

**FIRST POINT MINERALS CORP.**

Condensed Consolidated Interim Financial Statements

September 30, 2011 & 2010

*(Stated in Canadian Dollars)*

## **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 financial statements of First Point Minerals Corp. (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.

**FIRST POINT MINERALS CORP.**  
Condensed Consolidated Interim Statements of Financial Position  
(Unaudited, prepared by management)  
(Stated in Canadian Dollars)

	Sep. 30 2011	Dec. 31 2010	Jan. 1 2010
	\$	\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents (note 4)	8,049,241	6,740,649	740,042
Amounts receivable (note 5)	218,505	295,094	8,042
Prepaid expenses (note 6)	58,957	45,562	26,185
<b>Total Current</b>	<b>8,326,703</b>	7,081,305	774,269
Equipment (note 7)	33,068	28,532	14,494
Reclamation deposit (note 8)	11,534	6,505	3,000
Marketable securities (note 9)	592,182	1,142,808	379,204
Exploration and evaluation assets (note 10)	2,802,199	2,798,514	3,228,586
	<b>11,765,686</b>	11,057,664	4,399,553
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (note 11)	100,376	136,420	98,867
<b>EQUITY</b>			
Share capital (note 12)	25,030,272	21,716,572	14,477,986
Other equity reserve (note 12)	3,301,090	2,447,603	1,360,167
Deficit	(16,897,056)	(14,024,560)	(11,555,492)
Accumulated other comprehensive income	231,004	781,629	18,025
	<b>11,665,310</b>	10,921,244	4,300,686
	<b>11,765,686</b>	11,057,664	4,399,553
Nature and continuance of operations (note 2)			
Commitments (note 16)			

Approved and authorized for issue on November 28, 2011 by the Board of Directors:

/s/ Peter M.D. Bradshaw

Peter M.D. Bradshaw, Director

/s/ Robert A. Watts

Robert A. Watts, Director

See notes to the consolidated financial statements

## FIRST POINT MINERALS CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited, prepared by management)

(Stated in Canadian dollars)

	Three Months		Nine Months	
	Ended September 30		Ended September 30	
	2011	2010	2011	2010
<b>EXPENSES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounting, legal and audit	27,207	1,500	64,679	8,451
Amortization	3,552	2,404	9,738	5,362
Communications	20,035	2,578	81,893	14,385
Foreign exchange loss (gain)	4,392	5,093	4,142	9,237
General exploration	321,985	70,401	752,597	213,147
Insurance	2,009	1,859	5,926	5,569
Management fees	34,125	41,835	113,764	87,763
Office and administration	31,310	3,052	42,026	11,421
Rent	9,115	6,097	25,465	13,836
Stock-based compensation	66,093	19,408	1,252,252	918,420
Travel and promotion	26,423	1,465	50,159	14,259
Trust and filing fees	13,218	1,695	41,493	28,204
Wages and benefits	70,663	3,886	305,741	235,056
<b>Loss before other items</b>	<b>(630,126)</b>	<b>(161,273)</b>	<b>(2,749,874)</b>	<b>(1,565,110)</b>
<b>OTHER ITEMS</b>				
Interest income	33,598	15,820	79,848	19,433
Cost recoveries		82,082		114,439
Properties/Investment w/off	(202,470)		(202,470)	
	<b>(168,872)</b>	<b>97,902</b>	<b>(122,622)</b>	<b>133,872</b>
<b>Net loss for the period</b>	<b>(798,998)</b>	<b>(63,371)</b>	<b>(2,872,496)</b>	<b>(1,431,238)</b>
<b>Other comprehensive income (loss)</b>				
Unrealized gain (loss) on marketable securities	(72,724)	145,448	(550,625)	72,724
<b>Comprehensive gain (loss) for the period</b>	<b>(871,722)</b>	<b>82,077</b>	<b>(3,423,121)</b>	<b>(1,358,514)</b>
<b>Basic and diluted loss per share</b> (note 13)	<b>(0.009)</b>	<b>(0.001)</b>	<b>(0.032)</b>	<b>(0.019)</b>
<b>Weighted average number of common shares outstanding</b>	<b>90,423,618</b>	<b>83,756,835</b>	<b>88,418,787</b>	<b>76,919,818</b>

See notes to the consolidated financial statements

## FIRST POINT MINERALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity  
For the periods ended September 30, 2011, December 31, 2010 and September 30, 2010  
(Unaudited, prepared by Management)  
(Stated in Canadian Dollars)

	Share Capital		Other Equity Reserve \$	Deficit \$	Accumulated Other Comprehensive Income \$	Total \$
	Number of Shares #	Amount \$				
<b>Balance, January 1, 2010</b>	<b>67,992,052</b>	<b>14,477,986</b>	<b>1,360,167</b>	<b>(11,555,492)</b>	<b>18,025</b>	<b>4,300,686</b>
Private placement	15,000,000	7,500,000	-	-	-	7,500,000
Share issue costs		(692,891)	322,865	-	-	(370,026)
Options exercised	1,335,000	301,744	(105,494)	-	-	196,250
Stock-based compensation	-	-	918,420	-	-	918,420
Loss for the period	-	-	-	(1,431,238)	-	(1,431,238)
Other comprehensive income	-	-	-	-	72,724	72,724
<b>Balance, September 30, 2010</b>	<b>84,327,052</b>	<b>21,586,839</b>	<b>2,495,958</b>	<b>(12,986,730)</b>	<b>90,749</b>	<b>11,186,814</b>
Share issue costs		18,000	-	-	-	18,000
Options exercised	141,666	95,483	(40,150)	-	-	55,333
Warrants exercised	25,000	16,250	-	-	-	16,250
Stock-based compensation	-	-	(8,205)	-	-	(8,205)
Loss for the period	-	-	-	(1,037,830)	-	(1,037,830)
Other comprehensive income	-	-	-	-	690,880	690,880
<b>Balance, December 31, 2010</b>	<b>84,493,718</b>	<b>21,716,572</b>	<b>2,447,603</b>	<b>(14,024,560)</b>	<b>781,629</b>	<b>10,921,244</b>
Options exercised	1,075,000	581,114	(196,864)	-	-	384,250
Warrants exercised	4,854,900	2,732,586	(201,901)	-	-	2,530,685
Stock-based compensation	-	-	1,252,252	-	-	1,252,252
Loss for the period	-	-	-	(2,872,496)	-	(2,872,496)
Other comprehensive income	-	-	-	-	(550,625)	(550,625)
<b>Balance, September 30, 2011</b>	<b>90,423,618</b>	<b>25,030,272</b>	<b>3,301,090</b>	<b>(16,897,056)</b>	<b>231,004</b>	<b>11,665,310</b>

