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CANADIAN OREBODIES

Audited
Financial Statements

Years ended

January 31, 2010 and 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Canadian Orebodies Inc., or the Company, have been prepared by management in accordance with accounting principles generally accepted in Canada and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained.

The Audit Committee of the Board of Directors has reviewed with the Company's independent auditors the scope and results of the annual audit and the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, parker simone LLP, are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

As the Company is a Venture Issuer (as defined under under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

"Gord McKinnon"	***"Stephen M. Gledhill"***
Gord McKinnon Chief Executive Officer	Stephen M. Gledhill Chief Financial Officer

May 14, 2010

parker simone LLP

Chartered Accountants
129 Lakeshore Road East
Suite 201 Mississauga Ontario
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Auditors' Report

To the Shareholders of
Canadian Orebodies Inc.

We have audited the balance sheets of Canadian Orebodies Inc. as at January 31, 2010 and 2009 the statement of operations, comprehensive net loss and deficit and cash flows for the years. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at January 31, 2010 and 2009 and the results of its operations, changes in its cash flows for years then in accordance with Canadian generally accepted accounting principles.

Parker Simone LLP.

May 14, 2010

Licensed Public Accountants

Canadian Orebodies Inc.
(An exploration stage company)

Balance Sheets

As at January 31,		**2010**		2009
Assets				
Current Assets				
Cash and cash equivalents	$	**375,244**	$	329,095
GST recoverable		**4,643**		128,903
Prepaids and deposits		**10,693**		14,736
		390,580		472,734
Mineral properties and deferred exploration expenditures (Note 6)		**3,826,293**		5,271,086
	$	**4,216,873**	$	5,743,820
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (Note 9)	$	**277,614**	$	492,459
Due to related parties (Note 9)		**233,035**		233,035
		510,649		725,494
Future tax liability (Note 10)		**122,000**		570,000
Shareholders' Equity				
Share capital (Note 7)		**4,785,836**		4,056,898
Contributed surplus (Note 8)		**1,324,821**		995,821
Deficit		**(2,526,433)**		(604,393)
		3,584,224		4,448,326
	$	**4,216,873**	$	5,743,820

Commitments (Note 11)
Subsequent events (Note 12)

Approved by the Board of Directors:

"Gordon McKinnon"	***"John Harvey"***
Director	Director

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

Canadian Orebodies Inc.
(An exploration stage company)

Statements of Operations, Comprehensive Loss and Deficit

Years Ended January 31,		**2010**	2009
Expenses			
Stock-based compensation (Note 7 (c))		**111,000**	270,000
Management and administrative services (Note 9)		**123,143**	126,636
Professional and consulting fees (Note 9)		**129,417**	179,991
Office and administration, net of interest income of $294 (2009 - $Nil)		**100,263**	108,905
Shareholder information		**34,942**	42,633
Representation and travel		**5,229**	80,185
		503,994	808,350
Write-off of mineral properties and deferred exploration expenditures (Note 6)		**1,982,046**	103,333
Loss before income taxes		**(2,486,040)**	(911,683)
Future income tax recovery (Note 10)		**564,000**	316,290
Net loss and comprehensive net loss		**(1,922,040)**	(595,393)
Deficit, beginning of year		**(604,393)**	(9,000)
Deficit, end of year		**(2,526,433)**	(604,393)
Loss per share-basic and fully diluted	$	**(0.03)** $	(0.01)

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

Canadian Orebodies Inc.
(An exploration stage company)

