000	2026 to 2032	2,382,000
Mineral properties	59,768,000	not applicable	57,900,000
Losses available for future periods	13,915,000	2013 to 2032	13,330,000

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2012, the Company executed two Memorandums of Understanding with Bravada Gold Corporation ("Bravada") to earn up to a 70% interest each in Bravada's Highland and East Manhattan gold/silver projects, located in Nevada, USA.

Under the terms of the Highland project Memorandum of Understanding, the Company can acquire a 51% interest by making cash payments of US$30,000 (paid) and issuing 1,250,000 common shares (250,000 common shares issued to date) and incurring aggregate exploration expenditures of US$2 million over the 4 years following regulatory acceptance. The Company can increase its interest to 70% within two years of earning its 51% interest by making further cash payments of US$100,000, issuing a further 500,000 common shares and incurring an additional US$4 million in exploration expenditures.

The terms the East Manhattan project Memorandum of Understanding are identical to the Highland terms, except that the cash payments on signing of the Memorandum of Understanding will be US$25,000 (paid) and further cash payments of US$30,000, US$35,000, US$40,000 and US$45,000 will be required on or before the first, second, third and fourth anniversaries of regulatory acceptance, respectively. The terms for the Company to increase its interest in the East Manhattan project are identical to the terms for increasing the Highlands interest to 70 percent.

Both properties are subject to a 3% NSR in favour of the underlying vendors of the properties. The 3% NSR on each property may be bought down to 2% upon payment of the sum of US$1 million to the underlying vendors of that property. Initially, and as long as mutually acceptable, Bravada will be project operator.