Ultra Lithium Inc.
(formerly Jantar Resources Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS
(Stated in Canadian Dollars)

Three and nine months ended July 31, 2010 and 2009

(Unaudited – Prepared by Management)

Ultra Lithium Inc.
(formerly Jantar Resources Ltd.)
(the “Company”)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Three and nine months ended July 31, 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

September 20, 2010

Ultra Lithum Inc.

(formerly Jantar Resources Ltd.)
Consolidated Balance Sheets
(Expressed in Canadian dollars)

July 31, 2010 and October 31, 2009
(Unaudited - Prepared by Management)

		July 31, 2010		October 31, 2009
		(unaudited)		(audited)
Assets				
Current assets:				
Cash and cash equivalents	$	12,887	$	15,097
Short-term investments (Note 5)		140,000		550,000
Amounts receivable (Notes 5 and 9)		7,346		5,167
Marketable securities (Note 6)		13,000		-
Prepaid expenses and deposits (Note 9)		4,923		8,500
		178,156		578,764
Equipment (Note 7)		741		955
Resource properties (Note 8)		585,680		276,560
	$	764,577	$	856,279
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 9)	$	29,753	$	30,972
Shareholders' equity:				
Share capital (Note 10)		2,314,735		2,102,530
Contributed surplus (Note 10)		530,394		522,556
Accumulated other comprehensive income		(3,000)		-
Deficit		(2,107,305)		(1,799,779)
		734,824		825,307
	$	764,577	$	856,279

Nature of operations (Note 1)
Subsequent event (Notes 8(c), 8(d) and 14)

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

Ultra Lithium Inc.

(formerly Jantar Resources Ltd.)
Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

Three and nine months ended July 31, 2010 and 2009
(Unaudited - Prepared by Management)

	Three months ended July 31, 2010	Three months ended July 31, 2009	Nine months ended July 31, 2010	Nine months ended July 31, 2009
Expenses:				
Amortization	$ 71	$ 102	$ 214	$ 307
Bank charges and interest	591	93	1,176	334
Consulting fees	41,593	17,750	152,049	65,725
Management fees	2,500	11,700	25,900	41,700
Office, rent and administration	28,750	21,605	73,963	55,323
Professional fees	6,522	1,191	13,327	8,653
Stock-based compensation	12,042	73,671	7,838	161,858
Stock exchange and filing fees	500	1,350	8,086	10,445
Transfer agent fees	3,485	2,462	6,448	5,205
Travel and promotion	6,147	836	20,828	10,084
	102,201	130,760	309,829	359,634
Loss before other items:	(102,201)	(130,760)	(309,829)	(359,634)
Other items:				
Foreign exchange gain	1,349	-	1,232	-
Interest income	238	668	1,071	4,344
Mining exploration tax recovered		-	-	23,963
	1,587	668	2,303	28,307
Loss for the period	(100,614)	(130,092)	(307,526)	(331,327)
Deficit, beginning of period	(2,006,691)	(1,484,296)	(1,799,779)	(1,283,061)
Deficit, end of period	$ (2,107,305)	$ (1,614,388)	$ (2,107,305)	$ (1,614,388)
Basic and diluted loss per share	$ -	$ -	$ -	$ -
Weighted average number of shares outstanding	78,710,005	72,050,005	76,342,239	72,050,005

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

Ultra Lithium Inc.

(formerly Jantar Resources Ltd.)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

Three and nine months ended July 31, 2010 and 2009
(Unaudited - Prepared by Management)

	Three months ended	July 31,	Nine months ended	July 31,
	2010	2009	2010	2009
Loss for the period	$ (100,614)	$ (130,092)	$ (307,526)	$ (331,327)
Other comprehensive income:				
Unrealized loss on available-for-sale marketable securities	(7,000)	-	(3,000)	-
Comprehensive loss for the period	$ (107,614)	$ (130,092)	$ (310,526)	$ (331,327)

Ultra Lithium Inc.

