Far City Mining Limited

Audited Financial statements
For the years ended
September 30, 2010 and 2009

Date: January 28, 2011

Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

SLF

AUDITORS' REPORT

To the Shareholders of
Far City Mining Limited

We have audited the consolidated balance sheets of Far City Mining Limited as at September 30, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Schwartz Levitsky Feldman llp

Toronto, Ontario
January 27, 2011

Chartered Accountants
Licensed Public Accountants

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Far City Mining Limited

(An Exploration Stage Company)

Consolidated Balance Sheets as at September 30,

(expressed in U.S. dollars)

	2010 $	2009 $
Assets		
Current assets		
Cash	8,666	606,613
Deposits paid (note 7)	185,551	469,497
	194,217	1,076,110
Mining claims and deferred exploration costs (note 8)	5,474,208	4,736,975
Property, plant and equipment (note 9)	81,288	2,403
	5,749,713	5,815,488
Liabilities		
Current liabilities		
Due to a related party (note 12)	269,733	422,542
Accounts payables and accrued liabilities	362,127	73,178
	631,860	495,720
Non-current liabilities		
Due to a related party (note 12)	431,102	9,806
Loan payable (note 13)	3,864	3,871
	1,066,826	509,397
Shareholder's Equity		
Share capital (note 10)	7,061,109	6,666,160
Contributed surplus (note 10)	2,832,207	928,489
	9,893,316	7,594,649
Deficit (notes 10 & 14)	(5,683,126)	(2,761,255)
Accumulated other comprehensive income	472,697	472,697
	(5,210,429)	(2,288,558)
	4,682,887	5,306,091
	5,749,713	5,815,488

Going Concern (note 1)
Related party transactions (note 15)
Commitments and Contingencies (note 16)
Segment information (note 17)

On behalf of the Board

Harry Tak Shing Lam — Patrick Pak Him Wong

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

Far City Mining Limited

(An Exploration Stage Company)

Consolidated Statement of Operation, Comprehensive Loss and Deficit for the year ended September 30,

(expressed in U.S. dollars)

	2010 $	2009 $
General and administrative expenses		
Salaries and benefits	477,061	398,891
Legal and professional fees	233,980	455,333
Occupancy costs	99,670	72,997
Travel, meals and entertainment	170,962	248,844
Office costs	23,230	34,131
Write off of assets	---	64,546
Amortization	30,703	1,117
Bank charges	2,856	1,896
Bad debts provision	---	293,100
Interest expenses	24,746	357,057
Stock-based compensation (note 10)	1,823,702	---
Exchange losses arising on the translation of financial statements of integrated foreign operation (note 5)	35,136	---
Operating loss before under noted items	(2,922,046)	(1,927,912)
Interest income	175	2,059
Net loss for the year	(2,921,871)	(1,925,853)
Foreign currency translation	---	45,311
Net loss and comprehensive loss for the year	(2,921,871)	(1,880,542)
Basic and diluted loss per share	(0.0212)	(0.0154)
Weighted average number of shares outstanding	137,965,062	124,677,265

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

Far City Mining Limited

(An Exploration Stage Company)

Consolidated Statement of Cash Flows for the year ended September 30,

(expressed in U.S. dollars)

	2010 $	2009 $
Cash flows from operating activities		
Net loss	(2,921,871)	(1,925,853)
Non cash items		
Write off of assets	---	64,546
Amortization	30,703	1,117
Bad debts provision	---	293,100
Imputed interest expense	24,746	346,767
Stock-based compensation	1,823,702	---
Expenses paid on behalf by related parties	287,078	---
Exchange losses arising on the translation of financial statements of integrated foreign operation	35,136	---
Net change in non-cash working capital items		
Increase in accounts payables and accrued liabilities	164,658	73,156
Increase in deposit paid	(152,623)	(469,671)
	(708,471)	(1,616,838)
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(109,876)	(3,999)
Mining and deferred exploration costs	(146,990)	---
	(256,866)	(3,999)
Cash flows from financing activities		
Repayments to related parties	(26,713)	(383,718)
Proceeds from issuance of share capital, net of cost	394,949	2,522,977
Advances from unrelated party	---	3,870
	368,236	2,143,129
Effect of foreign exchange	(846)	37,596
(Decrease) Increase in cash	(597,947)	559,888
Cash, beginning of the year	606,613	46,725
Cash, end of the year	8,666	606,613
Interest paid	---	---
Income tax paid	---	---

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

1 Going concern

Far City Mining Limited (the "Company") has a deficit of $5,683,126 and total liabilities payable of $1,066,826 compared to total assets of $5,749,713 which includes cash of $8,666. The Company has negative working capital of $437,643 and cash outflows from operations of $708,471 for the year ended September 30, 2010. The Company is dependant on the continued support of its main shareholder, at the year ended September 30, 2010, the Company has obtained written agreements from its main shareholder, whereby the main shareholder has promised to continue to support the operation of the company by making advances to the company from time to time. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management's plan will be successful. These financial statements have been prepared on the basis that the Company is a going concern and does not reflect potential adjustments that may be required if the going concern assumption was not applicable.

