



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2010

(In Canadian Dollars, Unless Otherwise Noted)

NOTICE TO READERS

Notice of No Audit Review of the Interim Consolidated Financial Statements

The consolidated financial statements of Redzone Resources Ltd. (“Redzone” or the “Company”) are the responsibility of the Company’s management, are prepared in accordance with accounting principles generally accepted in Canada, and reflect management’s best estimates and judgment based on information currently available.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised of non-management directors. The Audit Committee reviews the results of the consolidated financial statements prior to their submission to the Board of Directors for approval.

The Company’s independent auditors have not performed a review of these interim consolidated financial statements.

“Michael Murphy”
Michael Murphy
President and CEO

“Steven Cook”
Steven Cook
Director

Vancouver, British Columbia
December 10, 2010

REDZONE RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS (unaudited)
As at October 31, 2010 and April 30, 2010

	October 31 2010	April 30 2010
	\$	\$
Assets		
Current		
Cash	4,632,345	5,353,944
Receivables	13,205	11,667
Prepaid expenses and advances	45,776	19,737
	4,691,326	5,385,348
Equipment (Note 4)	3,489	3,114
Deferred acquisition costs (Note 5)	470,516	85,214
	5,165,331	5,473,676
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	34,274	124,953
Shareholders' equity		
Capital stock (Note 6)	6,591,105	6,352,105
Contributed surplus (Note 6)	735,131	597,542
Deficit	(2,195,179)	(1,600,924)
	5,131,057	5,348,723
	5,165,331	5,473,676

Continuance of operations (Note 2)
Commitments and contingencies (Notes 5 and 10)
Subsequent events (Note 11)

On behalf of the Board:

“Michael Murphy” Director “Steven Cook” Director

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

REDZONE RESOURCES LTD.

(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT (unaudited)

For the three and six months ended October 31, 2010 and 2009

	Three months ended		Six months ended	
	October 31		October 31	
	2010	2009	2010	2009
	\$	\$	\$	\$
Expenses				
Amortization	293	-	587	-
Audit, legal and other professional fees	20,884	10,787	82,275	12,584
Business investigation costs	-	44,797	60,803	121,351
Investor relations	23,604	5,575	71,173	5,575
Management and consulting fees	-	7,500	-	15,000
Management salaries and benefits	57,473	21,301	89,262	21,301
Office facilities and administration	43,498	19,910	85,804	34,109
Stock-based compensation	72,353	-	137,589	-
Shareholders' information, transfer agent, listing and filing fees	20,157	3,729	82,223	15,815
Loss before other items	238,262	113,599	609,716	225,735
Other items				
Interest income	11,095	641	15,751	641
Foreign exchange loss	(290)	-	(290)	-
	10,805	641	15,461	
Loss and comprehensive loss for the period	227,457	112,958	594,255	225,094
Deficit, beginning of period	1,967,723	507,255	1,600,924	395,119
Deficit, end of period	2,195,180	620,213	2,195,179	620,213
Loss per share				
Basic and diluted	\$0.01	-	\$0.01	\$0.01
Weighted average number of common shares outstanding				
Basic and diluted	42,543,137	32,525,250	42,408,083	30,405,579

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

REDZONE RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three and six months ended October 31, 2010 and 2009

	Three months ended		Six months ended	
	July 31		July 31	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash Flows From Operating Activities				
Loss for the period	(227,457)	(112,958)	(594,255)	(225,094)
Items not involving cash:				
Amortization	293	-	587	-
Stock-based compensation	72,353	-	137,589	-
Changes in non-cash working capital items:				
Receivables	8,156	39,653	(1,538)	37,552
Prepaid expenses and advances	19,811	(175)	(26,040)	(175)
Accounts payable and accrued liabilities	(29,975)	(13,526)	(90,679)	24,935
Net cash used in operating activities	(156,819)	(87,006)	(574,336)	(162,782)
Cash Flows From Investing Activities				
Purchase of equipment	-	-	(962)	-
Deferred acquisition costs	(280,638)	-	(320,301)	-
Net cash used in investing activities	(280,638)	-	(321,263)	-
Cash Flows From Financing Activity				
Common shares and warrants issued for cash, net of issuance costs	-	(57,747)	174,000	1,834,800
Net cash (used) provided by financing activity	-	(57,747)	174,000	1,834,800
Change in cash for the period	(437,457)	(144,753)	(721,599)	1,672,018
Cash, beginning of period	5,069,802	1,832,670	5,353,944	15,899
Cash, end of period	4,632,345	1,687,917	4,632,345	1,687,917
Supplementary cash flow information				
Cash received for interest	11,095	-	15,751	-
Issuance of shares for mineral property	-	-	65,000	-