(formerly Jantar Resources Ltd.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Three and nine months ended July 31, 2010 and 2009
(Unaudited - Prepared by Management)

	Three months ended	July 31,	Nine months ended	July 31,
	2010	2009	2010	2009
Operations:				
Loss for the period	$ (100,614)	$ (130,092)	$ (307,526)	$ (331,327)
Items not involving cash:				
Amortization	71	102	214	307
Stock-based compensation	12,042	73,671	7,838	161,858
Changes in non-cash working capital items:				
Amounts receivable	12,162	5,634	(2,179)	7,635
Prepaid expenses and deposits	-	6,000	3,577	(4,750)
Accounts payable and accrued liabilities	17,458	(10,418)	(1,219)	(15,751)
	(58,881)	(55,103)	(299,295)	(182,028)
Investment:				
Resource properties	(92,447)	(2,000)	(256,320)	(27,000)
Property option payment received	-	-	10,000	-
Short-term investments	85,000	-	410,000	-
	(7,447)	(2,000)	163,680	(27,000)
Financing:				
Amount due to related parties	-	-	-	(998)
Shares issued for cash	-	-	150,000	-
Share issue costs	-	-	(16,595)	-
	-	-	133,405	(998)
Decrease in cash and cash equivalents	(66,328)	(57,103)	(2,210)	(210,026)
Cash and cash equivalents, beginning of period	79,215	755,909	15,097	908,832
Cash and cash equivalents, end of period	$ 12,887	$ 698,806	$ 12,887	$ 698,806
Supplementary information:				
Shares issued for resource properties	$ -	$ -	$ 78,800	$ -
Marketable securities received as property option payment	$ -	$ -	$ 16,000	$ -

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

1. NATURE OF OPERATIONS

The Company was incorporated on November 27, 2004 under the Company Act of British Columbia and is involved in the acquisition, exploration and development of resource properties. On March 21, 2006, the Company's common shares were posted for trading on Tier 2 of the TSX Venture Exchange (the "Exchange") under the symbol "JR". On August 27, 2009, the Company changed its name to Ultra Lithium Inc. and commenced trading on the Exchange under the symbol "ULI".

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized for resource properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its resource properties, the discovery of economically recoverable reserves, obtaining future profitable production or proceeds from disposition of the Company's resource properties. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. At July 31, 2010, the Company had working capital of $148,403 (October 31, 2009 - $547,792) and accumulated a deficit of $2,107,305. The Company has prepared a budget for its cash flows for the period ending October 31, 2010. The budget is based on management's best estimates of operating conditions in the context of current economic conditions and today's difficult capital market climate. Management has estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations through the end of the fiscal year. The Company will require additional financing as it determines to acquire additional properties or accelerate its presently contemplated work programs and while the Company has been successful in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended October 31, 2009.

The accounting policies set out in note 2 to the audited financial statements of the Company for the year ended October 31, 2009 have been consistently followed in the preparation of these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(b) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Ultra Lithium (USA) Inc. ("ULI USA"). All intercompany transactions and balances have been eliminated on consolidation.

(c) Marketable Securities

Marketable securities are carried at their market value based upon quoted market prices.

(d) Foreign Currency Translation

Transactions and account balances originally stated in currencies other than the Canadian dollars have been translated into Canadian dollars using the temporal method of foreign currency translation as follows:

- Revenue and expense items at average exchange rates.
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market value, in which case they are translated at the exchange rate in effect on the balance sheet date.
- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date.

Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

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.

3. ADOPTION OF NEW ACCOUNTING STANDARDS - continued

(b) 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.

(c) 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.

4. 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.

(Expressed in Canadian dollars)

4. FUTURE ACCOUNTING PRONOUNCEMENTS - continued

(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.

5. SHORT TERM INVESTMENTS

The Company held short-term investments comprised of the following:

	July 31, 2010	
Terms	Maturity	Principal
12 months term investment; prime less 1.85% annual interest rate	July 14, 2011	$ 140,000

	October 31, 2010	
Terms	Maturity	Principal
12 months term investment; prime less 1.85% annual interest rate	July 15, 2010	$ 550,000

As at July 31, 2010, included in amounts receivable is accrued interest of $42 (October 31, 2009 - $674).

