

**Far City Mining Limited**

Audited Financial statements  
For the years ended  
September 30, 2009 and 2008

**Schwartz Levitsky Feldman llp**

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS  
TORONTO • MONTREAL



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, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the 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, 2009 and 2008 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 22, 2010

Chartered Accountants  
Licensed Public Accountants

1167 Caledonia Road  
Toronto, Ontario M6A 2X1  
Tel: 416 785 5353  
Fax: 416 785 5663

# Far City Mining Limited

(An Exploration Stage Company)

Consolidated Balance Sheet as at September 30, 2009 and 2008

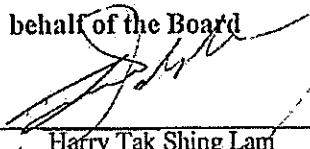
(expressed in U.S. dollars)

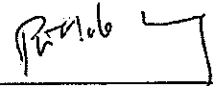
	2009	2008
	\$	\$
<b>Assets</b>		(Restated- see note-2)
<b>Current assets</b>		
Cash	606,613	46,725
Deposits paid	469,497	---
Receivables (from a related party, note 11)	---	290,923
	<u>1,076,110</u>	<u>337,648</u>
<b>Mining claims and deferred exploration costs (note 8)</b>	4,736,975	4,790,289
<b>Property, plant and equipment</b>	2,403	---
	<u>5,815,488</u>	<u>5,127,937</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Due to a related party (note 11)	422,542	802,230
Accruals	73,178	---
	<u>495,720</u>	<u>802,230</u>
<b>Non-current liabilities</b>		
Due to a related party (note 11)	9,806	3,805,224
Loan payable (note 12)	3,871	---
	<u>509,397</u>	<u>4,607,454</u>
<b>Shareholder's Equity</b>		
Share capital (note 9)	6,666,160	10
Contributed surplus	928,489	928,489
	<u>7,594,649</u>	<u>928,499</u>
<b>Deficit (notes 9 &amp; 13)</b>	(2,761,255)	(835,402)
<b>Accumulated other comprehensive income</b>	472,697	427,386
	<u>(2,288,558)</u>	<u>(408,016)</u>
	<u>5,306,091</u>	<u>520,483</u>
	<u>5,815,488</u>	<u>5,127,937</u>

Going Concern (note 1)

Commitments and Contingencies (note 13)

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 Statements of Operations, Comprehensive Loss and Deficit  
For the years ended September 30, 2009 and 2008

(expressed in U.S. dollars)

	2009 \$	2008 \$ (Restated- see note 2)
<b>General and administrative expenses</b>		
Salaries and benefits	398,891	253,823
Legal and professional fees	455,333	66,572
Occupancy costs	72,997	108,688
Travel, meals and entertainment	248,844	53,270
Office costs	34,131	6,567
Write off of assets	64,546	---
Amortization	1,117	---
Bank charges	1,896	220
Bad debts provision	293,100	---
Interest expenses	357,057	347,301
	<u>(1,927,912)</u>	<u>(836,441)</u>
<b>Other income:</b>		
Interest income	2,059	1,039
<b>Net loss for the year</b>	<u>(1,925,853)</u>	<u>(835,402)</u>
<b>Comprehensive income:</b>		
Foreign currency translation	45,311	427,386
<b>Comprehensive loss</b>	<u>(1,880,542)</u>	<u>(408,016)</u>
<b>Basic and diluted loss per share</b>	<u>(0.0154)</u>	<u>(0.0070)</u>
<b>Weighted average number of shares outstanding</b>	<u>124,677,265</u>	<u>120,000,000</u>

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

# Far City Mining Limited

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the years ended September 30, 2009 and 2008

(expressed in U.S. dollars)