Statements of Cash Flows

Years Ended January 31,		**2010**		2009
Operating Activities				
Net loss	$	**(1,922,040)**	$	(595,393)
Adjustments to reconcile net loss to cash flow from operating activities:				
Stock-based compensation		**111,000**		270,000
Future income tax recovery		**(564,000)**		(316,290)
Write-off of mineral properties and deferred exploration expenditures		**1,982,046**		103,333
Net change in non-cash working capital items:				
GST recoverable		**124,260**		(74,141)
Prepaids and deposits		**4,043**		(11,736)
Accounts payable and accured liabilities		**(32,345)**		382,928
Cash flow used in operating activities		**(297,036)**		(241,299)
Financing Activities				
Equity financings, net of issue costs		**598,238**		2,897,479
Proceeds from exercise of warrants		**-**		4,800
Cash flow provided from financing activities		**598,238**		2,902,279
Investing Activities				
Additions of mineral properties and deferred exploration expenditures		**(255,053)**		(2,685,706)
Cash acquired from plan of arrangement (Note 5)		**-**		353,811
Cash flow used in investing activities		**(255,053)**		(2,331,895)
Net increase in cash		**46,149**		329,085
Cash and cash equivalents, beginning of year		**329,095**		10
Cash and cash equivalents, end of year	$	**375,244**	$	329,095
Supplementary Cash Flow Information:				
Changes in non-cash investing and financing activites:				
Shares issued for purchase of mineral properties	$	**178,200**	$	-
Warrants issued for purchase of mineral properties	$	**104,000**	$	-
Shares issued for settlement of debt	$	**182,500**	$	-

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

1. Nature of Operations and Going Concern

Canadian Orebodies Inc. (the "Company" or "Orebodies") was incorporated pursuant to the provision of the Business Corporations Act (of Alberta) on January 10, 2008 ("inception date"). On July 21, 2008, Orebodies was authorized to continue its operations from the jurisdiction of Alberta to Ontario. Orebodies is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of Orebodies to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties. The Company is an exploration stage entity as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11.

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

As at January 31, 2010, the Company had a working capital deficiency of $120,069 (2009 – $252,760) and an accumulated deficit of $2,526,433 (2009 - $604,393). The working capital deficit at January 31, 2010 and 2009, includes amounts due to related parties (Note 10) that accrue no interest and have no fixed term of repayment plus accounts payable. The January 31, 2009 payables included $182,000 in trade debts that have been satisfied subsequent to January 31, 2009 (Note 7) with the issuance of common shares of the Company. In order to meet its short to medium-term working capital obligations, the Company will require and seek further financing to ensure that those obligations are properly discharged. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mineral property expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying audited financial statements.

2. Summary of Significant Accounting Policies

Mineral Properties and Deferred Exploration Expenditures

The Company records its interest in mineral properties at cost net of accumulated impairment write-downs. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If the property is placed into production, deferred costs will be amortized and depleted using the straight line method over the estimated economic life of the mine. The deferred costs would be written off if the property is sold, abandoned or otherwise determined to be uneconomic.

The amounts shown for mineral properties and deferred exploration expenditures represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

2. Summary of Significant Accounting Policies (continued)

Asset Retirement Obligations

The Company adopted CICA 3110, "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and amortized over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

As at January 31, 2010 and 2009, the Company has not incurred or committed to any asset retirement obligations.

Impairment of Long-lived Assets

Orebodies reviews mineral properties and deferred costs for impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates. Areas where management uses subjective judgment include, but are not limited to, recoverability of mineral properties and related deferred costs, future income taxes and the valuation of warrants and options. Management believes that these estimates are reasonable.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted tax rates expected to apply when these temporary differences are expected to reverse. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

Loss per share

Loss per share and is calculated based on the weighted average number of shares issued and outstanding during the year. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

2. Summary of Significant Accounting Policies (continued)

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

The Emerging Issues Committee of the Canadian Institute of Chartered Accountants issued EIC146 under which the Company is required to recognize the future income tax liability upon filing renunciation documents with the tax authorities and to treat it as a cost of issuing the flow-through shares.

Stock-based compensation

The Company applies the fair-value based method to all stock options granted and warrants issued. Accordingly, compensation cost is measured at fair value at the date of grant and is expensed on a straight line basis over the vesting period, with the related credit included in contributed surplus. The applicable amount of contributed surplus is transferred to share capital, if and when stock options are exercised. Any consideration paid on the exercise of stock options and warrants are credited to capital stock.

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table in note 7 summarizes the assumptions used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2010 and 2009.

Other stock-based payments

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions at the measurement date, whichever is the more reliably measured.

Foreign exchange

Monetary assets and liabilities have been translated at the exchange rate prevailing at the balance sheet dates. Income and expenses are translated at rates prevailing at the dates of the related transactions. Non-monetary assets, liabilities are translated at historic rates. Losses on foreign exchange for the year are included in the statements of operations.

Revenue recognition

Interest revenue is recognized when earned.