See notes to the consolidated financial statements

## FIRST POINT MINERALS CORP.

### Condensed Consolidated Interim Statements of Changes in Cash Position

*(Unaudited, prepared by management)*

*(Stated in Canadian dollars)*

	Three Months		Nine Months	
	Ended September 30		Ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Cash provided by (used for):</b>				
<b>Operating activities</b>				
Net loss for the period	(798,998)	(63,370)	(2,872,496)	(1,431,240)
Add items not involving cash:				
Amortization	3,552	2,404	9,738	5,362
Stock-based compensation	66,093	19,407	1,252,252	918,420
Write-off of mineral properties	202,470	-	202,470	-
	<u>(526,883)</u>	<u>(41,559)</u>	<u>(1,408,036)</u>	<u>(507,458)</u>
Changes in non-cash working capital components:				
Amounts receivable	(8,645)	(631,018)	76,589	(992,780)
Prepaid expenses	1,812	(3,515)	(13,395)	(13,814)
Accounts payable and accrued liabilities	(87,587)	442,616	(36,042)	630,131
	<u>(621,303)</u>	<u>(233,476)</u>	<u>(1,380,884)</u>	<u>(888,921)</u>
<b>Financing activities *</b>				
Cash proceeds from shares issued	-	154,750	2,914,935	7,696,250
Share issue costs	-	-	-	(370,026)
	<u>-</u>	<u>154,750</u>	<u>2,914,935</u>	<u>7,326,224</u>
<b>Investing activities *</b>				
Mineral exploration	(141,655)	(186,619)	(206,155)	(341,334)
Reclamation deposit posted	(5,015)	-	(5,029)	(3,500)
Disposition (acquisition) of capital assets	(225)	(5,568)	(14,275)	(20,029)
	<u>(146,895)</u>	<u>(192,187)</u>	<u>(225,459)</u>	<u>(364,863)</u>
<b>Net cash provided (used) during period</b>	<b>(768,198)</b>	<b>(270,913)</b>	<b>1,308,592</b>	<b>6,077,440</b>
<b>Cash – beginning of period</b>	<b>8,817,439</b>	<b>7,088,395</b>	<b>6,740,649</b>	<b>740,042</b>
<b>Cash - end of period</b>	<b>8,049,241</b>	<b>6,817,482</b>	<b>8,049,241</b>	<b>6,817,482</b>

\* See note 14 for supplemental disclosure of non-cash financing and investing activities

See notes to the consolidated financial statements

# **FIRST POINT MINERALS CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2011

*(Prepared by Management)*

*(Stated in Canadian Dollars)*

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

First Point Minerals Corp. (the “Company”) is incorporated under the *Business Corporations Act* (Alberta) and is involved in the acquisition and exploration of mineral property interests that are considered potential sites of economic mineralization. At the date of the financial statements, the Company has not identified a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property.

The head office and principal address of the Company is Suite 906 – 1112 West Pender Street, Vancouver, British Columbia V6E 2S1. The Company’s registered and records office is 4500 Bankers Hall East, 855 Second Street SW, Calgary, Alberta T2P 4K7.

These condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries. They are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

## **2. BASIS OF PREPARATION**

### *(a) Statement of compliance*

The consolidated financial statements of the Company for the year ending December 31, 2011 will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The Company’s previously issued consolidated financial statements had been prepared in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“pre-changeover Canadian GAAP”). These condensed consolidated interim financial statements for the three- and nine-month periods ended September 30, 2011 have been prepared in accordance with IAS 34 - *Interim Financial Reporting* and as they are part of the Company’s first IFRS annual reporting period, IFRS 1 - *First-time Adoption of International Financial Reporting Standards* has been applied.

As these financial statements are the Company’s third set of condensed consolidated interim financial statements prepared using IFRS, certain disclosures that are required to be included in annual consolidated financial statements prepared in accordance with IFRS that were not included in the Company’s annual consolidated financial statements for the twelve months ended December 31, 2010 (which were prepared in accordance with pre-changeover Canadian GAAP) have been included in these condensed consolidated interim financial statements. However, these condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements prepared in accordance with IFRS.

These financial statements were approved and authorized for issue by the Audit Committee of the Board of Directors on November 28, 2011.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the twelve months ended December 31, 2010 together with the explanation provided in Note 20 as to how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company.

## FIRST POINT MINERALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2011

(Prepared by Management)

(Stated in Canadian Dollars)

### 2. BASIS OF PREPARATION

#### (b) *Basis of measurement*

These condensed consolidated interim financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, this financial statement has been prepared using the accrual basis of accounting.

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

#### (c) *Going Concern of Operations*

The Company has not generated revenue from operations. The Company incurred a net loss of \$2,872,496 during the nine months ended September 30, 2011 and, as of that date the Company's deficit was \$16,897,056. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year-ending December 31, 2011 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purpose of the transition to IFRS, unless otherwise indicated.

#### (a) *Basis of consolidation*

The condensed consolidated interim financial statements include the accounts of the parent company, First Point Minerals Corp. and its subsidiaries as listed below:

Name of Subsidiary	Jurisdiction	Nature of Operations	Equity Interest	
			2011	2010
Epic Resources LLC	United States	Exploration	100%	100%
First Point International Corp.	Barbados	Holding company	100%	100%
First Point Mexico, S.A. de C.V.	Mexico	Exploration	100%	100%
First Point Honduras, S.A. de C.V.	Honduras	Exploration	100%	100%
First Point NiFe One Corp.	Barbados	Holding company	100%	Nil
First Point NiFe Two Corp.	Barbados	Holding company	100%	Nil
First Point NiFe Pacific Corp.	Barbados	Holding company	100%	Nil
Hastings Minerals Pty Ltd.	Australia	Exploration	100%	Nil
Pender Minerals Madencilik AS	Turkey	Exploration	100%	Nil

## FIRST POINT MINERALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2011

(Prepared by Management)

(Stated in Canadian Dollars)

### SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) **Basis of consolidation** (continued)

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated.

(b) **Foreign currencies**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and 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*.

The Company's subsidiaries are considered to be integrated foreign operations and are translated using the temporal method. Therefore, the accounts of foreign operations are translated into Canadian dollars as follows: monetary assets and liabilities at the rates of exchange prevailing at the statement of financial position date; non-monetary assets and liabilities at applicable historical exchange rates; revenues and expenses at the average rate of exchange for the year, except for non-monetary expenses which are recorded at the rates used for the translation of the related assets. Foreign exchange translation gains and losses are included in the statement of comprehensive income or loss.

(c) **Financial instruments**

*Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired, as follows:

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

*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 cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*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. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of comprehensive loss or income.