2 Acquisition and reverse takeover transaction

On March 26, 2009, Far City Mining Limited ("Far City") completed a reverse takeover transaction in accordance with the share purchase agreement dated March 26, 2009 among Far City, Feature Grand Limited ("Feature Grand") and the shareholder of Feature Grand. Pursuant to the agreement, Far City issued an aggregate 120,000,000 shares to the shareholder of Feature Grand, representing effectively 100% of the issued and outstanding shares of Far City, in exchange for 100% of the outstanding shares of Feature Grand.

As a result of the transaction described above, control of Far City was passed to the former shareholder of Feature Grand upon closing of the transaction. This type of share exchange is referred to as a 'reverse takeover'. A reverse takeover transaction involving a non-public enterprise and a non-operating public company is a capital transaction in substance, rather than a business combination. That is, the transaction is equivalent to the issuance of shares by the non-public operating enterprise for the net monetary assets of the non-operating public company, accompanied by a recapitalization of the non-public operating enterprise.

The reverse takeover transaction has been accounted for as a recapitalization of Feature Grand Limited whereby the historical financial statements and operations of Feature Grand Limited become the historical financial statements of Far City with no adjustment to the carrying value of the assets and liabilities. The accompanying financial statements reflect the recapitalization of the shareholders equity as if the transaction occurred as of the beginning of the first period presented.

3 Nature of operations

The Company was incorporated in the British Virgin Islands on March 5, 2009. The Company is focused on acquiring mining properties, primarily in the Peoples Republic of China ("PRC").

4 Basis of presentation

The Company owns all of the issued and outstanding shares of Feature Grand Limited, a British Virgin Islands company, which in turn owns Great Elegant Investment Limited ("Great Elegant"), a Hong Kong company, and Take Gold Limited, a Hong Kong company, which Great Elegant owns 100% of Chengdu Xincai Mining Co. Ltd., a wholly-owned foreign enterprise in the PRC which in turn owns 100% of Ganzi State Xingkang Zinc and Multi-metals Mining Co. Ltd. Take Gold Limited owns 100% of Chengdu De Kuang Mining and Exploration Consultation Limited, a wholly-owned foreign enterprise in the PRC.

Following the reverse takeover transaction on March 26, 2009 (See Note 2), the consolidated financial statements include the financial statements of Far City and its subsidiaries. Prior to the reverse takeover transaction, the consolidated financial statements include Feature Grand Limited and its subsidiaries. All significant inter-company balances and transactions have been eliminated upon consolidation. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

5 Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Mining properties

The Company is in the exploration stage and follows the full-cost method of accounting whereby expenditures related to its mineral properties are deferred until such time as the properties are put into commercial production, impaired, sold or abandoned. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as mining claims and deferred exploration represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the expenditures will be charged to operations in the related period.

The recoverability of amounts shown as mining claims and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties.

The Company reviews capitalized costs on its mineral properties and will recognize an impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value, which is normally determined using the discounted value of future cash flows.

Exploration costs that are not attributable to a specific property are charged to operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements.

Impairment of long-lived assets

The Company's long-lived assets consisting of property, plant and equipment and mining claims and deferred exploration costs are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the discounted projected future net cash flows expected from its use and disposal and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

Foreign currency

The Company maintains its books and records in Renminbi, RMB or HK$, the currency of the PRC or Hong Kong, its functional currencies. The Company reports in United States dollars to be comparable with other international mining companies.

In year 2009, the main financing for the company was provided by shareholder's loans. The circumstance changed in year 2010, in 2010 the company and its subsidiaries (located in HongKong and P.R.China) were mainly financed by the funds raised by private placement made by its holding company (listed company in Canada). Due to this change the company adopted the temporal method instead of the current rate method in year 2010. Therefore the foreign operation was reclassified from self-sustaining to integrated according to CICA HB 1651. Exchange gains and losses previously accumulated in a separate component of accumulated other comprehensive income continue to be included in accumulated other comprehensive income. The translated amounts for non-monetary items at the end of the prior period become the historical basis for those items in the period of the change and subsequent periods.