6. MARKETABLE SECURITIES

	July 31, 2010			October 31, 2009		
	Market	Cost	Unrealized Loss	Market	Cost	Unrealized Loss
Common shares in a public company received pursuant to an option agreement, representing less than a 5% ownership interest	$13,000	$16,000	$3,000	$-	$-	$-

(Expressed in Canadian dollars)

7. EQUIPMENT

	July 31, 2010			October 31, 2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 3,985	$ 3,244	$ 741	$ 955

8. RESOURCE PROPERTIES

	Don Pancho Prospect, Peru	Berland Property, Alberta	Zigzag Property, Ontario	South Big Smokey Valley, Nevada	Total
	(a)	(b)	(c)	(d)	
Acquisition and option payments:					
Cash consideration	$ 25,000	$ 50,000	$ 12,000	$ -	$ 87,000
Common shares	-	200,000	10,000	-	210,000
	25,000	250,000	22,000	-	297,000
Exploration:					
Property mining taxes	2,000	-	-	-	2,000
Staking	-	-	4,560	-	4,560
	2,000	-	4,560	-	6,560
Less: write-off of resource property	(27,000)	-	-	-	(27,000)
Balance, October 31, 2009	-	250,000	26,560	-	276,560
Acquisition and option payments:					
Cash consideration	-	-	1,200	155,985	157,185
Common shares	-	-	800	78,000	78,800
Others	-	-	833	3,944	4,777
	-	-	2,833	237,929	240,762
Exploration:					
Property maintenance costs	-	-	-	94,358	94,358
	-	250,000	29,393	332,287	611,680
Less: option payments received	-	-	(26,000)	-	(26,000)
Balance, July 31, 2010	$ -	$ 250,000	$ 3,393	$ 332,287	$ 585,680

(Expressed in Canadian dollars)

8. RESOURCE PROPERTIES - continued

(a) Don Pancho Prospect, Peru

The Company entered into an option agreement to acquire a 100% interest in the Don Pancho prospect in Peru. As consideration, the Company agreed to pay $375,000, issue 400,000 common shares and incur aggregate exploration expenditures of $1,500,000 over a period of four years. The Company paid option payments of $25,000 and incurred $2,000 in expenditures on the property. During the year ended October 31, 2009, management abandoned its interest in the property resulting in a write-off of acquisition and exploration costs of $27,000.

(b) Berland Property, Alberta

The Company entered into a mineral property acquisition agreement dated August 21, 2009 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 property is subject to a 2% net smelter return royalty, of which, 1% may be acquired by the Company for $1 million.

(c) Zigzag Property, Ontario

The Company entered into a mineral property acquisition agreement dated August 31, 2009 to acquire a 100% interest in the Zigzag Lake lithium, tantalum, beryllium and gallium property located 60 kilometres northeast of the town of Armstrong, Ontario. The project consists of 81 claim units for a total surface area of 1,296 hectares. As consideration, the Company agreed to pay $112,000, issue 400,000 common shares and incur aggregate exploration expenditures of $226,800 over a period of four years as follows:

	Cash Payment	Shares to be issued	Exploration Expenditures
On execution of the agreement	$ 12,000 (paid)	-	$ -
On Exchange approval of the agreement	-	100,000 (issued)	-
On or before August 31, 2010	20,000 [1]	-	32,400
On or before October 2, 2010	-	100,000	-
On or before August 31, 2011	30,000	-	32,400
On or before October 2, 2011	-	100,000	-
On or before August 31, 2012	50,000	-	64,800
On or before October 2, 2012	-	100,000	-
On or before August 31, 2013	-	-	97,200
	$ 112,000	400,000	$ 226,800

[1] Paid subsequent to period end.

(Expressed in Canadian dollars)

8. RESOURCE PROPERTIES - continued

(c) Zigzag Property, Ontario - continued

The property is subject to a net smelter return royalty of 2 per cent, of which, 1% of the royalty may be purchased by the Company for $1 million.