*Available-for-sale* - Marketable securities and other 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 directly in equity. 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 equity and recognized in the statements of comprehensive loss or income.

# FIRST POINT MINERALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2011

(Prepared by Management)

(Stated in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) *Financial instruments (continued)*

#### *Financial assets (continued)*

All financial assets except for those 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 any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

#### *Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired, as follows:

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

*Other financial liabilities*: This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents and marketable securities as fair value through profit and loss. The Company's receivables and reclamation bond are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

### (d) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and highly liquid investments having maturity dates of one year or less from the date of acquisition, which are readily convertible to known amounts of cash.

### (e) *Equipment*

Assets are measured at historical cost less accumulated amortization and impairment losses. Amortization is charged on a straight-line basis over the useful lives of these assets. Residual values, amortization methods and useful economic lives are reviewed and adjusted if appropriate, at each reporting date.

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized using the following rates:

Computer hardware and software	Straight-line over three years
Office furniture and equipment	Straight-line over five years
Field equipment	Straight-line over three years

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, is regularly identified and written off. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

# FIRST POINT MINERALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2011

(Prepared by Management)

(Stated in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) *Impairment of equipment and intangible assets (excluding goodwill)*

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 the profit or loss for the period. For an asset that does not generate largely independent cash inflows, 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.

### (g) *Reclamation deposits*

Cash which is subject to contractual restrictions on use imposed by government agencies as a condition of granting permits in connection with exploration and evaluation assets is classified separately as reclamation deposits. Such deposits are classified as loans and receivables.

### (h) *Exploration and evaluation assets*

Once the legal right to explore a property has been acquired, the acquisition costs and the costs directly related to exploration and evaluation assets are recognized and capitalized. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors. Costs not directly attributable to exploration and evaluation assets activities, including general administrative costs, are expensed in the period in which they occur.

The Company may enter into option agreements, whereby the Company will transfer part of its interest in a mineral property, as consideration, for an agreement by the optionee to meet certain mineral property expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the optionee on the Company's behalf. Any cash or other consideration received from the optionee is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation assets expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation assets expenditures, in excess of estimated recoveries, are written off to the statement of comprehensive loss or income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

# FIRST POINT MINERALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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*(Prepared by Management)*

*(Stated in Canadian Dollars)*

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

### *(h) Exploration and evaluation assets (continued)*

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mine under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized costs. Exploration and evaluation assets are classified as intangible assets.

### *(i) Option agreements – exploration and evaluation assets*

From time to time, the Company may acquire or dispose of exploration and evaluation assets pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation costs or recoveries when the payments are made or received.

### *(j) Comprehensive Income*

Comprehensive income is the change in shareholders' equity during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The statement of other comprehensive income lists unrealized gains and losses for classifications of financial instruments that do not require such gains and losses to be included in net income.

### *(k) Income taxes*

The Company accounts for and measures deferred tax assets and liabilities in accordance with the asset and liability method.

Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively-enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential deferred benefit is taken and no net asset is recognized. Assuming the Company's operations remain at the exploration stage, such an allowance will continue to apply fully for the foreseeable future to all potential income tax assets. Accordingly, the Company's accounting policy for deferred income taxes currently has no effect on the financial statements of any of the fiscal years presented.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## **FIRST POINT MINERALS CORP.**

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September 30, 2011

*(Prepared by Management)*

*(Stated in Canadian Dollars)*

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

#### *(l) Share capital*

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the date of share issuance.

Costs incurred to issue common shares are deducted from share capital.

#### *(m) Flow-through shares*

The Company from time to time issues flow-through common shares to finance a significant portion of its exploration programs. Pursuant to the terms of the applicable flow-through share subscription agreements, the tax deductibility of qualifying resource expenditures funded from the proceeds of the sales of such shares is transferred to the investors who purchased the flow-through shares. Under IFRS, on issuance of such shares, the Company bifurcates the flow-through share into: (i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and (ii) share capital. Upon expenses being incurred, the Company derecognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with flow-through regulations pursuant to the *Income Tax Act (Canada)*. When applicable, this tax is accrued as a financial expense until paid.

#### *(n) Share-based payment transactions*

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

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

#### *(o) Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributed to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) *Loss per share (continued)*

estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets 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 rehabilitation asset is depreciated on the same basis as mining assets.

### (p) *Provision for environmental rehabilitation*

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 mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

At September 30, 2011, the Company does not have any provision for environmental rehabilitation.

### (q) *Provisions*

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as an accretion expense.

### (r) *Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### (s) *Significant accounting judgments and estimates*

The preparation of condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (s) *Significant accounting judgments and estimates (continued)*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statements of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable and prepayments which are included in the condensed consolidated interim statements of financial position;
- the carrying value of the marketable securities and the recoverability of the carrying value which are included in the condensed consolidated interim statements of financial position;
- the inputs used in accounting for share purchase option expense in the condensed consolidated interim statements of comprehensive loss;
- the provision for income taxes which is included in the condensed consolidation interim statement of comprehensive loss and composition of deferred income tax assets and liabilities included in the condensed consolidated interim statement of financial position;
- the inputs used in determining the various commitments and contingencies accrued in the condensed consolidated interim statement of financial position.

#### (t) *Standards, Amendments and Interpretations Not Yet Effective*

Certain pronouncements were issued by the IASB or the IFRS Interpretation Committee that were mandatory for accounting periods beginning after January 1, 2011 or later periods.

The following new standards, amendments and interpretations, that have not been early adopted in these interim financial statements, will or may have an effect on the Company's future results and financial position:

- IFRS 1 – “*Severe Hyperinflation*” (Effective for periods beginning on or after July 1, 2011).
- IFRS 9 – “*Financial Instruments*”

IFRS 9 is part of the IASB's wider project to replace IAS 39 – “*Financial Instruments: Recognition and Measurement*”. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortization costs and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The standard is effective for annual periods beginning on or after January 1, 2013 with a proposal to defer the effective date to January 1, 2015.

- IFRS 10 – “*Consolidated Financial Statements*”, IFRS 11 – “*Joint Arrangements*” and IFRS 12 – “*Disclosure of Interests in Associates and Joint Ventures*” (all effective January 1, 2013) provide revised 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.
- Amendments to IFRS 7 – “*Financial Instruments: Disclosures*” were effective July 1, 2011 and introduce enhanced disclosure around transfer of financial assets and associated risks.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (t) Standards, Amendments and Interpretations Not Yet Effective (continued)

- IAS 12 – “Deferred Tax: Recovery of Underlying Assets” (Amendments to IAS 12 effective for periods beginning on or after January 1, 2012).
- IAS 27 – “Consolidated and Separate Financial Statements”(effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements and IAS 28 – “Investments in Associates and Joint Ventures” were revised and reissued to align with the new consolidation guidance.
- Amendments to IAS 1 – “Presentation of Financial Statements” (effective for annual periods beginning on or after July 1, 2012) require 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.