In translating the financial statements of the Company from its functional currency into its reporting currency of United States dollars: (a) Monetary items are translated into the reporting currency at the exchange rate in effect at the balance sheet date; (b) Non-monetary items are translated at historical exchange rates; (c) Revenue and expense items are translated at the average exchange rate prevailing during the reporting period; (d) Depreciation or amortization of assets translated at historical exchange rates should be translated at the same exchange rates as the assets to which they relate. Adjustments resulting from the translation, if any, are included in statement of operation.

Income taxes

The Company applies the liability method of measuring income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized. The effect of a change in a tax rate is recognized in income in the period that includes the date of enactment or substantive enactment. The recognition of future benefits is limited to the extent that the realization of such benefits is more likely than not.

Stock-based compensation

The Company follows the fair value method of accounting for the stock option granted to employees, directors and non-employees providing services to the Company. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, and volatility of the expected market price of the Company's common shares and an expected life and rate of forfeiture of the options. As the company considers services rendered by employees, directors and non-employees in order to qualify for stock-based compensation has been received, the stock option is exercisable in part or in whole at any time. Stock-based compensation has been charged to net income and included in the relevant balance sheet accounts for year ended September 30, 2010.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable single measurement of the fair value of the Company's stock options.

Loss per share

Basic loss per share is calculated based on the net loss attributable to common shareholders for the period divided by the weighted average number of common shares issued and outstanding during the year. Though the company has issued stock options during the year ended September 30, 2010, however, according to CICA HB Earnings per share (section 3500), options and warrants have a dilutive effect only when the average market price of the common shares during the period exceeds the exercise price of the options or warrants. As the average market price of the common shares during the year ended September 30, 2010 was less than the exercise price of the stock options, no diluted effects from the options was included in the computation of the diluted loss per share, and hence diluted loss per share is the same as basic loss per share.

Estimates by management

Estimates by management represent an integral component of financial statements prepared in conformity with Canadian generally accepted accounting principles. The estimates made in these financial statements reflect management's judgments based on past experiences, present conditions, and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, revenues and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time these financial statements were prepared and such differences could be material. Significant estimates include the recoverability of mining claims and deferred exploration costs, accrued liabilities.

Fair value of financial instruments

Due to the short term nature, the fair values of cash, deposits, due to related parties and accruals approximate their book values.

The majority of the Company's financial assets and liabilities is denominated in foreign currencies giving rise to risks from changes in foreign exchange rates. The Company does not use derivative financial instruments to mitigate its foreign exchange exposure.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the property and equipment at the following annual rates:

Furniture and equipment	20%-50%
Leasehold improvements	Shorter of the estimated useful life and the term of lease

Asset retirement obligations

The Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be determined. The liability is measured at fair value and is adjusted to its present value in subsequent periods as accretion expense is recorded. The fair value of the estimated asset retirement costs is capitalized as part of the carrying amount of the long-lived asset when incurred and amortized to earnings over the asset's estimated useful life. As at September 30, 2010, there is no asset retirement obligation.

6 Changes in accounting policies including initial adoption

The Company has adopted the Canadian Institute of Chartered Accountants' new Handbook Section 1530 "Comprehensive Income", Section 1535 "Capital Disclosures", Section 3251 "Equity", Section 3855 "Financial Instruments – recognition and measurement", Sections 3862 and 3863 which deal with financial instruments disclosure and presentation, Section 3865 "Hedges", Section 1400 "General Standards on Financial Statement Presentation", Section 3031 "Inventories", Section 3064 "Goodwill and Intangible Assets".

a) Comprehensive income

Section 1530 introduces new requirements for situations when certain gains and losses ("other comprehensive income" or "OCI") must be temporarily presented outside of net loss. Comprehensive income includes both net loss and OCI. OCI is the change in shareholders' equity from non-owner sources which are not included in the calculation of net loss until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category of shareholders' equity on the balance sheet.

b) Capital disclosures

Section 1535 requires disclosure about how the Company manages its capital resources. A new note has been added to these financial statements.

c) Equity

As a result of the issuance of guidance on financial instruments accounting, the CICA issued an amended accounting standard regarding Equity ("Section 3251"), which replaces Section 3250, Equity. The standard requires companies to disclose the impact of the new financial instruments accounting on equity within the Consolidated Balance Sheets and the Consolidated Statements of Retained Earnings.

d) Financial instruments recognition, measurement, disclosure and presentation

Under Section 3855, all financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net loss.