Cash

Cash is comprised of cash at banks and on hand.

Comprehensive loss

Section 1530 requires that an entity temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

2. Summary of Significant Accounting Policies (continued)

Financial Instruments

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable future income taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

Effective February 1, 2009, Orebodies adopted the amendment to CICA Handbook Section 3862, financial instruments, which requires disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

- i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- ii) Level 3: inputs for the asset or liability that are not based on observable market data.

Newly-adopted accounting changes

Going concern

On February 1, 2009 the Company adopted *Section 1400 - General standards of financial statement presentation,* and it has since been amended to include going concern requirements. The amendments require management to make an assessment of the Company's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The Company's disclosures in *note 1* reflect such assessments.

Future Accounting Pronouncements

Convergence with International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of February 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS is currently being evaluated.

2. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

Business combinations, financial statements & Non-controlling interests

In October 2008, the CICA issued Sections 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". Section 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601 carries forward the existing Canadian guidance on aspects of the preparation of financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company in the first quarter of fiscal 2011 with earlier adoption permitted. The Company does not expect that the adoption of these new Sections will have a material impact on its financial statements.

3. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended January 31, 2010. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, contributed surplus, and deficit, which as at January 31, 2010 totaled $3,584,224 (2008 - $4, 448,326).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, all held with a major Canadian financial institution.

4. Financial Risk Factors

Credit Risk

The Company's credit risk is primarily attributable to cash and GST receivables. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in other assets is remote.

Market Risk

Equity Price Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company's other financial instruments (cash, GST receivable, accounts payable and accrued liabilities and due to related parties) are not subject to price risk.

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has no material currency exposure at January 31, 2010.

Fair Value

The Company has, designated its cash as held-for-trading. GST receivable is classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities and amounts due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value. Fair values of accounts receivable, accounts payable and accrued liabilities and amounts due to related parties are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements.

As at January 31, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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 January 31, 2010, the Company had current assets of $390,580 (2009 - $472,734) and current liabilities of $510,649 (2009 - $725,494). All of the Company's financial liabilities and receivables have contractual maturities of less than one year and are subject to normal trade terms. Current working capital deficiency of the Company as of January 31, 2010, is $120,069 (2009 – $252,760).

Sensitivity Analysis

The sensitivity analysis shown in the notes below may differ materially from actual results. Interest rate risk on cash equivalents is minimal as these have fixed interest rates.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

(i) The Company's cash balance is subject to changes in interest rates. As at January 31, 2010, a change in the interest rate of 1% with all other variables held constant, the loss for the year ended January 31, 2010 would be changed by $4,000, as a result of a change in interest income from cash.

5. Acquisition of Baltic Resources Inc. ("Baltic") Properties

On March 10, 2008, the Company completed a transaction (the "Transaction") whereby it received all the assets and liabilities of Baltic except those associated with its Martison project ("Martison") (the "Transferred Assets") in exchange for the issuance of 37,030,799 common shares of the Company (the same number of outstanding common shares of Baltic) to Baltic which in turn were distributed to the Baltic shareholders.

The Transaction was effected by way of a Plan of Arrangement (the "Plan") approved by the Court of Queen's Bench of Alberta, dated March 7, 2008. In accordance with the Plan, Baltic and a newly created subsidiary of Phoscan Chemical Corp. ("Phoscan") completed a merger whereby each Baltic common share was exchanged for 1.4 Phoscan common shares immediately prior to the Transaction. Both Baltic and Phoscan held an equal joint-venture interest in Martison and upon completion of the merger; Phoscan owned a 100% interest in Martison. Immediately after the Transaction, existing Phoscan shareholders owned approximately 60.33% of Phoscan and existing Baltic shareholders owned approximately 39.67% of Phoscan and 100% of the Company.

