<u>Ultra Lithium Inc.</u>

(Formerly Jantar Resources Ltd.)

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended October 31, 2010

Ultra Lithium Inc.

(Formerly Jantar Resources Ltd.)
Management Discussion and Analysis
Year ended October 31, 2010

General

This Management Discussion and Analysis ("MD&A") was prepared on February 22, 2011 and it describes the operating financial results of the Company for the year ended October 31, 2010. The MD&A should be read in conjunction with the audited financial statements and related notes thereto of the Company, as at and for the year ended October 31, 2010, which were prepared in accordance with Canadian generally accepted accounting principles. The Company is presently a "Venture Issuer", as defined in NI 51-102.

This MD&A may contain statements that are forward-looking in nature, involving known and unknown risks and uncertainties such as general economic and business conditions, operating costs, changes in foreign currency exchange rates, and other factors. Since forward-looking statements address future events and conditions, by their nature, they involve inherent risks and uncertainties. Therefore, actual results may be materially different from those expressed or implied in such statements.

Additional information relating to the Company is available on the SEDAR website at www.sedar.com.

Description of Business

Ultra Lithium Inc. is an exploration stage company engaged in the acquisition, exploration and development of resource properties. As at October 31, 2010, the Company has interests in the following resource properties:

1. South Big Smokey Valley, Nevada

On February 22, 2010, the Company entered into a mineral property acquisition agreement, through its wholly-owned subsidiary, Ultra Lithium (USA) Inc., to acquire a 100% interest in and up to 364 placer claims (7,280 acres) located in the South Big Smokey Valley, Esmeralda County, Nevada. As consideration, the Company paid US$150,000 and issued an aggregate of 1,500,000 common shares to the vendor. In addition, the Company issued an aggregate of 300,000 common shares to arm's length parties as finders' fees related to this acquisition.

2. Zigzag Property, Ontario

On August 31, 2009, the Company entered into a mineral property acquisition agreement to acquire a 100% undivided right, title and interest in and to seven mineral claims in the Zigzag Lake lithium, tantalum, beryllium and gallium property located in the town ship of Crescent Lake, Ontario. The project consists of 129 claim units for a total surface area of 2,064 hectares. As consideration, the Company was obligated to pay $112,000, issue 400,000 common shares and incur aggregate exploration expenditures of $226,800 over a period of three years. As at the date of this MD&A, 200,000 common shares were issued pursuant to the agreement. The Company agreed to pay finder's fees of an aggregate of $14,440 and issue an aggregate of 40,000 common shares of the Company over a period of three years, of which $6,440 was paid and 20,000 common shares were issued as at the date of this MD&A.

On March 3, 2010, the Company entered into an option agreement with Canadian Orebodies Inc.

("Orebodies") whereby Orebodies has been granted an option to earn an 80% interest in the Zigzag Lake property by making scheduled cash payments totaling $100,000, share issuances totalling 650,000 common shares of Orebodies and aggregate exploration expenditures of $350,000 on the property over a three year period. As at October 31, 2010, the Company received a $10,000 cash payment and 200,000 shares of Orebodies pursuant to the terms of the agreement.

3. Berland Property, Alberta

On August 21, 2009, the Company entered into a mineral acquisition agreement to acquire a 100% interest in seven mineral permit applications consisting of two lithium brine projects located near Berland River within west central Alberta. As consideration, the Company paid $50,000 and issued 2,000,000 common shares. The project is subject to a 2% net smelter return royalty, of which, 1% may be acquired by the Company for $1 million.

The Company continues to evaluate projects of merit that would be of benefit to the Company.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's business and the present stage of exploration of its resource properties (which are primarily early stage exploration properties with no known resources or reserves that have not been explored by modern methods), the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive: The Company's business will be the acquisition, exploration and development of resource properties. The mining industry is intensely competitive and the Company will compete with other companies that have far greater resources.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The great majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any mineral deposit will be such that any of its resource properties could be mined at a profit.