	2009 \$	2008 \$ (Restated - see note 2)
<b>Cash flows from operating activities</b>		
Net loss	(1,925,853)	(835,402)
Non cash items		
Write off of assets	64,546	---
Amortization	1,117	---
Bad debts provision	293,100	---
Imputed interest expense	346,767	347,301
Changes on operating assets and liabilities		
Increase in accounts payable	73,156	11,094
Increase in deposits paid	(469,671)	---
	<u>(1,616,838)</u>	<u>(477,007)</u>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(3,999)	---
Deferred mining and exploration expenditures	---	(13,142)
Acquisition of Ganzi State Xingkang Zinc and Multi-metals Co. Ltd., net of cash acquired	---	(4,632,780)
	<u>(3,999)</u>	<u>(4,645,922)</u>
<b>Cash flows from financing activities</b>		
Advances (Repayments) from (to) related party	(383,718)	5,166,395
Proceeds from issuance of share capital, net of cost	2,522,977	10
Advances from unrelated party	3,870	---
	<u>2,143,129</u>	<u>5,166,405</u>
<b>Effect of foreign exchange</b>	37,596	3,249
<b>Increase in cash</b>	<u>559,888</u>	<u>46,725</u>
<b>Cash, beginning of year</b>	46,725	---
<b>Cash, end of year</b>	<u><u>606,613</u></u>	<u><u>46,725</u></u>

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

# Far City Mining Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

(expressed in U.S. dollars)

## 1 Going concern

Far City Mining Limited (the "Company") has a deficit of \$2,761,255 and total liabilities payable of \$509,397 compared to total assets of \$5,815,488 which includes cash of \$606,613. The Company has working capital of \$580,390 and cash outflows from operations of \$1,616,838 in the year ended September 30, 2009. The Company is dependant on the continued support of its debt holders (who are related to the shareholders) and its ability to raise adequate long-term financing to continue as a going concern. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. 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 Restatement of previously reported results

The restatement of the Company's consolidated financial statements resulted from identification of a non-cash accounting error as well as the presentation of a demand loan in its September 30, 2008 consolidated financial statements. The correction of the non-cash accounting error relates to the Company's reporting of a long-term, non-interest bearing loan to a related party in compliance with CICA Section 3855, Financial Instruments – Recognition and Measurement.

The long-term, non-interest bearing loan to a related party should be valued at fair market value upon initial recognition. Any discount from fair value calculated on the initial recognition should be added to equity as contributed surplus. After initial recognition, this loan should be measured at amortized cost using the effective interest rate method with any interest expense for the period being recorded as an expense in the related party.

The consolidated financial statements have also been restated to present a loan from a related party as a current liability as the amount was due on demand.

As a result of these corrections, the previously reported results have been restated as follows:

	As previously reported \$	As restated \$
<b>Liabilities</b>		
<b>Current liabilities</b>		
Due to a related party	14,546	802,230
	<hr/> 14,546	<hr/> 802,230
<b>Non-current liabilities</b>		
Due to a related party	5,163,879	3,805,224
	<hr/> 5,178,425	<hr/> 4,607,454

# Far City Mining Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(expressed in U.S. dollars)

	As previously reported	As restated
	\$	\$
<b>Shareholders' Equity (Deficiency)</b>		
Share capital	10	10
Contributed surplus	---	928,489
Deficit	(488,101)	(835,402)
Accumulated Other comprehensive income	437,603	427,386
	<u>(50,488)</u>	<u>520,483</u>
	<u>5,127,937</u>	<u>5,127,937</u>
Interest expense	---	347,301
Net loss	(488,101)	(835,402)
Comprehensive loss	(50,498)	(408,016)
Basic and diluted loss per share	(0.0041)	(0.0070)

### 3 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.

# Far City Mining Limited

*(An Exploration Stage Company)*

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

*(expressed in U.S. dollars)*

## 4 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").

## 5 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 Xincui 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 3), 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.

## 6 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 claims and deferred exploration costs**

The Company is in the exploration stage and follow the full-cost method of accounting whereby expenditures related to its mineral properties 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.