On March 10, 2008, the Transferred Assets of Baltic were transferred to the Company. The deemed acquisition of the Transferred Assets are recorded at an ascribed value of $1,996,430 and is based on the net carrying value of the assets acquired as the Transaction was under common control. The Transferred Assets received are as follows:

Assets		
Cash	$	353,811
GST Recoverable		54,762
Prepaid and Deferred Charges		3,000
		411,573
Exploration expenditure advances		32,540
Mineral properties and deferred exploration expenditures		2,656,173
	$	3,100,286
Liabilities		
Accounts payable and accrued liabilities	$	100,531
Due to related parties		233,035
Future tax liability (1)		770,290
		1,103,856
Carrying value of net assets acquired	$	1,996,430
Allocated to contributed surples for options and warrants issued	$	237,000
Allocated to shares issued	$	1,759,430

(1) The tax value of the mineral properties transferred from Baltic to the Company has been set at an elected Section 85 amount of $1. As such, a future tax liability is incurred by the Company equal to the carrying value of the Company's mineral property portfolio ($2,656,173) multiplied by the future tax rate of 29%, or $770,290.

The acquisition has been accounted for by the purchase method as Orebodies issued shares to acquire all the Transferred Assets of Baltic, but did not retain an ownership interest in Baltic. Accordingly, for accounting purposes Orebodies has been treated as the acquirer.

On March 10, 2008 and in connection with the Transaction, the Company assumed the value assigned to Baltic's outstanding broker warrants ($109,000 representing 420,000 broker options), exercisable at $0.04 each until March 29, 2009 with each broker warrant exercisable for 1 common share.

6. Mineral Properties and Deferred Exploration Expenditures

Management reviews property exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization. Specific changes to the Company's mineral property portfolio that occurred during the years ended January 31, 2010 and 2009 are as follows:

	Coral Rapids Project	Hawkins Project	Lithium and Rare Metals Project	Webequie Area Project	Total
Balance, January 31, 2008	$ -	$ -	$ -	$ -	$ -
Additions 2009	1,763,869	687,650	-	2,922,900	5,374,419
Write-offs 2009	-	-	-	- 103,333	- 103,333
Balance, January 31, 2009	1,763,869	687,650	-	2,819,567	5,271,086
Additions 2010	2,747	-	487,675	46,831	537,253
Write-offs 2010	-	-	-	(1,982,046)	(1,982,046)
Balance, January 31, 2010	$ 1,766,616	$ 687,650	$ 487,675	$ 884,352	$ 3,826,293

(i) On March 10, 2008, Baltic transferred to Orebodies the Transferred Assets, consisting primarily of Baltic's interest in the Coral Rapids Project, the Hawkins Project and the Webequie Area Projects in consideration of the issuance to Baltic of the number of Orebodies Common Shares that would result in Baltic holding the number of such shares that is equivalent to the number of issued and outstanding Baltic Common Shares at the Effective Time held by Participating Shareholders and the assumption by Orebodies of the Assumed Liabilities (Note 5).

(ii) On July 8, 2008, the Company announced it has entered into a LOI with East West Resource Corporation ("East West") granting it an option to acquire 80% legal and beneficial interest in 96 claim units comprising more than 1,536 hectares in the James Bay Lowlands. In order to earn its 80% legal and beneficial interest, Orebodies is required to:

a. Pay to East West $10,000 (paid);
b. Issue to East West an aggregate amount of 280,000 common shares of Orebodies (issued);
c. Commission a VTEM airborne survey on the property (completed);
d. East West will hold a 20% carried interest in the property until a Bankable Feasibility study is produced.

(iii) On November 20, 2009, the Company entered into an option agreement to acquire a 100% interest in various mining claims known as Falcon Lake, Barbara Lake and Greenbush Lake Properties that make up its lithium and rare metals properties, for 1,600,000 shares of the Company valued at $160,000 and 1,600,000 warrants of the Company valued at $104,000. Each warrant entitles the holder to purchase one common share of the Company at $0.15 for a period of two years from the date of issue. The vendor retains a 2% NSR on the property, one half of which can be purchased for $1,000,000.

The fair value of the warrants of $104,000 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.47%
Expected volatility	130.6%
Expected life of warrants	2 years
Expected dividend yield	Nil

7. Share Capital

(a) Common Shares

Orebodies' authorized share capital consists of an unlimited number of Common shares.