Permits and Licenses: The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

No Assurance of Profitability: The Company has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, the sale or optioning of a portion of its interest in its resource properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: The Company may become subject to liability for pollution or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Matters: Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any mining properties will be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of all of its planned exploration and development programs. The development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There can be no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its properties. In particular, failure by the Company to raise the funding necessary to maintain in good standing its various option agreements could result in the loss of its rights to such properties.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its resource properties; (ii) the ability to produce minerals from any resource deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Price Fluctuations and Share Price Volatility: In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

Surface Rights and Access: Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdictions.

Title: Although the Company has taken steps to verify the title to the resource properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to resource properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Selected Annual Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited financial statements of the Company for the years ended October 31, 2010, 2009 and 2008, which have been prepared in accordance with accounting principles generally accepted in Canada. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

	2010	2009	2008
Interest income	$1,217	$4,962	$7,926
Net Loss	$412,828	$516,718	$387,442
Loss per share	$0.01	$0.01	$0.01
Total assets	$742,468	$856,279	$931,746
Total long term liabilities	$Nil	$Nil	$Nil
Cash dividends declared per share for each class of share	$Nil	$Nil	$Nil

Results of Operations

The following discussion of the financial condition, changes in financial condition and results of operations of the Company for years ended October 31, 2010 and 2009 should be read in conjunction with the audited financial statements of the Company and notes thereto as at and for the years ended October 31, 2010 and 2009.

During the year ended October 31, 2010, the Company incurred a loss of $412,828 as compared to a loss of $516,718 during the year ended October 31, 2009. The decrease in loss by $103,890 is primarily attributable to a decrease in stock-based compensation expense of $188,570 and write-off of resource property of $27,000 and an increase in foreign exchange gain of $824 offset by an increase in general and administration expenses of $84,796 excluding stock based compensation and decreases in interest income of $3,745 and mining exploration tax recovery of $23,963.

The Company recorded stock-based compensation of $28,023 during the year ended October 31, 2010 for stock options granted to its directors, officers and consultants to purchase 300,000 shares at $0.10 per share for a period of ten years expiring January 14, 2020, 250,000 shares at $0.10 per share for a period of ten years expiring May 3, 2020, 400,000 shares at $0.10 per share for a period of ten years expiring June 23, 2020, 200,000 shares at $0.10 per share for a period of ten years expiring September 1, 2020 and 1,070,000 shares at $0.10 per share for a period of ten years expiring October 13, 2020. During the year ended October 31, 2009, the Company recorded $216,593 of stock-based compensation for options granted to its directors, officers and consultants to purchase 1,760,000 shares at $0.10 per share for a period of ten years expiring February 5, 2019, 400,000 shares at $0.10 per share for a period of ten years expiring June 3, 2019, 50,000 shares at $0.10 per share for a period of ten years expiring August 14, 2019 and 250,000 shares at $0.10 per share for a period of ten years expiring September 22, 2019.

General and administrative expenses excluding stock-based compensation increased by $84,796 as a result of increases in bank charges and interest of $801, consulting fees of $83,253, office, rent and administration of $28,585 and transfer agent fees of $1,154. The increase was offset by decreases in amortization of $124, management fees of $20,000, professional fees of $176, stock exchange and filing fees of $7,871 and travel and promotion of $826. The over-all increase in general and administrative expenses resulted mainly from increased corporate activities related to recent property acquisitions.
The increase in consulting fees by $83,253 was a result of fees paid to a various consultants of the Company. The consultants assisted the Company in finding and evaluating potential projects. During the year ended October 31, 2009, the Company incurred $98,090 in consulting fees for project evaluation.

Management fees decreased by $20,000 as a result of a cancellation of monthly management fees of $3,900 to a former CEO of the Company. This is offset by new monthly management fees of $2,500 paid to the new CEO of the Company.