During the nine months ended July 31, 2010, the Company agreed to issue an aggregate of 40,000 common shares and pay an aggregate of $14,440 as finders' fees related to this acquisition as follows:

	Cash Payment	Shares to be issued
On execution of the agreement	$ 1,200 (paid)	-
On Exchange approval of the agreement	-	10,000 (issued)
On or before August 10, 2010	5,240 (1)	10,000 (1)
On or before August 10, 2011	3,000	10,000
On or before August 10, 2012	5,000	10,000
	$ 14,440	40,000

(1) Cash paid and shares issued subsequent to period end.

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, issuing an aggregate of 650,000 common shares of Orebodies and incurring aggregate exploration expenditures of $350,000 on the property over a three year period. As at July 31, 2010, the Company received a $10,000 cash payment and 200,000 shares of Orebodies pursuant to the terms of the agreement.

(d) South Big Smokey Valley, Nevada

The Company entered into a mineral property acquisition agreement dated February 22, 2010, 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 agreed to pay US$150,000 and issue 1,500,000 common shares as follows:

(Expressed in Canadian dollars)

8. RESOURCE PROPERTIES - continued

(d) South Big Smokey Valley, Nevada - continued

	Cash Payment	Shares to be issued
On Exchange approval of the agreement	US$ 150,000 (paid)	1,000,000 (issued)
On or before September 18, 2010	-	500,000 [1]
	US$ 150,000	1,500,000

[1] Issued subsequent to period end.

During the nine months ended July 31, 2010, the Company issued an aggregate of 300,000 common shares to arm's length parties as finders' fees related to this acquisition.

9. RELATED PARTY TRANSACTIONS

During the nine months ended July 31, 2010 and 2009, expenses incurred by the Company's directors and officers and companies controlled by them were as follows.

	2010	2009
Management fees	$ 25,900	$ 41,700
Office, rent and administration	43,200	45,000
Consulting fees	10,925	9,625
Legal fees	9,869	8,325
	$ 89,894	$ 104,650

During the nine months ended July 31, 2010, the Company recovered $19,500 (July 31, 2009 – $Nil) for office, rent and administration from companies having directors and officers in common.

Included in amounts receivable were recoveries of $840 (October 31, 2009 – $Nil) for office, rent and administration due from a company having directors and officers in common.

Included in prepaid expenses and deposits were rent deposit of $2,000 (October 31, 2009 - $2,000) and prepaid rent of $Nil (October 31, 2009 - $4,000) to a company having a director and officer in common.

Included in accounts payable and accrued liabilities was a legal fees of $347 (October 31, 2009 - $1,432) payable to a company controlled by an officer of the Company.

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS - continued

Included in accounts payable and accrued liabilities is $7,203 (October 31, 2009 - $7,203) payable to a director and officer of the Company. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

These transactions are in the normal course of business operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issued and Outstanding

	Shares	Amount	Contributed Surplus
Balance, October 31, 2008	72,050,005	$ 1,876,156	$ 309,837
Share issued for properties (Notes 8(b) and 8(c))	2,100,000	210,000	-
Exercise of options	250,000	12,500	-
Stock-based compensation	-	-	216,593
Non-cash compensation charges on options exercised	-	3,874	(3,874)
Balance, October 31, 2009	74,400,005	2,102,530	522,556
Share issued for properties (Notes 8(c) and 8 (d))	1,310,000	78,800	-
Private placement	3,000,000	150,000	-
Share issuance costs	-	(16,595)	-
Stock-based compensation	-	-	7,838
Balance, July 31, 2010	78,710,005	$ 2,314,735	$ 530,394

On April 6, 2010, the Company closed a non-brokered private placement of 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. 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 $15,000 on this private placement.

(Expressed in Canadian dollars)

10. SHARE CAPITAL – continued

(c) Warrants

As at July 31, 2010, the following warrants were outstanding:

Number of Shares	Exercise Price	Expiry date
3,000,000	$0.20	July 7, 2011
3,000,000	$0.10	April 6, 2012

Summary details of warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, October 31, 2008	3,000,000	$ 0.30
Warrants repriced	-	(0.10)
Balance, October 31, 2009	3,000,000	0.20
Private placement	3,000,000	0.10
Balance, July 31, 2010	6,000,000	$ 0.15

During the year ended October 31, 2009, the Company amended the terms of its 3,000,000 share purchase warrants. The original terms specified that each whole warrant was exercisable into one common share at a price of $0.30 per share expiring on July 7, 2009. The Company amended the warrant exercise price from $0.30 per share to $0.20 per share and extended the expiry date from July 7, 2009 to July 7, 2011.