The issued and outstanding Common shares are as follows:

	Number of Shares		Stated Value
COMMON SHARES			
Balance, January 31, 2008	100	$	10
Issued for cash consideration:			
Private Placements	15,488,000		3,237,000
Warrants exercised	120,000		4,800
Issued for non-cash consideration:			
Plan of Arrangement (Note 5)	37,030,799		1,759,430
Share issue costs			
Cash share issue costs	-		(339,521)
Fair value of broker units and warrants	-		(235,021)
Future income tax benefits on share issue costs			98,000
Fair value assigned to warrants issued	-		(294,000)
Future tax liability pursuant to flow through shares renunciation	-		(214,000)
Fair value of contributed surplus transferred on exercise of warrants	-		40,200
Balance, January 31, 2009	**52,638,899**	**$**	**4,056,898**
Issued for cash consideration:			
Private placements	**5,735,333**		**657,440**
Issued for non-cash consideration:			
Issued with respect to property allocations	**1,880,000**		**178,200**
Issued on settlement of debt	**2,433,333**		**182,500**
Share issue costs			
Cash share issue costs	**-**		**(59,202)**
Fair value of broker units and warrants	**-**		**(26,000)**
Future income tax benefits on share issue costs			**15,000**
Fair value assigned to warrants issued	**-**		**(88,000)**
Future tax liability pursuant to flow through shares renunciation	**-**		**(131,000)**
Balance, January 31, 2010	**62,687,565**	**$**	**4,785,836**

7. **Share Capital** (continued)

Private Placements – 2010

(i) On December 31, 2009, the Company completed a non-brokered private placement for aggregate gross proceeds of $257,440 through the sale of 540,000 units of securities of the Company (each, a "Unit") at a price of $0.10 per Unit and 1,695,333 flow-through units of the Company (each, a "Flow-Through Unit") at a price of $0.12 per Flow-Through Unit.

Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant of the Company (each such whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share until December 31, 2011 at an exercise price of $0.20 per common share. The expiry date of the Warrants may be accelerated, at the option of the Company, if the closing price of the common shares on the TSX Venture Exchange or such other exchange, market or trading or quotation facility in Canada exceeds $0.30 for a period of 20 consecutive trading days, by giving notice to the holders thereof, in which case the Warrants will expire on the 20th business day after the date on which such notice is given by the Company.

Each Flow-Through Unit is comprised of one common share issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) and one-half of one Warrant.

Using the Black-Scholes valuation method, the Warrants were valued at $34,000. The following factors were used to determine the value: expected dividend yield of 0%, risk-free interest rate of 1.47%, expected volatility of 130.35% and an expected maturity of two years.

The Company paid the agent and members of the selling group a total cash commission equal $14,995.20 and granted them non-transferable warrants (each, an "Agent Warrant") to purchase an aggregate of up to 160,200 units of the Company (each, and "Agent Unit"). Each Agent Warrant entitles the holder thereof to purchase one Agent Unit until December 31, 2011 at an exercise price of $0.12. Each Agent Unit will be comprised of one common share and one-half of one common share purchase warrant (each such whole common share purchase warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant will entitle the holder thereof to purchase one common share until December 31, 2011 at an exercise price of $0.20 per common share.

Using the Black-Scholes valuation method, the Agent Warrants were valued at $8,000. The following factors were used to determine the value: expected dividend yield of 0%, risk-free interest rate of 1.47%, expected volatility of 130.35% and an expected maturity of two years.

(ii) On December 18, 2009, the Company completed a non-brokered private placement for aggregate gross proceeds of $400,000 through the sale of 1,000,000 units of securities of the Company (each, a "Unit") at a price of $0.10 per Unit and 2,500,000 flow-through units of the Company (each, a "Flow-Through Unit") at a price of $0.12 per Flow-Through Unit.

Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant of the Company (each such whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share until December 18, 2011 at an exercise price of $0.20 per common share. The expiry date of the Warrants may be accelerated, at the option of the Company, if the closing price of the common shares on the TSX Venture Exchange or such other exchange, market or trading or quotation facility in Canada exceeds $0.30 for a period of 20 consecutive trading days, by giving notice to the holders thereof, in which case the Warrants will expire on the 20th business day after the date on which such notice is given by the Company.

Each Flow-Through Unit is comprised of one common share issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) and one-half of one Warrant.