Upon adoption of these standards, the Company has designated its cash as held-for trading, which are measured at fair value. Deposits are designated as loans and receivables, which are measured at amortized cost. Loan payable and due to related parties are designated as other liabilities, which are measured at amortized cost. At September 30, 2010, the Company had neither available-for-sale nor held-to maturity financial instruments. The adoption of this policy had no material impact on opening deficit.

Sections 3862 and 3863 identifies and details information to be disclosed in the financial statements.

e) Hedges

CICA handbook Section 3865 specifies circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

f) General Standards on Financial Statement Presentation

Section 1400 has been amended to include requirements to assess and disclose an entities ability to continue as a going concern. The impact of this standard has been disclosed in note 1.

g) Inventories

Section 3031 provides guidance on determining cost as well as other recognition, measurement, presentation and disclosure issues related to inventories. The adoption of this standard had no impact on the Company's financial statements.

h) Goodwill and Intangible Assets

The new Handbook Section 3064 "Goodwill and Intangible Assets" replaces Section 3062 "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The adoption of this standard had no impact on its consolidated financial statements.

Future accounting and reporting changes

New accounting standard

CICA HB Section 1601, Consolidated Financial Statements and HB Section 1602, Non-controlling Interests replace CICA HB Section 1600, Consolidated Financial Statements. HB Section 1601 establishes standards for the preparation of consolidated financial statements. HB Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. HB Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on or after January 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its Financial Statements.

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the Corporation beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with international financial reporting standards (IFRS). The Company does not anticipate that the adoption of this standard will impact its financial results.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 (specifically Oct 1, 2011 for the Company). The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the total financial reporting impact of the transition to IFRS cannot be fully and reasonably estimated at this time.

a) Business combinations– IFRS 3, Business Combinations, maybe applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. We will not elect to retrospectively apply IFRS 3 to business combinations that occurred prior to the Transition Date and such business combinations will not be restated. Any goodwill arising on such business combinations before the Transition Date will not be adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions except as required under IFRS 1.

b) Fair value as deemed cost– IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior Canadian GAAP. We will continue to apply the cost model for property, plant &equipment and will not restate property, plant & equipment to fair value under IFRS. We will use the historical bases under Canadian GAAP as deemed cost under IFRS at Transition Date.

c) Cumulative translation differences– Retrospective application of IFRS would require us to determine cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or associate was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. We will not elect to reset all cumulative translation gains and losses to zero in opening retained earnings at the Transition Date.

d) Share-based payments– IFRS 2, Share Based Payments. We will apply IFRS 2 for all liabilities arising from share-based payment transactions that existed at September 30, 2010.

7 Deposit

During the year the Company paid deposit amounted $156,460 ($452,253 in year 2009) to Geophysical Prospecting Team of Sichuan Bureau of Geology & Mineral Resource Prospecting and Exploration ("explorer") to carry out exploration work in Jiaogema mine.

8 Mining claims and deferred exploration costs

Mining claims and deferred exploration costs are associated with the following projects.

	2010	**2009**
	$	**$**
Jiaogenma Project	5,474,208	4,736,975
	5,474,208	4,736,975

The following summary describes the terms of material property agreements entered into by the Company.

The Jiaogema project is located in Sichuan province, in the PRC and holds an exploration and mining licence for a tin-zinc mine. The licence is 100% owned by a subsidiary of the Company and as such there are no royalties or other payments due to third parties. The licence will expire on December 31, 2012. Application for extension / renewal needs to be submitted to the registration office at least 30 days before the licence expires.

9 Property, plant and equipment

	Cost $	Accumulated depreciation $	Net book value $
Furniture and equipment	33,426	7,284	26,142
Leasehold improvements	79,580	24,434	55,146
As at September 30, 2010	113,006	31,718	81,288
Furniture and equipment	3,520	1,117	2,403
As at September 30, 2009	3,520	1,117	2,403

10 Share capital, contributed surplus and stock options

a) Authorized

The registered capital of the Company is 500,000,000 shares with no stated value. The shares may be divided into such number of classes and series as the directors may by resolution from time to time determine, and until so divided shall comprise one class and series.