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REDZONE RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the three and six months ended October 31, 2010

1. NATURE OF OPERATIONS

The Company was incorporated as Redzone Capital Corp. under the Business Corporations Act (Alberta) on December 23, 2005. On March 3, 2006, the Company was renamed Redzone Resources Ltd. (“the Company”). On October 13, 2009, the Company incorporated a wholly owned subsidiary, Compania Minera Oyamel, S.A. de C.V. (“RZ Mexico”). The principal business activities of the consolidated Company include the acquisition and exploration of mineral properties.

2. CONTINUANCE OF OPERATIONS

These consolidated financial statements were prepared on a “going concern” basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At October 31, 2010, the Company had accumulated losses of \$2,195,180 (October 31, 2009 - \$620,213), had working capital of \$4,657,052 (April 30, 2010 - \$5,260,395) and expects to incur further losses in the development of its business.

The Company’s ability to meet its operational requirements is dependent on its ability to raise adequate funding through equity financings, and to identify, evaluate and negotiate an acquisition of, a participation in, or an interest in properties, assets, or businesses. There can be no assurances that adequate financing will be available on a timely basis under acceptable terms to the Company. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure financing, such a situation would have a material adverse effect on the Company’s business, results of operations and financial condition.

3. SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada for interim financial information. They do not include all of the information and disclosures required by Canadian GAAP for annual consolidated financial statements. They have been prepared using the same accounting policies and methods of application as in the latest annual consolidated financial statements, except as discussed herein. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. The information contained in the interim consolidated financial statements should be read in conjunction with the Company’s latest annual consolidated financial statements for the year ended April 30, 2010, and the notes thereto. All significant inter-company transactions and balances have been eliminated. Certain amounts in prior periods have been reclassified to conform to the presentation of these financial statements.

Recently Issued Accounting Pronouncements*Business Combinations, Consolidated Financial Statements and Non-Controlling Interest*

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”. Section 1582 replaces existing Section 1581 “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements”. The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 “Business Combinations” and International Accounting Standard IAS 27 “Consolidated and Separate Financial Statements” respectively. The Company is currently evaluating the impact of these new Sections.

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International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board will require all public companies to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, which includes providing IFRS comparative information for the previous fiscal year. The transition date of May 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011.

The Company expects the transition to IFRS to impact financial reporting and its information systems. While the Company continues to assess the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be estimated at this time.

4. EQUIPMENT

October 31, 2010	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office equipment	4,147	658	3,489

April 30, 2010	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office equipment	3,185	71	3,114

5. MINERAL PROPERTIES**Lara and Tingo Este Properties**

On February 12, 2010, the Company acquired the right to earn up to a 75% indirect interest in two copper properties (“Lara” and “Tingo Este”) from Lara Exploration Ltd. (“Lara Exploration”) via earning into Minas Dixon BVI (“Minas”), a wholly owned subsidiary of Lara Exploration.

The first option to earn 55% of all the securities of Minas requires the Company to:

Allot and issue to Lara Exploration:

- 100,000 common shares within seven days after the acceptance of the agreement by the Toronto Stock Exchange (issued on June 2, 2010, valued at \$65,000);
- a further 250,000 common shares on or before February 12, 2011;
- a further 250,000 common shares on or before February 12, 2012;
- a further 250,000 common shares on or before February 12, 2013;

and funding Minas:

- US\$500,000 (US\$391,500 paid as of October 31, 2010) (US\$82,000 paid as of April 30, 2010) on or before the first anniversary of the date upon which all drilling permits required to conduct the proposed exploration on Lara and Tingo Este are obtained (“Permit Date”). The Permit Date shall be on or before February 12, 2011, failing which Lara Exploration may terminate the agreement;
- A further US\$1,000,000 on or before the second anniversary of the Permit Date;
- A further US\$1,000,000 on or before the third anniversary of the Permit Date.