# Far City Mining Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

*(expressed in U.S. dollars)*

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.

## **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 translating the financial statements of the Company from its functional currency into its reporting currency of United States dollars, assets and liabilities are translated using the closing exchange rate in effect at the balance sheet date, equity accounts are translated using historical rates and income and expense accounts are translated using an average exchange rate prevailing during the reporting period. Adjustments resulting from the translation, if any, are included in cumulative other comprehensive income (loss) in stockholders' equity.

## **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.

## **Loss per share**

Loss per share is determined using the weighted average number of shares outstanding during the period. There are no stock options, warrants or other potentially dilutive instruments issued and outstanding so loss per share is the same as diluted loss per share.

# Far City Mining Limited

*(An Exploration Stage Company)*

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

*(expressed in U.S. dollars)*

## **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.

## **Fair value of financial instruments**

Due to the short term nature, the fair values of cash, receivables and, 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.

## **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, 2009, there is no asset retirement obligation.

## **Impairment of long-lived assets**

The Company's long-lived assets consisting of 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 projected undiscounted 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.

# Far City Mining Limited

*(An Exploration Stage Company)*

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

*(expressed in U.S. dollars)*

## 7 Changes in accounting policies including initial adoption

### Financial instruments

Effective October 10, 2007, the Company 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, and Section 3865, "Hedges".

#### 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. The Company had OCI transactions related to foreign currency translation. During the year ended September 30, 2009 the Company recorded a foreign exchange gain of \$45,311 on the translation of its foreign denominated assets and liabilities.

#### 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.

# Far City Mining Limited

*(An Exploration Stage Company)*

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

*(expressed in U.S. dollars)*

Upon adoption of these new standards, the Company has designated its cash as held-for trading, which are measured at fair value. Receivables 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, 2009, 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.

## **Future accounting and reporting changes**

The Canadian Institute of Chartered Accountants issued new accounting standards which the Company has adopted, effective October 1, 2008: Section 1400 "General Standards on Financial Statement Presentation" and Section 3031 "Inventories".

- (i) 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.
- (ii) 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.

The Canadian Institute of Chartered Accountants issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace 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 new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard had no impact on its consolidated financial statements.

## **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.

# Far City Mining Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

(expressed in U.S. dollars)

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. 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 financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## 8 Mining claims and deferred exploration costs – Schedule 1

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

	2009	2008
	\$	\$
Jiaogenma Project	4,736,975	4,790,289
	<u>4,736,975</u>	<u>4,790,289</u>

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 May 19, 2010. Application for extension / renewal needs to be submitted to the registration office at least 30 days before the licence expires.

# Far City Mining Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(expressed in U.S. dollars)

## 9 Share capital

### 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
<b>Balance, Oct. 10, 2007 (date of Incorporation of Feature Grand Limited)</b>	---	---	10	---	---	---	10
Translation adjustment	---	---	---	---	427,386	---	427,386
Net loss for the period	---	---	---	---	---	(835,402)	(835,402)
Discount from fair value calculated on the initial recognition of long- term no-interest bearing loan	---	---	---	928,489	---	---	928,489
<b>Balance, Sep. 30, 2008</b>	---	---	10	928,489	427,386	(835,402)	520,483
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	120,000,000	14,143,183	(4,143,183)	---	---	---	---
Issuance of shares for cash	17,552,425	2,522,977	---	---	---	---	2,522,977
Translation adjustment	---	---	---	---	45,311	---	45,311
Net loss for the period	---	---	---	---	---	(1,925,853)	(1,925,853)
<b>Balance, Sep. 30, 2009</b>	<u>137,552,426</u>	<u>6,666,160</u>	---	<u>928,489</u>	<u>472,697</u>	<u>(2,761,255)</u>	<u>5,306,091</u>

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 3: 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.

