ASTORIUS RESOURCES LTD.
(AN EXPLORATION STAGE COMPANY)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2011 AND 2010

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Astorius Resources Ltd.

We have audited the accompanying financial statements of Astorius Resources Ltd. which comprise the balance sheets as at September 30, 2011 and 2010, and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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, the financial statements present fairly, in all material respects, the financial position of Astorius Resources Ltd. as at September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Astorius Resources Ltd. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

January 27, 2012

ASTORIUS RESOURCES LTD.
(AN EXPLORATION STAGE COMPANY)

BALANCE SHEETS

AS AT SEPTEMBER 30, 2011 and 2010

		2011		2010
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	$	178,222	$	496,713
Amounts receivable		14,142		10,270
Prepaid expense		2,426		–
		194,790		506,983
MINERAL PROPERTIES (Note 5)		240,747		–
	$	435,537	$	506,983
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	6,855	$	10,138
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		958,965		923,465
Contributed surplus (Note 7)		137,790		115,722
Deficit		(668,073)		(542,342)
		428,682		496,845
	$	435,537	$	506,983

Nature of Operations (Note 1)
Subsequent Event (Note 12)

Approved on behalf of the Board:

/s/ "Malcolm Powell"
Malcolm Powell, Director

/s/ "Carl Jonsson"
Carl Jonsson, Director

(The Accompanying Notes are an Integral Part of These Financial Statements)

ASTORIUS RESOURCES LTD.
(AN EXPLORATION STAGE COMPANY)

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

		2011		2010
EXPENSES				
Management fees	**$**	60,000	$	60,000
Office and miscellaneous		29,661		19,937
Accounting fees		23,000		19,875
Stock-based compensation		22,068		–
Filing and transfer agent fees		15,723		9,572
Legal fees		15,520		14,641
Exploration		–		25,242
Advertising and promotion		124		5,473
Impairment write-down of mineral property costs		–		200,711
		166,096		355,451
LOSS BEFORE OTHER ITEMS		(166,096)		(355,451)
OTHER ITEMS				
Interest income		5,162		4,066
Other income (Note 5 (b))		35,203		**–**
NET LOSS AND COMPREHENSIVE LOSS		(125,731)		(351,385)
DEFICIT, BEGINNING OF YEAR		(542,342)		(190,957)
DEFICIT, END OF YEAR	**$**	(668,073)	$	(542,342)
LOSS PER SHARE – BASIC AND DILUTED	**$**	(0.01)	$	(0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		8,740,959		8,650,000

(The Accompanying Notes are an Integral Part of These Financial Statements)

ASTORIUS RESOURCES LTD.
(AN EXPLORATION STAGE COMPANY)

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

		2011		2010
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss	$	(125,731)	$	(351,385)
Add items not involving cash:				
Stock-based compensation		22,068		–
Impairment write-down of mineral property costs		–		200,711
		(103,663)		(150,674)
Changes in non-cash working capital balances:				
Amounts receivable		(3,872)		(5,882)
Prepaid expenses		(2,426)		(614)
Accounts payable and accrued liabilities		(3,283)		4,243
		(113,244)		(152,927)
INVESTING ACTIVITIES				
Mineral property expenditures		(205,247)		(126,644)
Mineral exploration tax credit received		–		4,130
		(205,247)		(122,514)
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		(318,491)		(275,441)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		496,713		772,154
CASH AND CASH EQUIVALENTS, END OF YEAR	$	178,222	$	496,713
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Shares issued for mineral property	$	35,500	$	–
SUPPLEMENTAL INFORMATION:				
Cash paid for interest	$	–	$	–
Cash paid for income taxes	$	–	$	–

(The Accompanying Notes are an Integral Part of These Financial Statements)

1. NATURE OF OPERATIONS

Astorius Resources Ltd. (the "Company") was incorporated under the Business Corporation Act of British Columbia on May 4, 2007 and is listed on the TSX Venture Exchange and trades under the symbol ASQ.

The Company is in the business of acquisition, exploration and development of resource properties. The recovery of the Company's investment in resource properties and the attainment of profitable operations is dependent upon the discovery and development of economic reserves and the ability to arrange sufficient financing to bring the reserves into production. The ultimate outcome of these matters cannot presently be determined because they are contingent on future events. At September 30, 2011, the Company continues to be in the exploration stage.

The Company incurred a loss of $125,731 for the year ended September 30, 2011, has not generated revenues and has an accumulated deficit of $668,073 at September 30, 2011 which has been funded primarily by issuance of shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of mineral properties, determination of future income tax assets and liabilities and assumptions used in valuing options and warrants in stock-based compensation calculations. Actual results could differ from management estimates.

b) Financial Instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840 – Related Party Transactions.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial Instruments (continued)

The Company classified its cash and cash equivalents as held-for-trading and its accounts payable as other financial liabilities.

c) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units of production method over estimated recoverable reserves. Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. If management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed in the period that this determination is made.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

d) Cash and Cash Equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

e) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

f) Stock-based Compensation

The Company applies the fair value method to stock-based payments to all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences which arise between the accounting basis and the tax basis of various assets and liabilities, and are measured using substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is provided for any future income tax assets if it is more likely than not that the asset will not be realized.

h) Asset Retirement Obligations

The Company follows Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3110, *Asset Retirement Obligations*, which establishes standards for asset retirement obligations and associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at September 30, 2011 the Company has not incurred any asset retirement obligation related to the exploration and development of its mineral property.

i) Comprehensive Loss

Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective. As the Company does not have items comprising other comprehensive loss, the Company’s net loss is the same as the comprehensive loss.

j) Loss per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

k) Government Assistance

B.C. mining exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property. Until such a time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt.

3. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, Business Combinations, which replaces Section 1581, *Business Combinations*. The AcSB also issued Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, which replace Section 1600, *Consolidated Financial Statements*. These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, *Business Combinations*. These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests.

The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards.

The *Non-Controlling Interests* standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of these standards will have a material impact on its financial statements.

International Financial Reporting Standards

Under the pronouncement issued by the CICA Accounting Standards Board in February 2008, effective for its fiscal year commencing October 1, 2011, the Company will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS").

The Company will issue its first IFRS interim and annual financial statements for the fiscal year ending September 30, 2012, with restatement for comparative purposes the amounts reported by the Company for interim and annual fiscal 2011.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include an investment in a redeemable guaranteed investment certificate ("GIC") with interest rate at 0.95% (2010 – 1.20%) per annum. At September 30, 2011, the fair value of the GIC was $156,929 (2010 - $494,900).

5. MINERAL PROPERTIES

		Babine Project
Acquisition costs		
Balance, September 30, 2010	$	–
Cash paid for acquisition of property		13,000
Staking fees		36,353
Shares issued in connection with acquisition of property		35,500
	$	84,853
Exploration costs		
Balance, September 30, 2010	$	–
Consulting		15,317
Geophysical survey		139,334
Other		1,243
		155,894
Balance, September 30, 2011	$	240,747

a) Babine Project, British Columbia, Canada

During October 2010, the Company staked twenty-four mineral claims located in British Columbia, covering an area of 6,782 hectares known as the Babine Project. The Company plans to carry out geological, geophysical, geochemical prospecting programs in the Babine Project.

On November 2, 2010, the Company expanded its mineral tenure within its Babine Project area by four claims covering an area of 925 hectares. The newly acquired claims were sold to the Company for a cash purchase price of $8,000.

On December 9, 2010, the Company issued 100,000 shares to a consultant for assistance in acquiring the Babine Project. The fair value of these shares was $18,000.

On February 2, 2011, the Company expanded its mineral tenure by three claims covering an area of 1,314 hectares. The three claims were acquired by the Company for a cash purchase price of $5,000.

On February 7, 2011, the Company further expanded its mineral tenure by fifteen claims covering an area of 3,323 hectares. The Company agreed to issues 300,000 common shares as consideration for the fifteen claims. The common shares will be issued in three tranches of 100,000 each, issued 4, 8 and 12 months from the date of TSX Venture Exchange acceptance. On August 24, 2011 100,000 shares were issued in connection with this agreement, valued at $17,500. Subsequent to year end a further 100,000 shares were issued (Note 12).

On February 22, 2011, the Company staked four claims covering an area of 1,313 hectares.

On May 4, 2011, the Company staked thirty-eight claims covering an area of 16,769 hectares.

5. MINERAL PROPERTIES (continued)

a) Babine Project, British Columbia, Canada (continued)

On June 20, 2011, the Company staked four claims covering an area of 1,426 hectares.

As of September 30, 2011, the Company owns, or holds under option, 92 claims covering 31,852 hectares in the Babine Project area.

b) Pat Property, British Columbia, Canada

On January 23, 2009, the Company entered into an assignment agreement, amended January 26, 2009, to acquire a previously existing option ("Option") to acquire a 60% interest in the Pat Mineral Claims located in the Cariboo Mining Division, British Columbia. In consideration of the assignment the Company issued 100,000 shares to the assignor and issued 50,000 shares and paid $30,000 in cash to the optionor.

During December 2009 the Company conducted a drill program and found no significant mineralization. As of September 30, 2010, continued exploration was uncertain and the Company pursued other properties. Accordingly, on September 30, 2010, the capitalized costs of the Pat Property were written down to zero and an impairment write-down of $200,711 was recorded.

In 2011, the Company received $35,203 in B.C. mining exploration tax credits for exploration expenditures incurred on the Pat Property. As the property was previously written down to zero, this amount has been recorded as other income.

6. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares without par value

b) Issued and fully paid

	Number of Shares		Amount
Balance, September 30, 2009 and 2010	8,650,000	$	923,465
Issued as finder's fees for mineral properties (Note 5)	100,000		18,000
Issued as payment for mineral properties (Note 5)	100,000		17,500
Balance, September 30, 2011	8,850,000	$	958,965

c) Escrowed Shares

As at September 30, 2011, 750,000 (2010 – 1,500,000) common shares issued and outstanding were held in escrow. Under the escrow agreement, 375,000 shares were released every six months from December 12, 2008 to December 12, 2011.