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If the first option is exercised, the Company may decide within 60 days of exercising to elect to exercise a second option to earn a further 20% of all the securities of Minas by funding a bankable feasibility study to completion and paying US\$1,500,000 to Lara Exploration on or before December 31, 2014. Additionally, Tinka Resources retains a 1% net smelter royalty on all production on the Tingo Este property.

A summary of deferred acquisition costs incurred during the three and six months ended October 31 2010 includes the following:

	Three months ended October 31		Six months ended October 31	
	2010	2009	2010	2009
Deferred acquisition costs, beginning of period	\$ 189,878	\$ -	\$ 85,214	\$ -
Exploration costs incurred during period	280,638	-	320,302	-
Fair value of common shares issued during period	-	-	65,000	-
Deferred acquisition costs, end of period	470,516	-	470,516	-

For the three months ended October 31, 2010, \$36,652 of total exploration costs relates to the drilling permit process and \$243,986 was allocated to the commencement of the Lara Property drilling program. For the six months ended October 31, 2010, an additional \$39,664 of exploration costs was spent on the drilling permit process.

Las Palmas Properties

On October 30, 2009, the Company, through RZ Mexico, entered into an agreement with Minera Teck, S.A. de C.V. ("Teck"), a wholly owned subsidiary of Teck Resources Limited to acquire an initial 50% interest in the Las Palmas property located in Mexico ("Las Palmas").

Under the terms of the agreement, RZ Mexico may initially acquire a 50% interest in Las Palmas by making US\$1,000,000 in property expenditures by August 31, 2010 and thereafter an additional US\$2,000,000 in optional expenditures by August 31, 2012.

Once RZ Mexico has earned its 50% interest, Teck will have 60 days to elect one of the following:

- Make expenditures of US\$3,000,000 within two years thereby increasing its interest to 60% and reducing RZ Mexico to 40%.
- Elect RZ Mexico to solely fund an additional US\$3,000,000 in property expenditures at which time RZ Mexico will have earned a 100% interest in Las Palmas, subject to a 2% net smelter royalty ("NSR") payable to Teck. If Teck makes this election, Teck will have the right to earn back a 51% interest exercisable at any time up to 60 days after RZ Mexico earns its 100% interest by making property expenditures 1.5 times RZ Mexico's total expenditures to a maximum of US\$9,000,000 within four years. If Teck earns back 51%, it can earn an additional 9% by making an additional US\$6,000,000 in property expenditures over two years.

After all the Teck elections have been exercised or expired, Teck and RZ Mexico will form a joint venture and shall contribute to expenditures to Las Palmas in proportion to their respective interests. In the event that the interest of either RZ Mexico or Teck in Las Palmas is reduced below 10% at any time, such interest shall be converted to a 5% net profits royalty.

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Due to the uncertainty in obtaining land access agreements, the Company and Teck have modified the October 30, 2009 agreement to include two additional clauses that extend the time frame for the initial US\$1,000,000 property expenditure by August 31, 2010 to August 31, 2010 plus that number of days from January 30, 2010 to when the access agreements are officially entered into. All subsequent property expenditure timelines are also moved forward by the number of days of the extension granted. As of October 31, 2010, the Company remains unsuccessful in entering into a commercially reasonable land access agreement.

No mineral property expenditures were expensed relating to the Las Palmas property for the three and six months ended October 31, 2010. There are no mineral property expenses for the comparative periods.

6. CAPITAL STOCK

	Number of Shares	Amount	Contributed Surplus
		\$	\$
Authorized			
Unlimited common shares, without par value			
Unlimited preferred shares, issuable in series			
As at April 30, 2009	27,525,000	424,708	16,737
Private placement, July 14, 2009	5,000,250	2,000,100	-
Less share issue costs	-	(165,300)	-
Stock-based compensation	-	-	500,264
Private placement, March 24, 2010	9,627,887	4,332,550	-
Less share issue costs	-	(239,953)	-
Broker warrants	-	-	80,541
As at April 30, 2010	42,153,137	6,352,105	597,542
Stock-based compensation	-	-	137,589
Shares issued for mineral properties	100,000	65,000	-
Shares issued upon exercise of warrants	290,000	174,000	-
As at October 31, 2010	42,543,137	\$6,591,105	\$735,131

On July 14, 2009, the Company completed a non-brokered private placement of 5,000,250 units at a price of \$0.40 per unit for gross proceeds of \$2,000,100. Each unit consisted of one common share and one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to acquire one additional common share at \$0.60 per share up until July 14, 2010.