### 4. CASH AND CASH EQUIVALENTS

	September 30, 2011	December 31, 2010	January 1, 2010
Cash on deposit	\$ 278,888	\$ 366,083	\$ 740,001
Liquid short term investments	<u>7,770,353</u>	<u>6,374,566</u>	<u>41</u>
Cash and cash equivalents	<u>\$ 8,049,241</u>	<u>\$ 6,740,649</u>	<u>\$ 740,042</u>

### 5. AMOUNTS RECEIVABLE

The Company’s receivables arise mainly from harmonized sales taxes receivable due from Canadian government taxation authorities and amounts due from Cliffs in connection with the Decar nickel project.

### 6. PREPAID EXPENSES

The Company’s prepaid expenses consist of the following:

	September 30, 2011	December 31, 2010	January 1, 2010
Prepaid rent	\$ -	\$ 5,070	\$ 5,070
Insurance	5,139	7,954	7,937
Vendor prepayment	<u>53,818</u>	<u>32,538</u>	<u>13,178</u>
Total	<u>\$ 58,957</u>	<u>\$ 45,562</u>	<u>\$ 26,185</u>

## FIRST POINT MINERALS CORP.

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### 7. EQUIPMENT

	Computer hardware and software	Office furniture and equipment	Field equipment	Total
Cost at January 1, 2010	\$ 48,696	\$ 77,082	\$ 35,750	\$ 161,528
Current period additions	12,096	-	7,933	20,029
Current period disposals	-	-	-	-
Cost at September 30, 2010	60,792	77,082	43,683	181,557
Accumulated depreciation at January 1, 2010	41,114	70,170	35,750	147,034
Current period retirements	-	-	-	-
Current period depreciation/depletion	3,513	1,034	814	5,361
Accumulated depreciation at September 30, 2010	44,627	71,204	36,564	152,395
Net book value at September 30, 2010	\$ 16,165	\$ 5,878	\$ 7,119	\$ 29,162
Cost at December 31, 2010	\$ 62,673	\$ 77,082	\$ 43,683	\$ 183,438
Current period additions	6,346	1,378	6,550	14,274
Current period disposals	-	-	-	-
Cost at September 30, 2011	69,019	78,460	50,233	197,712
Accumulated depreciation at December 31, 2010	46,181	71,552	37,173	154,906
Current period retirements	-	-	-	-
Current period depreciation/depletion	6,054	891	2,794	9,738
Accumulated depreciation at September 30, 2011	52,234	72,443	39,967	164,644
Net book value at September 30, 2011	\$ 16,785	6,017	10,266	33,068

### 8. RECLAMATION DEPOSIT

The Company has provided a deposit in the form of a Guaranteed Investment Certificate as security against potential future reclamation work relating to its exploration and evaluation assets. As at September 30, 2011 a total of \$11,534 (December 31, 2010 - \$6,505) had been provided to the Minister of Finance for the Province of British Columbia for the benefit of the provincial Ministry of Energy, Mines and Petroleum Resources.

### 9. MARKETABLE SECURITIES

Marketable securities consist of equity securities over which the Company does not have control or significant influence. Marketable securities are designated as fair value through profit and loss. Unrealized gains and losses due to period end revaluations to fair value are included in comprehensive income or loss for the period. At September 30, 2011, the Company owned 1,038,916 (December 31, 2010 - 1,038,916) shares of Aquila Resources Inc., whose shares are traded on the Toronto Stock Exchange.

	September 30, 2011	December 31, 2010	January 1, 2010
Marketable securities – fair value	\$ 592,182	\$ 1,142,808	\$ 379,204
Marketable securities – cost	\$ 361,165	\$ 361,165	\$ 361,165

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### **10. EXPLORATION AND EVALUATION ASSETS**

#### ***Canada***

##### *Nickel Properties, British Columbia and Yukon Territory*

The Company holds interests in nine nickel properties, seven of which are located in British Columbia, and one recently acquired property in each of the Yukon Territory and Australia. These properties were acquired by staking and the Company has a 100% interest in each of the properties, other than the Decar property in central British Columbia, which is under option to Cliffs Natural Resources Exploration Inc. ("Cliffs"), a wholly-owned subsidiary of Cliffs Natural Resources Inc., and Cliffs' wholly-owned Canadian exploration subsidiary. With the exception of the Decar property, the Company's nickel properties are all in the very preliminary stage of exploration.

Under the terms of an option agreement entered into in November 2009, Cliffs can earn an initial 51% interest in the Decar property by spending US\$4,500,000 on the property over four years. In mid-September, 2011, Cliffs committed to completing a National Instrument 43-101 compliant preliminary economic assessment, or scoping level study, on the Decar property. By agreeing to complete the preliminary economic assessment within 18 months, Cliffs is deemed to have earned an initial 51% interest in the Decar property. Readers are cautioned that a mineral resource has yet to be identified on the Decar property and that until such time as a mineral resource has been identified, it will not be possible to complete a NI 43-101 compliant preliminary economic assessment.

Having earned a 51% interest, Cliffs may elect at any time to form a joint venture, with Cliffs acting as operator. Prior to the formation of the joint venture, there are benchmarks at which Cliffs may increase its interest in the property and in any joint venture that may be formed, as follows: (i) a 60% interest by completing a scoping study; (ii) a 65% interest by completing a pre-feasibility study and (iii) a 75% interest by completing a feasibility study. The Company will retain a 1% net smelter return ("NSR") royalty in the Decar property when the joint venture is formed. After the joint venture is formed, the parties' funding obligations to approved budgets will be in proportion to their respective participating interests. A party that does not fully fund its share of approved budgets will have its participating interest diluted and the other party's participating interest will be correspondingly increased. Should either party's participating interest in the joint venture be reduced to less than 10%, its interest will automatically be converted to a 1% NSR royalty interest. If the Company is the converting party, it will have, in the aggregate, a 2% NSR royalty interest.

#### ***Honduras***

##### *Camporo Property*

The Company acquired a 60% interest in the Camporo property in southern Honduras, subject to a 0.6% net smelter return ("NSR") royalty interest, from Minera Battle Mountain Gold Company ("BMG") by incurring exploration expenditures of US\$1,000,000 and issuing 700,000 common shares.