The amended warrants contain a forced provision exercise 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 $0.25 per share for 10 consecutive trading days, otherwise the warrants will, if not exercised, expire at the end of such 30 day period.

(d) Stock Options

The Company has adopted a stock option plan whereby the Company may from time to time in accordance with the Exchange requirements grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options.

(Expressed in Canadian dollars)

10. SHARE CAPITAL - continued

(d) Stock Options - continued

A summary of the status of the stock option plan as of July 31, 2010 and October 31, 2009 and changes during the periods then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, October 31, 2008	3,250,000	$ 0.10
Granted	2,460,000	0.10
Exercised	(250,000)	(0.05)
Cancelled	(1,175,000)	(0.10)
Balance, October 31, 2009	4,285,000	0.10
Granted	950,000	0.10
Cancelled	(100,000)	(0.10)
Balance, July 31, 2010	5,135,000	$ 0.10

As of July 31, 2010, the following stock options were outstanding:

Number of Shares	Exercise Price Per Share	Expiry Date	Exercisable
1,725,000	$0.10	May 12, 2018	1,725,000
1,760,000	$0.10	February 5, 2019	1,540,000
400,000	$0.10	June 3, 2019	300,000
50,000	$0.10	August 14, 2019	31,250
250,000	$0.10	September 22, 2019	156,250
300,000	$0.10	January 14, 2020	150,000
250,000	$0.10	May 3, 2020	62,500
400,000	$0.10	June 23, 2010	100,000
5,135,000			4,065,000

(Expressed in Canadian dollars)

10. SHARE CAPITAL - continued

(d) Stock Options - continued

During the nine months ended July 31, 2010, under the fair-value-based method, $7,838 (2009 - $161,858) in compensation expense was recorded for options granted to directors, employees and consultants of the Company and charged to operations.

The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2010	2009
Risk free interest rate	1.91%	2.85%
Expected life of options	3.52 years	9.22 years
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	121.72%	136.01%

The weighted average fair value of options granted during the nine months ended July 31, 2010 was $0.03 (2009 - $0.07) per share.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, 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 cash equivalents, 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 for identical assets or liabilities.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 - Inputs that are not based on observable market data.

(Expressed in Canadian dollars)

11. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

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

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 12,887	$ -	$ -	$ 12,887
Short-term investments	140,000	-	-	140,000
Marketable securities	13,000	-	-	13,000
	$ 165,887	$ -	$ -	$ 165,887

For the nine months ended July 31, 2010, a mark to market loss of $3,000 (2009 - $Nil) for marketable securities designated as available-for-sale has been recognized in comprehensive loss. There were no disposals or impairment provisions during the period.

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 $6,464, accounts receivable of $840 and accrued interest receivable of $42 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 July 31, 2010, the Company had in cash and cash equivalents a balance of $12,887 and short-term investments of $140,000 to settle current liabilities of $29,753 which mainly consist of accounts payable that are considered short term and settled within 30 days. The Company has sufficient capital to meet its requirements for fiscal 2011.

(c) Market risk

The only significant market risk to which the Company is exposed is interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents and short-term investments attract interest at floating rates and have maturities of 90 days or less. The interest 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 financial statements.

(Expressed in Canadian dollars)

12. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of resource properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders.

There were no changes in the Company's management of capital during the nine months ended July 31, 2010.

13. COMMITMENTS

The Company is committed to future minimum annual lease payments with respect to office leases as follows:

	$
2010	52,084
2011	69,445
2012	72,509
2013	73,510
2014	76,574
2015	19,404
	363,526

14. SUBSEQUENT EVENT

Subsequent to July 31, 2010, the Company granted stock options to a director to purchase 200,000 common shares at an exercise price of $0.10 per share expiring ten years from date of grant.