7. **Share Capital** (continued)

Private Placements – 2010 (continued)

Using the Black-Scholes valuation method, the Warrants were valued at $54,000. The following factors were used to determine the value: expected dividend yield of 0%, risk-free interest rate of 1.3%, expected volatility of 130.6% and an expected maturity of two years.

The Company paid cash finders' fees equal to 8% (or $32,000) of the aggregate proceeds of the Financing and granted non-transferable options (each, a "Finders Option") to purchase an aggregate of up to 350,000 units of the Company (each, a "Finders Unit"). Each Finders Option entitles the holder thereof to purchase one Finders Unit until December 31, 2011 at an exercise price of $0.12. Each Finders Unit will be comprised of one common share and one-half of one common share purchase warrant (each such whole common share purchase warrant, an "Finders Unit Warrant"). Each Finders Unit Warrant will entitle the holder thereof to purchase one common share until December 18, 2011 at an exercise price of $0.20 per common share.

Using the Black-Scholes valuation method, the Agent Warrants were valued at $18,000. The following factors were used to determine the value: expected dividend yield of 0%, risk-free interest rate of 1.3%, expected volatility of 130.6% and an expected maturity of two years.

Private Placements – 2009

(i) On December 31, 2008, the Company completed a non-brokered private placement (the "Financing") with MineralFields Group for aggregate gross proceeds of $240,000 through the sale of 4,000,000 flow-through units of the Company (each, a "Flow-Through Unit") at a price of $0.06 per Flow-Through Unit.

Each Flow-Through Unit is comprised of one common share issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) and one-half of one Warrant. Each Warrant entitles the holder thereof to purchase one common share until December 31, 2010 at an exercise price of $0.40 per common share.

Using the Black-Scholes valuation method, the Warrants were valued at $43,000. The following factors were used to determine the value: expected dividend yield of 0%, risk-free interest rate of 1.09%, expected volatility of 206.97% and an expected maturity of two years.

The Company paid the agent and members of the selling group a total cash commission equal to 8% of the aggregate proceeds of the Financing and granted them non-transferable warrants (each, an "Agent Warrant") to purchase an aggregate of up to 400,000 units of the Company (each, and "Agent Unit"). Each Agent Warrant entitles the holder thereof to purchase one Agent Unit for a period of 24 months from the date of issuance at an exercise price of $0.06. Each Agent Unit will be comprised of one common share and one-half of one common share purchase warrant (each such whole common share purchase warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant will entitle the holder thereof to purchase one common share until December 31, 2010 at an exercise price of $0.40 per common share.

Using the Black-Scholes valuation method, the Agent Warrants were valued at $15,600. The following factors were used to determine the value: expected dividend yield of 0%, risk-free interest rate of 1.09%, expected volatility of 252.57% and an expected maturity of two years.

(ii) On May 8, 2008, the Company completed a brokered private placement (the "Financing") for aggregate gross proceeds of $2,997,000 through the sale of 8,988,000 units of securities of the Company (each, a "Unit") at a price of $0.25 per Unit and 2,500,000 flow-through units of the Company (each, a "Flow-Through Unit") at a price of $0.30 per Flow-Through Unit.

7. Share Capital (continued)

Private Placements – 2009 (continued)

Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant of the Company (each such whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share until May 8, 2010 at an exercise price of $0.40 per common share from May 8, 2008 to May 7, 2009 ("Year 1") and at an exercise price of $0.50 per common share from May 8, 2009 to May 8, 2010 ("Year 2"). The expiry date of the Warrants may be accelerated, at the option of the Company, if the closing price of the common shares on the TSX Venture Exchange or such other exchange, market or trading or quotation facility in Canada exceeds $0.50 in Year 1 or $0.60 in Year 2 for a period of 20 consecutive trading days, commencing any time after September 9, 2008, by giving notice to the holders thereof, in which case the Warrants will expire on the 20th business day after the date on which such notice is given by the Company.

Each Flow-Through Unit is comprised of one common share issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) and one-half of one Warrant.

Using the Black-Scholes valuation method, the Warrants were valued at $251,000. The following factors were used to determine the value: expected dividend yield of 0%, risk-free interest rate of 0.01%, expected volatility of 89% and an expected maturity of two years.