The Company has an option to earn the remaining 40% interest in this property from a wholly-owned Honduran subsidiary of Breakwater Resources Ltd. The consideration to be paid to acquire Breakwater's interest in the property will consist of: (i) 500,000 First Point common shares ("Common Shares") if the value of a Common Share is \$0.20 or higher to a maximum of \$1.00 per Common Share provided that the number of Common Shares to be issued will have a maximum fair market value of not more than \$500,000, or (ii) if the fair market value of a Common Share is less than \$0.20, a combination of 500,000 Common Shares and a cash payment in an amount equal to \$100,000 less the value of the 500,000 Common Shares, which value shall equal 500,000 multiplied by the weighted average price per Common Share calculated over the five trading days preceding the relevant date. Breakwater will retain a sliding scale royalty of 0.4% of the gross sale proceeds starting at US\$325 per ounce of gold and rising to a maximum of 1.2% of the gross sale proceeds at US\$400 per ounce of gold for all gold production and 0.4% of the gross sale proceeds starting at US\$5.25 per

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ounce of silver and rising to a maximum of 1.2% of the gross sale proceeds at US\$7.00 per ounce of silver for all silver production.

### *Cedros Property*

The property is carried at a nominal value of \$1.00. During 2008 the Company re-acquired an option to obtain a 100% interest in three mineral concessions and exploration permits in the Cedros region. To complete its acquisition and obtain title to the property the Company must issue 225,000 shares at any time and will be obligated to pay a 2% NSR royalty on production, which royalty can be purchased by the Company at any time for US\$1,000,000.

### Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance Jan. 1, 2010 \$	2010 Expenditures \$	Balance Dec. 31, 2010 \$	2011 Expenditures \$	Balance Sep. 30, 2011 \$
<b>CANADA</b>					
<b>Nickel Properties, B.C. &amp; YT</b>					
Acquisition	27,412	15,600	43,012	22,404	65,416
Exploration					
Assays	27,097	63,449	90,546	12,387	102,933
Drilling	-	324,754	324,754	-	324,754
Drilling - Fuel Supply & Site	-	33,180	33,180	-	33,180
Field expenses	35,171	129,855	165,026	62,607	227,633
Geological & miscellaneous	108,351	32,375	140,726	34,653	175,379
Geophysics	-	79,642	79,642	-	79,642
Helicopters	31,709	111,550	143,259	32,272	175,532
Legal and filing fees	(500)	-	-500	4,021	3,521
Line cutting	-	44,690	44,690	-	44,690
Metallurgical testing	53,962	44,041	98,003	52,886	150,888
Travel & accommodation	20,793	88,798	109,591	31,464	141,055
Wages	362,980	269,144	632,124	134,452	766,576
Write down	(175,601)	-	(175,601)	(39,968)	(215,569)
Cost Recovery/Decar	-	(1,180,605)	(1,180,605)	(188,180)	(1,368,785)
Management Fee	-	(118,060)	(118,060)	(18,818)	(136,878)
Equipment Rental Fee	-	(10,133)	(10,133)	(3,110)	(13,244)
<b>Subtotal, Canada</b>	<b>491,374</b>	<b>(71,721)</b>	<b>419,653</b>	<b>137,071</b>	<b>556,724</b>
<b>UNITED STATES</b>					
<b>Joe Nickel, Oregon</b>					
Acquisition	26,920	957	27,877	-	-
Exploration					
Assays	4,200	1,068	5,268	217	-
Field expenses	2,215	2,979	5,194	4,260	-
Geological & miscellaneous	12,924	13,435	26,359	3,024	-
Legal and filing fees	10,885	275	11,160	101	-
Metallurgical testing	9,936	-	9,936	-	-
Travel & accommodation	3,005	10,829	13,834	5,865	-
Wages	27,689	15,186	42,875	6,532	-
Write-off	-	-	-	(162,502)	-
<b>Subtotal, United States</b>	<b>97,774</b>	<b>44,729</b>	<b>142,503</b>	<b>(142,504)</b>	<b>-</b>

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### 10. EXPLORATION AND EVALUATION ASSETS (continued)

#### Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance Jan. 1 2010 \$	2010 Expenditures \$	Balance Dec. 31, 2010 \$	2011 Expenditures \$	Balance Sep. 30, 2011 \$
<b>HONDURAS</b>					
<b>Camporo</b>					
Acquisition	316,817	-	316,817	-	316,817
Exploration					
Assays	89,760	-	89,760	-	89,760
Drilling and trenching	557,983	-	557,983	-	557,983
Field expenses	199,775	715	200,490	524	201,014
Geological & miscellaneous	159,326	248	159,574	1,196	160,770
Environmental & reclamation	2,026	-	2,026	-	2,026
Legal & accounting fees	8,559	623	9,182	438	9,620
Property taxes	15,176	-	15,176	-	15,176
Travel & accommodation	113,320	270	113,590	204	113,794
Wages	771,760	-	771,760	6,755	778,515
	<u>2,234,502</u>	<u>1,856</u>	<u>2,236,358</u>	<u>9,117</u>	<u>2,245,475</u>
<b>Cedros</b>	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
<b>Subtotal, Honduras</b>	<u>2,234,503</u>	<u>1,856</u>	<u>2,236,359</u>	<u>9,117</u>	<u>2,245,476</u>
<b>MEXICO</b>					
<b>Corralitos</b>					
Acquisition	34,308	-	34,308	-	-
Exploration					
Assays	24,073	8,001	32,074	-	-
Drilling	-	172,998	172,998	-	-
Field expenses	42,704	4,928	47,632	-	-
Geological & miscellaneous	105,219	50,271	155,490	-	-
Legal & accounting fees	52,249	10,659	62,908	-	-
Property taxes	26,986	7,504	34,490	-	-
Travel & accommodation	16,935	8,275	25,210	-	-
Wages	102,462	7,406	109,868	-	-
Write down	-	(674,978)	(674,978)	-	-
	<u>404,936</u>	<u>(404,936)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Subtotal, Mexico</b>	<u>404,936</u>	<u>(404,936)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COSTS - EXPLOR'N. &amp; EVALUATION ASSETS</b>	<u>3,228,586</u>	<u>(430,072)</u>	<u>2,798,514</u>	<u>3,684</u>	<u>2,802,199</u>

### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	September 30, 2011	December 31, 2010	January 1, 2010
Trade payables	\$ 74,526	\$ 114,441	\$ 79,425
Accrued liabilities	<u>25,850</u>	<u>21,979</u>	<u>19,442</u>
<b>Total</b>	<u>\$ 100,376</u>	<u>\$ 136,420</u>	<u>\$ 98,867</u>

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### 12. SHARE CAPITAL

(a) Authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of first and second preferred shares. None of the preferred shares have been issued.