6. SHARE CAPITAL (continued)

d) Stock Options

The Company has established a stock option plan for directors, employees, and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board of Directors, subject to the pricing policies of the TSX-V. Options vest immediately when granted and expire five years from the date of the grant, unless the Board of Directors establishes more restrictive terms. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12-month period is limited to 5% of the issued shares of the corporation.

As of September 30, 2011, the Company had stock options outstanding and exercisable to acquire an aggregate of 850,000 common shares summarized as follows. All of these options vested upon grant. The options have a weighted average remaining life of 1.83 years.

	Number of Options	Weighted Average Exercise Price	Expiry Date
Agent's Options	600,000	$0.15	January 8, 2010
Directors' Options	850,000	$0.15	January 8, 2013
Balance, September 30, 2009	1,450,000	$0.15	
Expired: Agent's Options	(600,000)	$0.15	
Forfeited: Director's Options	(170,000)	$0.15	
Balance, September 30, 2010	680,000	$0.15	
Granted: Director's Options	170,000	$0.15	October 18, 2015
Balance, September 30, 2011	850,000	$0.15	

On October 19, 2010, the Company granted options to a director to purchase up to 170,000 shares of the Company at $0.15 per share on or before October 18, 2015. The fair value of the options issued was determined to be $22,068 and the weighted average issue date fair value for the options was $0.13 per option. During the year ended September 30, 2011, the Company recognized stock-based compensation of $22,068 related to this grant.

The fair values of the options granted during the year were determined using the Black-Scholes pricing model, using the following weighted average assumptions:

Risk free interest rate	1.85%
Expected dividend yield	0%
Expected stock price volatility	160%
Expected life of options	5 years

7. CONTRIBUTED SURPLUS

Balance, September 30, 2010 and 2009	$ 115,722
Fair value of stock options granted and vested	22,068
Balance, September 30, 2011	$ 137,790

8. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2011, the Company incurred the following related party transactions measured at the exchange amounts, which were the amounts agreed upon by the transacting parties and are on terms and conditions similar to those for arms length transactions:

a. The Company incurred legal fees of $15,245 (2010 - $13,850) from a law firm of which a director of the Company is a principal.

b. The Company paid office services, facilities and rent of $18,000 (2010 - $19,936) to a corporation with common directors.

c. The Company paid management fees of $60,000 (2010 - $60,000) to a corporation owned by a director of the Company.

9. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2011	2010
Combined statutory tax rate	27.00%	28.88%
Income tax recovery at statutory rate	$ 33,953	$ 101,473
Permanent differences	(5,986)	(456)
Reduction in income tax rates	(2,311)	(13,621)
Valuation allowance	(25,656)	(87,396)
	$ –	$ –

Significant components of the Company's future income tax assets are shown below:

	2011	2010
Non-capital loss carry forwards	$ 130,728	$ 89,621
Incorporation costs	–	218
Mineral property	38,415	47,215
Share issue costs	6,431	12,864
Valuation allowance	(175,574)	(149,918)
Net future income tax asset	$ –	$ –

9. INCOME TAXES (continued)

The Company has non-capital losses for income tax purposes of approximately $523,000 which may be carried forward and offset against future taxable income. The non-capital losses expire as follows:

Year	
2027	$ 1,000
2028	47,000
2029	134,000
2030	176,000
2031	165,000
	$ 523,000

As at September 30, 2011, the Company has approximately $394,000 (2010: $154,000) resource expenditures that can be carry-forwarded indefinitely for tax purposes to reduce taxable income for future years.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties in Canada. The Company does not have any externally imposed capital requirements to which it is subject.

As at September 30, 2011, the Company had capital resources consisting of cash and cash equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period.

11. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

As at September 30, 2011, the Company's financial instruments consist of cash and cash equivalents and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

CICA 3862 *Financial Instruments – Disclosures*, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. CICA 3862 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA 3862 prioritizes the inputs into three levels that may be used to measure fair value:

11. FINANCIAL INSTRUMENTS (continued)

Fair Value of Financial Instruments (continued)

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial assets measured at fair value by level within the fair value hierarchy as of September 30, 2011 were as follows:

	Balance at September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	$	$	$	$
Cash and cash equivalents	178,222	178,222	–	–

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

The Company ensures its holding of cash and cash equivalents is sufficient to meet its short-term general and administrative expenditures. The Company's cash equivalents are invested in business guaranteed investment certificates which are immediately available on demand when required. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as its administrative and exploration operations are all located in Canada.

Interest Rate Risk

The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions.

The Company has investments in guaranteed investment certificates. The following table summaries the impact of reasonable possible changes on interest rates for the Company at September 30, 2011 and 2010. The sensitivity analysis is based on the assumption that interest rate changes by 1% with all other variables remaining constant. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of historical rates for the preceding year.

11. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk (continued)

	2011	2010
Impact on net loss:		
1% increase	$ 1,550	$ 4,900
1% decrease	$(1,550)	$(4,900)

12. SUBSEQUENT EVENT

On October 21, 2011, the Company issued 100,000 common shares for the Babine Project described in Note 5.