Summary of Quarterly Results

Quarter Ended	Revenue ($)	Operating Income /(Loss) ($)	Diluted Loss per Share ($)	Total Assets ($)	Long Term Liabilities ($)	Cash Dividend ($)
October 31, 2010	Nil	(105,302)	-	742,468	Nil	Nil
July 31, 2010	Nil	(100,614)	-	764,577	Nil	Nil
April 30, 3010	Nil	(124,407)	-	842,691	Nil	Nil
January 31, 2010	Nil	(82,505)	-	784,809	Nil	Nil
October 31, 2009	Nil	(185,391)	-	856,279	Nil	Nil
July 31, 2009	Nil	(130,092)	-	745,528	Nil	Nil
April 30, 2009	Nil	(122,654)	-	812,367	Nil	Nil
January 31, 2009	Nil	(78,581)	-	858,525	Nil	Nil

The following discussion outlines the reasons for some of the variations in the quarterly numbers but, as with most junior mineral exploration companies, the results of operations (including interest income and net losses) are not the main factors in establishing the financial health of the Company. Of far greater significance are the resource properties in which the Company has, or may earn an interest, its working capital and how many shares it has outstanding. The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation program and the timing and results of the Company's exploration activities on its then current property, none of which are possible to predict with any accuracy.

There are no general trends regarding the Company's quarterly results, and the Company's business of resource exploration is not seasonal, as it can work on its property on a year-round basis (funding permitting). Quarterly results may vary significantly depending mainly on whether the Company has granted any stock options and this factor which account for material variations in the Company's quarterly net income (losses) is not predictable. The major factor which may cause a material variation in net loss on a quarterly basis is the grant of stock option due to the resulting stock-based compensation charges which may be significant when they arise. This may be seen in the quarters ended October 31, 2009. General and administrative costs tend to be quite similar from period to period, except in certain cases when there is an increase in corporate activities. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

Liquidity and Capital Resources

The Company currently has no operating revenues and since the date of inception on November 27, 2004, the Company has been incurring losses. The Company has financed its operations and met its capital requirements primarily through the sale of capital stock.

The Company's cash and short-term investments at October 31, 2010 were held for working capital purposes and were invested primarily in Guaranteed Investment Certificates.

As at October 31, 2010, the Company had working capital of $33,592 as compared to working capital of $547,792 as at October 31, 2009, representing a decrease in working capital by $514,200. Net cash on hand increased by $2,572 from $15,097 at October 31, 2009 to $17,669 at October 31, 2010. The increase in cash resulted mainly from inflows of cash from the redemption of short-term investments of $530,000, net proceeds from the issuance of shares of $133,405 and property option payment of $10,000 received offset by cash utilized for operations of $387,747 and for the acquisition and exploration of resources properties of $283,086.

The Company currently has interests in several resource properties. As at October 31, 2010, the Company incurred aggregate exploration expenditures of $653,346 on the properties which consisted of option payments in cash of $269,185 and in shares at fair values of $319,750, exploration costs of $102,684 and other expenses of $4,777. The Company optioned out one of its properties and received $10,000 and shares at a fair value of $16,000. See "*Description of Business*".

During the year ended October 31, 2010, the Company raised gross proceeds of $150,000 from a non-brokered private placement of 3,000,000 units at $0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder, on exercise, to acquire one additional common share of the Company at an exercise price of $0.10 per share at any time until April 6, 2012. The Company paid a finder's fee of $16,595 on this private placement.

Subsequent to October 31, 2010, the Company raised an aggregate of $1,047,000 from the following non-brokered private placements:

1. 7,500,000 units at $0.10 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each warrant entities the holder, on exercise, to acquire one additional common share of the Company at an exercise price of $0.15 per share at any time until February 17, 2013. The Company paid $63,250 and issued 112,500 units having the same terms as the private placement as finders' fees on this private placement.

2. 5,940,000 units at a price of $0.05 per unit for gross proceeds of $297,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.10 per share for a period of two years expiring November 30, 2012. The Company paid $29,700 as finders' fees on this private placement.