The Company paid the agent and members of the selling group a total cash commission equal to 8% of the aggregate proceeds of the Financing and granted them non-transferable warrants (each, an "Agent Warrant") to purchase an aggregate of up to 1,148,800 units of the Company (each, and "Agent Unit"). Each Agent Warrant entitles the holder thereof to purchase one Agent Unit from May 8, 2008 to May 8, 2010 at an exercise price of $0.25. Each Agent Unit will be comprised of one common share and one-half of one common share purchase warrant (each such whole common share purchase warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant will entitle the holder

thereof to purchase one common share from May 8, 2008 to May 8, 2010 at an exercise price of $0.40 per common share during Year 1 and $0.50 per common share during Year 2.

Using the Black-Scholes valuation method, the Agent Warrants were valued at $219,421. The following factors were used to determine the value: expected dividend yield of 0%, risk-free interest rate of 2.78%, expected volatility of 165.49% and an expected maturity of two years.

(b) Warrants

The outstanding Issued Warrants balance at January 31, 2010, is comprised as follows:

Date of Expiry	Type	No. of Warrants	Exercise Price $
May 8, 2010	Warrants	5,744,000	0.50
May 8, 2010	Broker Unit	1,148,800	0.25
May 8, 2010	Broker Warrant on unit	574,400	0.50
December 31, 2010	Warrants	2,000,000	0.40
December 31, 2010	Finder's Unit	400,000	0.06
December 31, 2010	Finder's Warrant on unit	200,000	0.40

December 16, 2011	Warrants	1,600,000	0.15
December 18, 2011	Warrants	1,750,000	0.20
December 18, 2011	Finder's Unit	350,000	0.12
December 18, 2011	Finder's Warrant on unit	175,000	0.20
December 31, 2011	Warrants	1,117,666	0.20
December 31, 2011	Finder's Unit	160,200	0.12
December 31, 2011	Finder's Warrant on unit	80,100	0.20
Total		**15,300,166**	

(c) Options

Orebodies has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at January 31, 2010, the Company has 2,018,757 (2009 – 2,313,890) options available for issuance under the plan. Continuity of the unexercised options to purchase common shares is as follows:

As at January 31,	**2010**		2009	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of year	**0.14**	**2,950,000**	-	-
Transactions during the year:				
Granted	**0.10**	**1,300,000**	0.14	2,950,000
Outstanding at end of year	**0.13**	**4,250,000**	0.14	2,950,000

The following table provides additional information about outstanding stock options at January 31, 2010:

Range of Exercise Prices ($)	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**
0.03	**800,000**	**0.5**	**0.03**
0.10	**1,300,000**	**4.6**	**0.10**
0.18	**2,150,000**	**3.2**	**0.18**
0.03 – 0.18	**4,250,000**	**3.1**	**0.13**

7. Share Capital (continued)

Stock-based compensation

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options issued during the year ended January 31, 2010:

	Sep-17-09	Total
Number of options granted	1,300,000	1,300,000
Risk-free interest rate	2.59%	
Expected life years	5	
Expected volatility	127.95%	
Exercise price	$ 0.10	
Expected dividends	-	
Fair value of stock based compensation	**$ 111,000**	**$ 111,000**

The weighted average grant-date fair value of options granted during the year was $0.09 per option issued.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options issued during the year ended January 31, 2009:

	Mar-31-08	Mar-10-08	Total
Number of options granted	2,150,000	800,000	2,950,000
Risk-free interest rate	2.91%	2.54%	
Expected life years	5	2.5	
Expected volatility	88.00%	88.00%	
Exercise price	$ 0.18	$ 0.03	
Expected dividends	-	-	
Fair value of stock based compensation	**$ 270,000**	**$ 128,000**	**$ 398,000**

The weighted average grant-date fair value of options granted during the year was $0.13 per option issued.

8. Contributed Surplus

Balance at January 31, 2008	$ -
Plan of Arrangement (Note 5)	237,000
Fair value of issued warrants	529,021
Fair value of issued options	270,000
Fair value transferred on exercised warrants	(40,200)
Balance at January 31, 2009	**995,821**
Fair value of issued warrants	**218,000**
Fair value of issued options	**111,000**
Balance at January 31, 2010	**$ 1,324,821**

9. Related Party Transactions and Balances

The financial statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

	2010	2009
Transactions during the year:	**$**	$
Professional and consulting fees	**51,000**	44,323
Management fees	**-**	165,799
Due to related parties:	**$**	$
Due to related parties	**233,035**	233,035

Transactions were conducted in the normal course of operations and are measured at the exchange amounts.