b) **Issued and outstanding**

	Number Of shares	Amount	Share capital	Contributed surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, Oct. 10, 2007 (date of incorporation of Feature Grand Limited)	---	---	10	---	---	---	10
Translation adjustment	---	---	---	---	427,386	-	427,386
Net loss for the period	---	---	---	---	---	(835,402)	(835,402)
Balance, Sep. 30, 2008	---	---	10	---	427,386	(835,402)	(408,006)
Issuance of shares for cash	---	---	990	---	---	---	990
Issuance of shares through conversion of debt	---	---	4,142,183	---	---	---	4,142,183
Recapitalization upon reverse acquisition of Feature Grand Limited	120,000,001	4,143,183	(4,143,183)	---	---	---	---
Issuance of shares for cash	17,552,425	2,522,977	---	---	---	---	2,522,977
Translation adjustment	---	---	---	---	45,311	---	45,311
Discount from fair value calculated on the initial recognition of long-term non-interest bearing loan	---	---	---	928,489	---	---	928,489
Net loss for the period	---	---	---	---	---	(1,925,853)	(1,925,853)
Balance, Sep. 30, 2009	137,552,426	6,666,160	---	928,489	472,697	(2,761,255)	5,306,091
Issuance of shares for cash	1,793,000	394,949	---	---	---	---	394,949
Discount from fair value calculated on the initial recognition of long-term non-interest bearing loan	---	---	---	80,016	---	---	80,016
Stock options	---	---	---	1,823,702	---	---	1,823,702
Net loss for the period	---	---	---	---	---	(2,921,871)	(2,921,871)
Balance, Sept 30, 2010	139,345,426	7,061,109	-	2,832,207	472,697	(5,683,126)	4,682,887

1 share issued for US$1 on incorporation.

120,000,000 shares issued for acquisition of Feature Grand Limited on March 26, 2009. Refer to Note 2: Acquisition and reverse takeover transaction for addition information.

6,858,000 shares issued for $548,618 on March 30, 2009.

10,694,425 shares issued for $1,974,359 on August 21, 2009.

1,793,000 shares issued for $394,949 on July 9, 2010.

c) Contributed surplus

A summary of the contributed surplus account is presented below:

	$
Balance, September 30, 2009	928,489
Discount from fair value calculated on the initial recognition of long-term non-interest bearing loan	80,016
Stock options	1,823,702
Balance, September 30, 2010	2,832,207

d) Stock options

As at May 17, 2010, the Company established a stock option plan ("the Plan") for the benefit of key employees, directors and officers of, and service providers providing services to, the Company. The Plan provides that the aggregate number of shares available for issuance, pursuant to options granted under the Plan is limited to 13,755,000 shares.

Options are granted under the Plan at the discretion of the Board of Directors at exercise prices determined by the Company, but shall be not less than the fair market value of the shares on the date of grant of the option. In general, options granted under the Plan vest over the period of up to a maximum of ten years from the grant date and expire by no later than the tenth anniversary of the date of grant.

A summary of the status of the Company's stock option plan and changes during the year ended September 30, 2010 is presented below.

	Options	Price $
Outstanding, beginning of year	---	---
Options granted	9,600,000	0.22
Options cancelled	(200,000)	0.22
Outstanding, end of period	9,400,000	0.22

The fair value used to calculate the compensation expense related to the stock options granted has been estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Risk-free interest rate	3.12%
Expected dividend yield	---
Expected stock price volatility	92.05%
Expected option life in years	10
Expected rate of forfeiture	0%

Stock options granted during the year ended September 30, 2010 were priced based upon the five-day volume weighted average price for the Company's shares prior to the grant date. The weighted average grant-date fair value of options granted during the year ended September 30, 2010 was $0.19 per option. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

The fair value of options vested during the year has been recognized. An amount $1,823,702 has been charged to expenses and $1,823,702 has been credited in contributed surplus.

11 Income taxes

The recovery of income taxes differs from the amounts computed by applying local tax rates to the loss before tax due to the following:

	2010 $	2009 $
Tax rate	17%	19%
Net loss for the period	(2,921,871)	(1,925,853)
(Recovery) of income taxes at applicable rates	(498,437)	(365,912)
Non deductible expenses	322,024	4,781
Valuation allowance	176,413	361,131
	---	---

The tax loss carry forwards are all related to the operations in the PRC. These losses may be carried forward and applied against income earned in subsequent years for maximum period of five years. As the Company does not anticipate earning a profit in the near future, no future income tax asset has been recognized.

The company has accumulated losses of approximately $696,270 which expire in various years to 2015 as follows:

	$
Expiring in Year 2013	158,726
Expiring in Year 2014	361,131
Expiring in Year 2015	176,413
	696,270

12 Due to related parties

The amounts due to a related party, Mr. Joseph Biu Sing Tam, presented as a current liability are for his payment of expenses on behalf of the Company. Mr. Tam is the director of the Company.