As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of 1,725,000 vested stock options exercisable at a price of $0.10 per share which expire on May 12, 2018, 1,260,000 vested stock options exercisable at a price of $0.10 per share which expire on February 5, 2019, 400,000 vested stock options exercisable at a price of $0.10 per share which expire on June 3, 2019, 50,000 vested stock options exercisable at a price of $0.10 per share which expire August 14, 2019, 218,750 vested stock options exercisable at a price of $0.10 per share which expire September 22, 2019, 225,000 vested stock options exercisable at a price of $0.10 per share which expire January 14, 2020, 117,188 vested stock options exercisable at a price of $0.10 per share which expire May 3, 2020, 200,000 vested stock options exercisable at a price of $0.10 per share which expire June 23, 2020, 75,000 vested stock options exercisable at a price of $0.10 per share which expire September 1, 2020, 1,052,500 vested stock options exercisable at a price of $0.10 per share which expire October 13, 2020, 1,450,000 vested stock options exercisable at a price of $0.11 per share which expire January 24, 2021, 65,250 vested stock options exercisable at a price of $0.11 per share which expire February 14, 2013, 37,500 vested stock options exercisable at a price of $0.11 per share which expire February 14, 2021, 3,000,000 share purchase warrants exercisable at a price of $0.20 per share which expire on July 7, 2011, 2,000,000 share purchase warrants exercisable at a price of $0.10 per share which expire on April 6, 2012, 5,940,000 share purchase warrants exercisable at a price of $0.10 per share which expire on November 30, 2012 and 3,806,250 share purchase warrants exercisable at a price of $0.15 per share which expire on February 17, 2013. However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the TSX Venture Exchange does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company believes that it currently has sufficient funds to continue its anticipated ongoing operations and meet its obligations during the period ending October 31, 2011. However, if the Company's plans change (as, for example, if it determines to carry our additional work, acquire additional properties or accelerate its presently contemplated work programs) or its current assumptions change or prove inaccurate, the Company may be required to seek additional financing. The Company does not have long-term debt.

The Company has not had a history of operations or earnings and its overall success will be affected by its current or future business activities. The continued operations of the Company and the recoverability of expenditures incurred to earn an interest in resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties.

Related Party Transactions

The Company has entered into certain transactions with related parties during the year ended October 31, 2010. All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

A description of the related party transactions is as follows:

Name and Relationship to Company	Transaction	Three months ended October 31, 2010 $	Year ended October 31, 2010 $	Year ended October 31, 2009 $
Max Pinsky Personal Law Corporation, a company controlled by Max Pinsky, Secretary of the Company	Legal fees	2,865	12,734	13,224
Marc Morin, CEO of the Company	Management fees Consulting fees	7,500 -	10,000 10,925	- 15,250
Tony M. Ricci Inc., a company controlled by Tony M. Ricci, former CEO of the Company	Management fees	-	23,400	53,400
Remstar Resources Ltd., a company with a common director and a common officer	Office, rent and administration (1)	13,500	56,700	60,000

(1) The Company entered into a month-to-month arrangement for the rental of office premises and the provision of accounting, financial reporting and administrative services with Remstar Resources Ltd., a public company related by a common director and a common officer.

Included in prepaid expenses and deposits are a rent deposit of $2,000 (2009 - $2,000) and prepaid rent of $Nil (2009 - $4,000) to a company having a director and officer in common.

Included in accounts payable and accrued liabilities is $8,691 (2009 - $8,635) payable to a director and an officer of the Company. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

Fourth Quarter

During the fourth quarter, the Company reported a net loss $105,302 as compared to net loss of $185,391 during the fourth quarter in the prior fiscal year. The loss during the fourth quarter was primarily attributable to general and administrative expenses of $85,263, stock-based compensation of $20,185 offset by interest income of $146. The loss of $185,391 during the period ended October 31, 2009 was mainly due to general and administrative expenses of $104,274, stock-based compensation of $54,735, property acquisition cost written off of $27,000 offset by interest income of $618.

General and administrative expenses excluding stock-based compensation decreased by $19,011 mainly due to decreases in amortization of $31, bank charges and interest of $41, consulting fees of $3,071, management fees of $4,200, professional fees of $4,850, stock exchange and filing fees of $5,512, transfer agents fees of $89, travel and promotion of $11,570 and partially offset by an increase in office, rent and administrative expenses of $9,945 and a decrease in foreign exchange gain of $408.