On March 24, 2010, the Company completed a private placement of 9,627,887 units at a price of \$0.45 per unit for gross proceeds of \$4,332,550. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at an exercise price of \$0.65 per share at any time on or before March 24, 2012.

In connection with the private placement on March 24, 2010, the Company also issued an aggregate of 277,673 broker warrants, with each broker warrant entitling the holder to acquire one common share at a price of \$0.65 per share, until March 24, 2012. The broker warrants are valued at \$80,541.

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For the three and six months ended October 31, 2010

The following assumptions were used for the Black-Scholes valuation of broker warrants issued on March 24, 2010:

Risk-free interest rate	1.49%
Expected life of options	2 years
Annualized volatility	133%
Dividend rate	0.00%

Warrants

Warrant transactions are summarized as follows:

	Number	Weighted Average Exercise Price \$
As at April 30, 2009	-	-
Issued	10,091,867	0.63
As at April 30, 2010	10,091,867	0.63
Exercised	(290,000)	0.60
Expired	(4,710,250)	0.60
As at October 31, 2010	5,091,617	0.65
Exercisable, at October 31, 2010	5,091,617	0.65

At October 31, 2010 the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

	Number	Exercise Price	Expiry Date
Warrants	4,813,944	\$0.65	March 24, 2012
Broker warrants	277,673	\$0.65	March 24, 2012

Stock options

The Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

For the three months ended October 31, 2010, the Company granted 200,000 stock options of which all were fully vested upon issuance. The total stock-based compensation calculated under the fair value method using the Black-Scholes option-pricing model was \$72,353 which was charged to the statement of operations.

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For the three and six months ended October 31, 2010

For the six months ended October 31, 2010, the Company granted 375,000 stock options of which all were fully vested upon issuance. The total stock-based compensation calculated under the fair value method using the Black-Scholes option-pricing model was \$137,589 which was charged to the statement of operations.

The following weighted average assumptions were used for the Black-Scholes valuation of the 25,000 stock options issued on May 12, 2010:

Risk-free interest rate	2.01%
Expected life of options	2 years
Annualized volatility	133%
Dividend rate	0.00%

The following weighted average assumptions were used for the Black-Scholes valuation of the 150,000 stock options issued on July 15, 2010:

Risk-free interest rate	1.66%
Expected life of options	2 years
Annualized volatility	133%
Dividend rate	0.00%

The following weighted average assumptions were used for the Black-Scholes valuation of the 200,000 stock options issued on August 13, 2010:

Risk-free interest rate	1.37%
Expected life of options	2 years
Annualized volatility	133%
Dividend rate	0.00%

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

500,000 stock options were granted on May 17, 2010 but remain unvested as at October 31, 2010. These options were granted to an external advisor and vest on the achievement of certain milestones and deliverables in accordance with the terms of the service contract. As it is undeterminable at this time as to when these deliverables will be achieved, a value has not been assigned to these options. Refer to Note 10 for further details.

Stock option transactions are summarized as follows:

	Number	Weighted Average Exercise Price \$
As at April 30, 2009	175,000	0.15
Issued	1,925,000	0.42
As at April 30, 2010	2,100,000	0.40
Issued	875,000	0.62
As at October 31, 2010	2,975,000	0.46

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Exercisable, October 31, 2010	2,475,000	0.42
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The weighted average fair value of the 200,000 options granted during the three month period ending October 31, 2010 was \$0.55 per option.

At October 31, 2010 the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

	Number	Exercise Price	Expiry Date
Options	175,000	\$0.15	March 8, 2012
Options	1,925,000	\$0.42	January 14, 2015
Options	25,000	\$0.66	May 12, 2015
Options	500,000	\$0.66	May 17, 2015
Options	150,000	\$0.55	July 15, 2015
Options	200,000	\$0.55	August 13, 2015

7. FINANCIAL INSTRUMENTS AND RISKS**Fair Value of Financial Instruments**

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 Inputs that are not based on observable market data.