(b) Issued and outstanding

#### *Share issuances:*

During the first nine months of 2011, the Company issued 1,075,000 shares as the result of a like number of options being exercised. The amount recorded as share capital was \$581,114, which amount consisted of cash of \$384,250 and an additional sum of \$196,864, the latter being the fair value attributed to the options, which amount was debited to other equity reserve. A further 4,854,000 shares were issued as a result of a like number of warrants being exercised. The amount credited to share capital was \$2,732,586 and consisted of cash of \$2,530,685 and an additional sum of \$201,901, the latter being the fair value attributed to a portion of the warrants being exercised, which amount was debited to other equity reserve.

During 2010, an aggregate of 1,476,666 stock options were exercised. The amount credited to share capital was \$397,737 which amount consisted of cash of \$252,093 and an additional sum of \$145,644, the latter being the fair value attributable to the options, which amount was debited to other equity reserve. In addition, 25,000 warrants were exercised, generating \$16,250 of proceeds. This transaction had no effect on other equity reserve as the fair value of the warrants when issued was \$Nil.

During the second quarter 2010, the Company completed a non-brokered private placement of 15,000,000 Units at a price of \$0.50 per unit for gross proceeds of \$7,500,000. Each unit ("Unit") consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one additional common share upon payment of \$0.65 per warrant until April 26, 2011 and at a price of \$0.80 per share thereafter until the warrants expire on April 26, 2012. In connection with the private placement, the Company paid finders' fees consisting of \$287,400 paid in cash and the issuance of 574,800 finders' warrants. The finders' warrants have terms identical to the terms of the Unit warrants. The fair value attributed to the finders' warrants (\$322,865) was estimated using the Black Scholes option pricing model and was debited to share issue costs. The offsetting credit was to other equity reserve.

(c) Stock options

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, employees and consultants of the Company at exercise prices determined by their market value on the date of the grant. The options vest immediately on the date of the grant or otherwise as determined at the discretion of the Board.

Stock option transactions during 2010 and the first nine months of 2011 and the number of stock options outstanding at September 30, 2011 are summarized as follows:

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**12. SHARE CAPITAL** *(continued)*

(c) Stock options *(continued)*

	<u>Number of Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted-Average Contractual Remaining Life (Years)</u>
<b>Balance, January 1, 2010</b>	<b>6,635,000</b>	<b>0.22</b>	<b>3.04</b>
Granted	1,875,000		
Exercised	(1,476,666)		
Cancelled or expired	(133,334)		
<b>Balance, December 31, 2010</b>	<b>6,900,000</b>	<b>0.34</b>	<b>3.01</b>
Granted	2,075,000		
Exercised	(1,075,000)		
<b>Balance, September 30, 2011</b>	<b>7,900,000</b>	<b>0.46</b>	<b>3.26</b>
<b>Exercisable at September 30, 2011</b>	<b>7,699,998</b>		

Summary of stock options outstanding at September 30, 2011:

<u>Number Outstanding</u>	<u>Exercise Price (\$)</u>	<u>Expiry Date</u>
450,000	0.20	March 14, 2012
150,000	0.15	January 2, 2013
2,000,000	0.10	January 5, 2014
1,600,000	0.35	December 23, 2014
50,000	0.63	May 3, 2015
1,575,000	0.68	May 27, 2015
75,000	0.85	January 5, 2016
1,850,000	0.80	April 14, 2016
150,000	0.95	June 30, 2016
<u>7,900,000</u>		

On June 30, 2011, the Company granted two consultants 75,000 options to purchase shares at an exercise price of \$0.95 per share, with all options vesting immediately. The options will expire on June 30, 2016. The fair value of the options granted was \$107,313, or \$0.7154 per share.

On April 14, 2011, the Company granted directors, officers and employees an aggregate of 1,850,000 options to purchase shares at an exercise price of \$0.80 per share, with 1,616,666 options vesting immediately. The options will expire on April 14, 2016. The fair value of the options granted was \$1,150,227, or \$0.6127 per share.

On January 5, 2011, the Company granted an employee 75,000 options to purchase shares at an exercise price of \$0.85 per share, with all options vesting immediately. The options will expire January 5, 2016. The fair value of the options granted was \$47,280, or \$0.587 per share.

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### 12. SHARE CAPITAL *(continued)*

#### (d) Stock-based compensation:

The fair value of stock options reported as stock-based compensation expense has been estimated using the Black-Scholes Option Pricing Model and the following assumptions:

Description	2011-06-30	2011-04-14	2011-01-06	2010-Q3	2010-Q2	2010-Q1
Expected dividend yield (percent)	0.0	0.0	0.0	0.0	0.0	0.0
Risk free interest rate (percent)	2.741	2.595	1.992	2.788	2.598	2.571
Expected stock price volatility (percent)	104.1	105.6	107.4	111.1	110.5	108.3
Expected life of options (years)	5	5	5	5	5	5

Stock-based compensation expense of \$1,252,252 was recorded for the first nine months of 2011 (2010 - \$918,420). The offsetting credit was to other equity reserve.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

#### (e) Warrants

Warrant transactions during 2010 and the first nine months of 2011 and the number of warrants outstanding at September 30, 2011 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, January 1, 2010</b>	<b>1,250,000</b>	<b>0.150</b>
Granted	8,056,500	
Exercised	(6,700)	
<b>Balance, December 31, 2010</b>	<b>9,299,800</b>	<b>0.583</b>
Granted	-	
Exercised	(4,854,900)	
<b>Balance, September 30, 2011</b>	<b>4,444,900</b>	<b>0.800</b>

Summary of warrants outstanding at September 30, 2011:

Number Outstanding	Exercise Price \$( <sup>(1)</sup> )	Expiry Date
3,962,500	0.80	April 26, 2012
482,400 <sup>(2)</sup>	0.80	April 26, 2012
<u>4,444,900</u>	0.80	

Notes (1) Exercise price increased to \$0.80 on April 27, 2011.

(2) Finders' warrants with a fair value of \$0.5617 per warrant

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*(Prepared by Management)**(Stated in Canadian Dollars)***12. SHARE CAPITAL** *(continued)***(e) Warrants** *(continued)*

In the event that the Company's common shares trade at a closing price on the TSX Venture Exchange of greater than \$1.10 per share for a period of 20 consecutive trading days at any time after four months and one day after the April 27, 2010, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

**(f) Other equity reserve**

The following is a summary of the components of other equity reserve at the dates indicated:

	September 30, 2011	December 31, 2010	January 1, 2010
Share options	\$3,016,085	\$1,960,698	\$1,196,127
Warrants	-	150,000	150,000
Finders' warrants	285,004	336,905	14,040
<b>Total other equity reserve</b>	<b>\$3,301,089</b>	<b>\$2,447,603</b>	<b>\$1,360,167</b>

**13. LOSS PER SHARE**

Loss per share has been calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share has not been calculated as it is anti-dilutive.