Subsequent Events

The following events occurred subsequent to October 31, 2010:

1. The Company closed a non-brokered private placement of 5,940,000 units at a price of $0.05 per unit for gross proceeds of $297,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.10 per share for a period of two years expiring November 30, 2012. The Company paid $29,700 as finders' fees on this private placement.

2. The Company granted incentive stock options to directors, employees and consultants to purchase 2,200,000 common shares at an exercise price of $0.11 per share expiring ten years from date of grant.

3. The Company entered into an investor relations agreement whereby the Company will be obligated to pay a fee of 2,500 Euros per month for a period of 6 months, subject to an automatic 6 month renewal unless cancelled in advance. The Company will also grant 261,000 stock options which will be exercisable at $0.11 per share for a period of 2 years and vest over a period of 18 months. The agreement is subject to approval by the Exchange.

4. In January 2011, 1,000,000 warrants and 580,000 stock options were exercised at a price of $0.10 per unit.

5. The Company closed a non-brokered private placement of 7,500,000 units at a price of $0.10 per unit for gross proceeds of $750,000. Each unit consists of one common share and one-half of one share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.15 per share for a period of two years. The warrants are subject to an acceleration provision whereby the warrant holders will be required to exercise their warrants within a period of 30 days if the Company's common shares close at or above $0.20 per share for 10 consecutive trading days, otherwise the warrants will, if not exercised, expire at the end of such 30 day period. The Company paid $63,250 and issued 112,500 units having the same terms as the private placement as finders' fees on this private placement.

Changes in Accounting Policies including Initial Adoption

The Company has adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) effective November 1, 2009.

(a) Goodwill and intangible assets

CICA Handbook Section 3064, *Goodwill and Intangible Assets* (Section 3064) replaces CICA Handbook Section 3062, *Goodwill and Intangible Assets* and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA Handbook Section 1000, *Financial Statement Concepts* is amended to clarify criteria for recognition of an asset. CICA Handbook Section 3450, *Research and Development Costs* is replaced by guidance in Section 3064. EIC 27 *Revenues and Expenditures During the Pre-Operating Period* is no longer applicable for entities that have adopted Section 3064. A number of other EIC abstracts have consequential amendments. CICA Accounting Guideline 11 *Enterprises in the Development Stage* is also amended to delete references to deferred costs and to provide guidance on development costs as intangible assets under CICA 3064. The adoption of this Section had no impact on the Company's consolidated financial statements.

(b) Accounting Changes

CICA Handbook Section 1506, "Accounting Changes," establishes criteria for changes in accounting policies, accounting treatment and disclosure regarding changes in accounting policies, estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policies to be applied retrospectively unless doing so is impracticable.

(c) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, provides guidance on how to take into account an entity's own credit risk and the credit risk of the counter party in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The application of this EIC had no effect on the Company's consolidated financial statements.

(d) Mining Exploration Costs

EIC-174, Mining Exploration Costs, provides guidance on the capitalization of exploration costs and the impairment review of exploration costs. The application of this EIC did not have an effect on the Company's consolidated financial statements.

Future Accounting Pronouncements

(a) 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 accountable companies to use IFRS, replacing Canadian GAAP. This 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 October 31, 2011.

The Company has completed a preliminary assessment of how each IFRS standard impacts the financial statements. It was initially determined that the area of accounting difference that will likely be impacted based on existing IFRS will be impairment of assets and the initial adoption of IFRS under the provisions of IFRS 1 "First-Time Adoption of IFRS". In addition, the Company anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required.

(b) Business combinations

CICA Handbook Section 1582, *Business Combinations*, replaces Section 1581, *Business Combinations* and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3, *Business Combinations*. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. Earlier application is permitted. The Company does not expect to adopt this standard prior to November 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

(c) Consolidations and Non-Controlling Interests

Section 1601, *Consolidated Financial Statements,* and Section 1602, *Non-Controlling Interests*, replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), *Consolidated and Separate Financial Statements*. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company does not expect to adopt this standard prior to November 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

Off-Balance-Sheet Arrangements

The Company has not entered into any off-balance-sheet arrangements.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and, short-term investments, amounts receivable, marketable securities and accounts payable and accrued liabilities.