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

As at October 31, 2010

Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	4,632,345	-	-	4,632,345

As at April 30, 2010

Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	5,353,944	-	-	5,353,944

Risk Exposures

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company's receivables are primarily from government agencies and are subject to certain risks that would be considered normal in this environment. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2010, the Company had a cash balance of \$4,632,345 to settle current liabilities of \$34,274. All of the Company's normal financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

The Company entered into an agreement to acquire interests in two copper properties which requires it to spend US\$2,500,000 over three years (first year US\$500,000). After incurring property expenditures of US\$500,000, the Company has the option to continue or terminate the agreement, pursuant to the agreement's terms.

As at October 31, 2010, the Company has adequate capital to meet its anticipated operating expenditures for the next 12 months. The Company will need additional financing to acquire its interests in these properties and to bring the assets into production.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) 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 the market interest rates. The Company's cash is in a chequing account with a major Canadian bank and therefore there is currently minimal interest rate risk.

b) Foreign currency risk

As at October 31, 2010, the Company has approximately US\$5,100,000 of option expense obligations relating to the acquisition of interests in mineral properties and therefore is exposed to foreign currency risk. An increase or decrease of \$0.01 in exchange rates will increase or decrease the purchase price by approximately \$51,000.

Upon the acquisition of the Company's interests in the mineral properties, the Company will have exposure to foreign currency risk since the properties are located in Mexico and Peru.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements

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and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

8. RELATED PARTY TRANSACTIONS

During the three months ended October 31, 2010, the Company paid or accrued \$12,000 in administrative fees to a company with a Director in common (October 31, 2009 - \$12,000). No other related party consulting fees were incurred during the quarter ended October 31, 2010.

Comparatively, for the three months ended October 31, 2009, a company with a Director in common provided property investigation services for \$4,200 and private placement support services for \$15,000. Also, for the quarter ended October 31, 2009, a consulting fee of \$7,500 was paid to a corporation controlled by an officer of the Company.

During the six months ended October 31, 2010, administrative fees paid or accrued to the company with a Director in common were \$24,000 (October 31 2009 - \$24,000). Additionally, \$761 was paid to a Director of the Company for property investigation services (October 31, 2009 - \$Nil).

Comparatively, for the six months ended October 31, 2009, a company with a Director in common provided various consulting services for total fees of \$19,200, as described above for the three months ended October 31, 2009. Additionally, for the six months ended October 31, 2009, a consulting fee of \$15,000 was paid to a corporation controlled by an officer of the Company.

Included in accounts payable and accrued liabilities at October 31, 2010 is \$7,151 (April 30, 2010 - \$36,725) due to related parties.

The above transactions were in the normal course of business and were measured at the exchange amount which is the amount agreed to by the related parties.

9. CAPITAL MANAGEMENT

The Company's objectives in managing its capital (items included in shareholders' equity) are to fund the acquisition and exploration of mineral properties and to meet its administrative and corporate activities to ensure that the Company continues as a going concern.

The Company has historically relied on equity financings to raise sufficient funds to carry out its exploration and acquisition activities any pay its administrative costs. Therefore, the Company intends to raise additional funds as required to carry out its planned activities.

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, or acquire or dispose of assets. In order to manage its capital requirements, management has put into place a budgeting process.

As at October 31, 2010, the Company had no bank indebtedness or long-term debt.

The Company is not subject to any externally imposed capital requirements.

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10. COMMITMENTS AND CONTINGENCIES

Lease Commitment

The Company entered a sublease on office space for the period of February 1, 2010 to November 29, 2011. The estimated liability for rent and expenses are as follows:

November 1, 2010 to April 30, 2011	\$30,000
May 1, 2011 to November 29, 2011	\$35,000

Contingency

On May 17, 2010, the Company entered into an agreement for business advisory services with a third party. Pursuant to the terms of the agreement, part of the payment for services rendered include the issuance of 500,000 stock options, entitling the service provider to acquire one common share of the Company at a price of \$0.66 per common share for a period of five years from the date of grant. The options granted vest and become exercisable on the day following the successful completion of specific milestones and deliverables, as set out in the agreement. As the likelihood and timing of the achievement of these milestones and deliverables are undeterminable at this time, a fair value estimate of these options could not be reasonably determined. Management will monitor the progress of services performed and establish a fair value estimate of the options when appropriate.

11. SUBSEQUENT EVENTS

On November 4, 2010, the Company granted 200,000 stock options to a newly appointed director. The options vest fully on issuance, and are exercisable at a price of \$0.59 per common share for a period of five years from the date of grant.