The amounts due to a related party, Mr. Patrick Pak Him Wong, presented as a current liability are for his payment of expenses on behalf of the Company. Mr. Wong is the director of the Company.

The amounts due to a related party, 2217415 Ontario Inc., presented as a current liability are for professional and legal fees owing to the above mentioned company. Mr. Joseph Biu Sing Tam's wife is the sole beneficiary of that company.

The amounts due to a related party presented as a non-current liability are unsecured, are non-interest bearing and are repayable by 18 months notice.

The payable due to a related party, Mr. Lam Tak Shing, Harry ("Mr. Lam"), presented as non-current liabilities is unsecured, are non-interest bearing and are repayable by 14 months notice. Mr. Lam is the ultimate shareholder of the Company. The company accrued and charged imputed interest $24,746 for the year ended September 30, 2010 ($357,057 in 2009).

13 Loan payable

Loan payable is unsecured, interest free and is repayable by 18 months notice.

14 Reserve

Under the laws of the PRC, all wholly owned foreign investment entities have to set aside a portion of their net income each year as a general reserve fund until the fund has reached 50% of the entity's paid in capital. The Company is also required to set aside a portion of net income as an expansion fund. These funds are allowed to be distributed to shareholders at the time of winding up. The funds accumulated by the Company as at September 30, 2010 are $Nil as the subsidiaries of the Company had deficit as at September 30, 2010.

15 Related parties transactions

The company paid legal and professional fees to Mr. Jorge Sepulveda Schonherr amounted $13,213.

The company paid legal and professional fees to 2217415 Ontario Inc. amounted $75,808 in which Mr. Joseph Biu Sing Tam's wife is the sole beneficiary of that company.

16 Commitments and contingencies

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company.

The commitment for office rental of the Company in as follows:

2011	$54,669
2012	$30,819

17 Segment information

The Company's operations are limited to a single industry segment, being mineral exploration and development. All identifiable assets are located in the PRC with the exception of a nominal cash balance located in the British Virgin Islands. All operating expenditures and losses were incurred in the PRC.

18 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 provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital as an acceptable risk. In the management of capital, the Company includes the components of shareholders' deficit, as well as 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 capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company has no debt other than amounts advanced from related parties and has no immediate plans to enter into debt financing.

The Company is currently dependent on its shareholders and debt holders as its sole source of operating working capital.

In order to facilitate the management of its capital requirements, the Company will prepare annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets will be approved by the Board of Directors.

The Company is not subject to any capital requirements.

The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments, with maturities 90 days or less from the original date of acquisition.

19 Financial instruments and risk management

a) Fair value of financial instruments

The CICA establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices 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 that are not based on observable market data.

The Company's financial instruments consist of cash, deposit, due to a related party and a loan payable. The fair values of the financial instruments approximate their amortized cost value due to their short-term nature. Cash and deposit are measured using Level 1 of the fair value hierarchy.

	2010		2009	
	Carrying Value $	**Fair Value $**	**Carrying Value $**	**Fair Value $**
Financial assets				
Held for Trading				
Cash	8,666	8,666	606,613	606,613
Loans and receivables				
Deposit	185,551	185,551	469,497	469,497
Financial liabilities				
Other Financial Liabilities				
Accruals	362,127	362,127	73,178	73,178
Due to a Related Party – Current	269,733	269,733	422,542	422,542
Due to a Related Party – Non-current	477,870	431,102	9,806	9,806
Loan Payable – Non-current	3,864	3,864	3,871	3,871

The Company used the net present value method to estimate the fair value of non-current financial liabilities. Considering the interest rate incurred by the Company on similar financial liabilities, the Company has determined that an annual interest rate of 12.5% should be used to discount the carrying amount to fair value of these non-current financial liabilities.

b) **Currency risk**

A portion of the Company's financial assets and liabilities is denominated in foreign currencies giving rise to risks from changes in foreign exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in China. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

Future changes in exchange rates could have a material effect on the Company's business, financial condition and results of operations.

c) **Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its commercial obligations.

The Company does not have significant cash balances so this risk is considered to be limited. The receivable is current in nature and the Company does not anticipate any collection risk.

d) **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its cash according to its operational needs and to optimize revenues from interest.

e) **Liquidity risk**

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents balances to enable settlement of transactions on the due date.