Cash and short-term investments are designated as held-for-trading and therefore carried at fair value, with the unrealized gain or loss recorded in interest income. Receivables are classified as loans and receivables, which are measured at amortized cost. Marketable securities are classified as available-for-sale and carried at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying values of cash and, short-term investments, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The fair values of marketable securities are based on active market obtained from the closing stock price at period end.

In 2009, CICA Section 3862, *Financial Instruments - Disclosures*, was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of fair value hierarchy are:

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

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following illustrates the classification of the Company's financial instruments within the fair value hierarchy as at October 31, 2010:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 17,669	$ -	$ -	$ 17,669
Short-term investments	20,000	-	-	20,000
Marketable securities	18,000	-	-	18,000
	$ 55,669	$ -	$ -	$ 55,669

During the year ended October 31, 2010, a mark to market gain of $2,000 (2009 - $Nil) for marketable securities designated as available-for-sale has been recognized in comprehensive income. There were no disposals or impairment provisions during the year.

The Company's risk exposure is summarized as follows:

(a) 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 contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The amounts receivable consist of goods and services tax recoverable of $10,179 and accrued interest receivable of $60 which are not considered past due.

(b) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at October 31, 2010, the Company had a cash balance of $17,669 and short-term investments of $20,000 to settle current liabilities of $54,861 which mainly consist of accounts payable that are considered short term and settled within 30 days. Subsequent to October 31, 2010, the Company raised $297,000 from a private placement financing. Management expects that sufficient liquidity and additional financing will be available to meet the Company's requirements for fiscal 2011.

(c) Market risk

(i) Currency Risk

The Company's functional and reporting currency is the Canadian dollar. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has a subsidiary in the United States and holds cash in Canadian and United

States currencies in line with forecasted expenditures. The Company's main risk is associated with fluctuations in the US dollar and assets and liabilities are translated based on the foreign currency translation policy described in note 2 of the financial statements.

The Company's cash is held in a Canadian major banking institution. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest Rate Risk

The interest on cash and short-term investments is typical of Canadian banking rates, which are at present low, however, the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the consolidated financial statements.

(iii) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its mineral properties described in note 8 of these consolidated financial statements of which production is not expected in the near future.

Disclosure and Internal Financial Reporting Control and Procedures

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Outstanding Share Data

(1) Authorized and Issued Capital Stock

a) Authorized - Unlimited common shares without par value.

b) Issued

As at February 22, 2011, there were 94,452,505 common shares issued and outstanding.

(2) Options and Warrants Outstanding

a) Stock options outstanding at February 22, 2011 are as follows:

Number of Outstanding	Exercise Price	Expiry Date	Number Exercisable
1,725,000	$0.10	May 12, 2018	1,725,000
1,260,000	$0.10	February 5, 2019	1,260,000
400,000	$0.10	June 3, 2019	400,000
50,000	$0.10	August 14, 2019	50,000
250,000	$0.10	September 22, 2019	218,750
300,000	$0.10	January 14, 2020	225,000
187,500	$0.10	May 3, 2020	117,188
400,000	$0.10	June 23, 2020	200,000
200,000	$0.10	September 3, 2020	75,000
1,052,500	$0.10	October 13, 2020	1,052,500
2,050,000	$0.11	January 24, 2021	1,450,000
261,000	$0.11	February 14, 2013	65,250
150,000	$0.11	February 14, 2021	37,500
8,286,000			6,876,188

b) Warrants outstanding as at February 22, 2011:

Number of Shares	Exercise Price	Expiry date
3,000,000	$0.20	July 7, 2011
2,000,000	$0.10	April 6, 2012
5,940,000	$0.10	November 30, 2012
3,806,250	$0.15	February 17, 2013