**14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	June 30, 2011	June 30, 2010
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ -	\$ -

Supplementary disclosure of non-cash investing and financing activities during the nine month period ended September 30, 2011:

	Sep. 30, 2011	Sep. 30 2010
Stock-based compensation (Note 12(d))	\$1,252,252	\$918,420
Exploration and evaluation assets expenditures in accounts payable	\$48,895	\$35,883

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### 15. RELATED PARTY TRANSACTIONS

At September 30, 2011, accounts payable and accrued liabilities included \$25,550 (December 31, 2010 - \$18,476) due to related parties. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

During the nine month period ended September 30, 2011, the Company entered into the following related party transactions:

- paid or accrued \$108,719 (2010 - \$53,619) to Adera Company Management, a private company controlled by J. Christopher Mitchell, the Company's Chief Financial officer, for management and administrative services.
- paid or accrued \$5,045 (2010 - \$40,360) to Transformation Catalyst Corporation, a private company controlled by Brian Soregaroli, who served until December 16, 2010 as the Company's Vice President Corporate Development, for administrative services.

The amounts charged to the Company for the services provided have been determined by negotiations between the parties and are covered by a signed agreement. These services were in the normal course of operations and management believes that they were incurred on a basis consistent with comparable transactions between other non-related parties.

The Company considers its Officers to be key management personnel. Amounts paid to the key management personnel during the period are shown in the following table:

	September 30, 2011	September 30, 2010
Short-term employee benefits	\$ 567,930	\$ 472,892
Share-based payments	<u>539,704</u>	<u>454,677</u>
<u>Total key management personnel</u>	<u>\$ 1,107,634</u>	<u>\$ 927,589</u>

### 16. COMMITMENTS

The Company's lease on its existing premises will expire on May 31, 2013. At September 30, 2011, the remaining lease obligation is approximately \$76,500.

### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments are classified into one of the following five categories: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The Company classifies its cash as held-for-trading, marketable securities as available-for-sale, receivables as loans and receivables and reclamation bond as held-to-maturity. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

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### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### *Fair value*

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$8,049,241	\$ -	\$ -	\$8,049,241
Marketable securities	592,182	-	-	592,182
<b>Total</b>	<b>\$8,641,423</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$8,641,423</b>

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

#### *Risk Management*

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

##### *Credit risk*

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of changes in financial position and arises from the Company's cash, marketable securities, receivables and reclamation bonds.

The Company's cash and marketable securities are held in accounts with a Canadian chartered bank and a brokerage firm. Cash in excess of the amounts needed to fund the Company's day-to-day operating expenses is invested in securities guaranteed by the federal or British Columbia government. The reclamation bond is in the form of a GIC pledged to the Minister of Finance for the Province of British Columbia to support a reclamation bond issued by the provincial Ministry of Energy, Mines and Petroleum Resources to cover the estimated cost of reclaiming the Company's exploration projects. The Company's receivables primarily consist of harmonized sales tax rebates due from the federal government and a receivable due from Cliffs.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had cash balances of \$8,049,241 to settle current liabilities of \$100,376. All of the

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### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Since inception, the Company has financed its cash requirements primarily by issuing securities.

The timing of cash outflows relating to financial liabilities is outlined in the table below:

	< 1 year	1 – 3 years	4 -5 years	Total
Accounts payable and accrued liabilities	\$100,376	\$-	\$-	\$100,376

At September 30, 2011, the Company had met all the obligations associated with its financial liabilities.

#### Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates. At September 30, 2011, the Company was not exposed to significant market risk due to the short-term nature of the receivable balance.

##### (a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of the financial institutions it deals with and the securities in which its funds are invested.

##### (b) Foreign currency rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in the United States and other foreign countries by converting funds from its Canadian dollar bank accounts and wiring US funds to the foreign counterparty. Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

#### Sensitivity analysis

The Company works toward its capital management objectives to the extent possible while facing the challenges of market conditions and the public's assessment of the Company's risk profile. Its capital management objectives have not changed over the period presented.

The carrying value of cash, marketable securities, receivables, reclamation bond, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

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### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

*Sensitivity analysis (continued)*

The Company has no debt and accordingly is not subject to any financial covenants. The Company monitors its financing requirements through cash forecasting, consideration of current economic conditions and reviews of economic and political commentaries in respect of future developments. Financing decisions are based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to issue equity include the amount of cash sought, the availability of these sources and their terms.

### 18. CAPITAL MANAGEMENT

At September 30, 2011, the Company had working capital of \$8,226,327. The Company manages its cash, cash equivalents and common shares as capital. The Company's objectives in managing its capital are to:

- Maintain sufficient cash and cash equivalents to last a minimum of one year;
- Have the flexibility to achieve its on-going business objectives, including but not limited to funding work programs on its exploration and evaluation assets and pursuing new business opportunities as they arise, and
- Minimize dilution to existing shareholders.

The Directors have not specified a quantitative return on capital criteria for management, but rather rely on the expertise of management to sustain future development of the business.

The Company's exploration and evaluation assets are in the development stage and the Company does not generate a positive cash flow. As a consequence, the Company relies on accessing the capital markets to obtain the funds needed to carry on its business. It is the Company's intention to utilize its existing working capital and to raise additional funds as needed. The additional funds will be raised primarily through the issuance of its securities in private placements.

### 19. SEGMENTED INFORMATION

The Company operates in one reportable operating segment being the exploration of mineral properties. A geographic summary of mineral properties and capital expenditure by country for the nine month period ended September 30, 2011 is as follows:

	Canada	United States	Honduras	Consolidated
Net loss for the period	\$2,872,496	\$ -	\$ -	\$2,872,496
Mineral properties	\$387,147	\$19,999	\$9,117	\$416,263

### 20. FIRST-TIME ADOPTION OF IFRS

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS is applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under pre-changeover GAAP taken to retained earnings unless certain exemptions are applied. IFRS provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

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### 20. FIRST-TIME ADOPTION OF IFRS (continued)

#### (a) IFRS optional exemptions

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS.

##### *Share-based payment*

IFRS 1 permits the application of IFRS 2 - *Share Based Payment* only to equity instruments granted after November 7, 2002 that had not vested by the date of transition to IFRS. The Company has applied this exemption and will apply IFRS 2 for equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

#### (b) IFRS mandatory exceptions

##### *Estimates*

The estimates made by the Company under the pre-changeover Canadian GAAP previously applied were reviewed to determine if any revisions were needed to reflect any difference in accounting policy upon the application of IFRS, or where there was objective evidence that those estimates were in error. The review determined that there was no need to revise estimates previously made.

#### (c) IFRS reconciliations

In order to allow the users of the financial statements to better understand the changes arising from the adoption of IFRS, the financial statements previously presented under pre-changeover Canadian GAAP have been reconciled to IFRS.