**Far City Mining Limited**  
*(An Exploration Stage Company)*  
Notes to Consolidated Financial Statements  
September 30, 2009 and 2008

---

*(expressed in U.S. dollars)*

**10 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:

	2009 \$	2008 \$ (Restated - see note 2)
Tax rate	19%	19%
Net loss for the year	(1,925,853)	(835,402)
(Recovery) of income taxes at applicable rates	(365,912)	(158,726)
Non deductible entertainment expenses	4,781	---
Valuation allowance	(361,131)	(158,726)
	361,131	158,726
	---	---
	=====	=====

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 \$519,857 which expire in various years to 2014 as follows:

Expiring in Year 2013	\$ 158,726
Expiring in Year 2014	361,131
	=====
	519,857
	=====

**11 Due to related parties**

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 amounts are owed to the ultimate shareholder of the company.

The receivable due from a related party, Sichuan Jinde Mining Company Limited, presented as current assets is unsecured, due on demand and has been fully-provided for. The ultimate shareholder of the Company has a controlling interest over the related party.

# Far City Mining Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

(expressed in U.S. dollars)

The payable due to a related party, Mr. Lam Tak Shing, Harry (“Mr. Lam”), presented as current liabilities is unsecured, and is due on demand. Mr. Lam is the ultimate shareholder of the Company.

## 12 Loan payable

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

## 13 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, 2009 are \$Nil as the subsidiaries of the Company had deficit as at September 30, 2009.

## 14 Related parties transactions

The company paid legal and professional fees to Mr. Jorge Sepulveda Schonherr amounted \$4,956.

The company paid legal and professional fees to 2217415 Ontario Inc. amounted \$4,053 in which Mr. Joseph Biu Sing Tam’s wife is the sole beneficiary of that company.

## 15 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 is as follows:-

2010	\$56,879
2011	\$46,074
2012	\$30,716

## 16 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.



# Far City Mining Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

(expressed in U.S. dollars)

## 17 Acquisition

Effective November 22, 2007 the Company acquired all of the issued and outstanding shares of Ganzi State Xingkang Zinc and Multi-metals Mining Co. Ltd. a PRC based mining company with a valid exploration licence for a tin-zinc mine. The purchase price was funded through the issuance of related party debt.

Details of the purchase equation are as follows:

	\$
Mining claims and deferred exploration costs	4,776,758
Cash acquired	<u>40,213</u>
Total cost of acquisition	<u>4,816,971</u>

This acquisition has been accounted for using the purchase method and accordingly, the results of operations have been included in these consolidated financial statements from the date of acquisition.

## 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 except as discussed in note 12.

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

# Far City Mining Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(expressed in U.S. dollars)

The Company's financial instruments consist of cash, receivables, 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.

The fair value of long-term loans approximate carrying value except as otherwise disclosed.

The fair value of financial instruments at September 30, 2009 is summarized as follows:

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
<b>Financial assets</b>				
<i>Held for Trading</i>				
Cash	606,613	606,613	46,725	46,725
<i>Loan and Receivables</i>				
Receivables	---	---	290,923	290,923
<b>Financial liabilities</b>				
<i>Other Financial Liabilities</i>				
Accruals	73,178	73,178	---	---
Due to a Related Party – Current	422,542	422,542	802,230	802,230
Due to a Related Party – Non-current	9,806	9,806	4,376,196	3,805,224
Loan Payable – Non-current	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.

# Far City Mining Limited

*(An Exploration Stage Company)*

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

---

*(expressed in U.S. dollars)*

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.

# Far City Mining Limited

*(An Exploration Stage Company)*

## Consolidated Schedule of Deferred Exploration Costs – Schedule 1

September 30, 2009

---

	<b>PRC property \$</b>
Opening balance at September 30, 2008	4,790,289
Exploration including: sampling, surveying, tunnelling, trenching, supplies, lab testing and construction costs post acquisition (note 15) and write off of assets	(53,314)
Balance at September 30, 2009	<u>4,736,975</u>