From time to time, the Company financed a portion of the expenditures on its exploration and evaluation assets using the proceeds from the sale of flow-through shares. Under pre-changeover Canadian GAAP subsequent to March 19, 2004, when flow-through shares are issued, share capital is recorded at net proceeds less the deferred tax liability related to the renounced expenditures. Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or "premium", are recorded as a deferred charge. When expenditures are renounced, a deferred tax liability is recognized and the deferred charge is reversed. The net amount is recognized as deferred tax expense.

As a result of the foregoing change in accounting treatment, the transition to IFRS on January 1, 2010 resulted in a \$196,830 increase in share capital and an offsetting increase in deficit of the same amount.

The January 1, 2010 pre-changeover Canadian GAAP consolidated balance sheets have been reconciled to IFRS as follows:

	Canadian GAAP Jan. 1, 2010	Adjustments	IFRS Jan. 1, 2010
<b>ASSETS</b>			
<b>Current</b>			
Current assets	\$ 774,269	\$ -	\$ 774,269
Equipment	14,494	-	14,494
Reclamation deposit	3,000	-	3,000
Marketable securities	379,204	-	379,204
Exploration and evaluation assets	3,228,586	-	3,228,586
	<b>\$ 4,399,553</b>	<b>\$ -</b>	<b>\$ 4,399,553</b>

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**20. FIRST-TIME ADOPTION OF IFRS** (continued)

(c) **IFRS reconciliations** (continued)

	<b>Canadian GAAP Jan. 1, 2010</b>	<b>Adjustments</b>	<b>IFRS Jan. 1, 2010</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 98,867	\$ -	\$ 98,867
<b>EQUITY</b>			
Share capital	14,281,156	\$ 196,830	14,477,986
Other equity reserve	1,360,167	-	1,360,167
Deficit	(11,358,662)	(196,830)	(11,555,492)
Accumulated other comprehensive income	18,025	-	18,025
	<u>4,300,686</u>	<u>-</u>	<u>4,300,686</u>
	<u><b>\$ 4,399,553</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 4,399,553</b></u>

The September 30, 2010 pre-changeover Canadian GAAP Consolidated Balance Sheets have been reconciled to IFRS as follows:

	<b>Canadian GAAP Sep. 30, 2010</b>	<b>Adjustments</b>	<b>IFRS Sep. 30, 2010</b>
<b>ASSETS</b>			
<b>Current</b>			
Current assets	\$ 7,858,303	\$ -	\$ 7,858,303
Equipment	29,161	-	29,161
Reclamation deposit	6,500	-	6,500
Marketable securities	451,928	-	451,928
Exploration and evaluation assets	3,569,920	-	3,569,920
	<u><b>\$ 11,915,812</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 11,915,812</b></u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 728,998	\$ -	\$ 728,998
<b>EQUITY</b>			
Share capital	\$ 21,390,009	\$ 196,830	\$ 21,586,839
Other equity reserve	2,495,958	-	2,495,958
Deficit	(12,789,902)	(196,830)	(12,986,732)
Accumulated other comprehensive income	90,749	-	90,749
	<u>11,186,814</u>	<u>-</u>	<u>11,186,814</u>
	<u><b>\$ 11,915,812</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 11,915,812</b></u>

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*(Prepared by Management)**(Stated in Canadian Dollars)***20. FIRST-TIME ADOPTION OF IFRS (continued)****(c) Reconciliations (continued)**

The December 31, 2010 pre-changeover Canadian GAAP Consolidated Balance Sheets have been reconciled to IFRS as follows:

	<b>Canadian GAAP Dec. 31, 2010</b>	<b>Adjustments</b>	<b>IFRS Dec. 31, 2010</b>
<b>ASSETS</b>			
<b>Current</b>			
Current assets	\$ 7,081,305	\$ -	\$ 7,081,305
Equipment	28,532	-	28,532
Reclamation deposit	6,505	-	6,505
Marketable securities	1,142,808	-	1,142,808
Exploration and evaluation assets	2,798,514	-	2,798,514
	<b>\$ 11,057,664</b>	<b>\$ -</b>	<b>\$ 11,057,664</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 136,420	\$ -	\$ 136,420
<b>EQUITY</b>			
Share capital	21,519,742	196,830	21,716,572
Other equity reserve	2,447,603	-	2,447,603
Deficit	(13,827,730)	(196,830)	(14,024,560)
Accumulated other comprehensive income	781,629	-	781,629
	10,921,244	-	10,921,244
	<b>\$ 11,057,664</b>	<b>\$ -</b>	<b>\$ 11,057,664</b>

There was no change to the comprehensive loss for the nine months ended September 30, 2010 or the twelve months ended December 31, 2010 on the Company's transition to IFRS. Nevertheless, a table showing the statement of loss and comprehensive loss for the year ended December 31, 2010 and both the pre-changeover Canadian GGAP and IFRS basis is presented in the following table:

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*(Prepared by Management)**(Stated in Canadian Dollars)***20. FIRST-TIME ADOPTION OF IFRS (continued)****(c) Reconciliations (continued)**

	<b>Canadian GAAP Dec. 31, 2010</b>	<b>Adjustments</b>	<b>IFRS Dec. 31, 2010</b>
<b>EXPENSES</b>			
Accounting, legal and audit	\$ 35,831	\$-	\$ 35,831
Amortization	7,872	-	7,872
Communications	34,848	-	34,848
Foreign exchange loss	9,805	-	9,805
General exploration	323,181	-	323,181
Insurance	7,428	-	7,428
Management fees	136,315	-	136,315
Office and administration	14,606	-	14,606
Rent	19,860	-	19,860
Stock-based compensation	910,215	-	910,215
Travel and promotion	27,434	-	27,434
Trust and filing fees	30,116	-	30,116
Wages and benefits	273,067	-	273,067
<b>Net loss before other items</b>	<b>\$(1,830,578)</b>	<b>\$-</b>	<b>\$(1,830,578)</b>
Other items			
Interest income	36,488	-	36,488
Write-down of mineral properties	(674,978)	-	(674,978)
	(638,490)	-	(638,490)
<b>Net loss for the year</b>	<b>(2,469,068)</b>	<b>-</b>	<b>(2,469,068)</b>
Other comprehensive income item			
Unrealized gain on marketable securities	763,604	-	763,604
<b>Comprehensive loss for the year</b>	<b>\$(1,705,464)</b>	<b>\$-</b>	<b>\$(1,705,464)</b>

There were no differences between IFRS and pre-changeover Canadian GAAP in connection with the Company's statements of cash flows for the period ended September 30, 2010 or the year ended December 31, 2010.