10. Income Taxes

Future Income Tax Recovery

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2010	2009
	$	$
Loss before income taxes	**(2,486,040)**	(911,683)
Combined Statutory rate	**33.00%**	33.50%
Estimated recovery of income taxes	**(820,000)**	(305,000)
Difference between current and future tax rates	**190,000**	(100,290)
Stock-based compensation	**71,000**	90,000
Other	**(5,000)**	2,000
Change in valuation allowance	**-**	(3,000)
Future income tax recovery	**(564,000)**	(316,290)

The Canadian statutory income tax rate of 33.0% (2009 - 33.5%) is comprised of the federal income tax rate at approximately 19.0% (2009 – 19.5%) and the provincial income tax rate of approximately 14.00% (2008 – 14.00%). The primary differences which give rise to the future income tax recoveries at January 31, 2010 and 2009 are as follows:

10. Income Taxes (continued)

***Future Income Tax Recovery* (continued)**

	2010	2009
	$	$
Future income tax assets		
Non-capital losses carried forward	**37,000**	17,000
Deductible share issue costs and other	**64,000**	69,000
	101,000	86,000
Less : valuation allowance	**-**	-
Net future tax assets	**101,000**	86,000
Future tax liabilities		
Deferred exploration expenses	**(223,000)**	(656,000)
Net future tax liability	**(122,000)**	(570,000)

The unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately $251,000 (2009 - $271,000) and will be deductible in Canada over the next 4 years.

The Company has available for carry forward non-capital losses of $148,000 (2009 - $68,000). As at January 31, 2010, the non-capital losses carry forwards expire as follows:

January 31, 2029	$	68,000
January 31, 2030		80,000
	$	148,000

11. Commitments and Contractual Obligations

As of January 31, 2010, the Company is committed to spending approximately $419,000 on Canadian exploration costs by December 31, 2010 as part of its 2009 flow-through funding agreements.

12. Subsequent Events

Ultra Lithium Inc. option

On March 3, 2010, the Company signed a property option agreement with Ultra Lithium Inc. ("Ultra") and the underlying property owners (the "Owners") to acquire 80% interest in 129 mining claim units located approximately 60 km northeast of Armstrong, Ontario. The Owners retain a 2% NSR, 50% of which can be purchased by the Company for $1,000,000. Commencing on the fourth anniversary, the Joint venture group will need to pay $10,000 per annum in pre-production royalties in either shares or cash.

In order for the Company to earn its interest it is required to:

1) Pay to Ultra $100,000 in cash as follows: $10,000 on signing, $15,000 on the first anniversary of signing, $25,000 on the second anniversary of signing, and $50,000 on the Third anniversary of signing;

12. Subsequent Events (continued)

***Ultra Lithium Inc. option* (continued)**

2) Issue to Ultra an aggregate amount of 650,000 common shares of the Company as follows: 200,000 within 10 days of TSXV approval, 175,000 on the first anniversary of signing, 150,000 on the second anniversary of signing, and 125,000 on the Third anniversary of signing;

3) Issue to the Owners an aggregate amount of 150,000 common shares of the Company on TSXV approval.

4) Fund $350,000 of exploration expenditures on the property as follows: $50,000 by October 31 2010, $50,000 by October 31 2011, $100,000 by October 31 2012, $150,000 by October 31 2013.

Hawk Uranium Inc. property assumption

On April 28, 2010, the Company signed a purchase and assumption agreement with Hawk Uranium Inc. ("Hawk") whereby, Hawk has acquired 100% legal and beneficial interest in the Company's eight 100% owned properties (subject to a 10% NPI retained by the Company), and 100% interest in the Company's seven 50% owned properties (subject to a 10% NPI retained by the Company on the portion of those properties to be acquired by Hawk, which would be converted to a 0.15% net smelter returns royalty if Hawk's interest in those properties is reduced to less than 10% and therefore converted to a net smelter returns royalty) held through a joint venture with Macdonald Mines Exploration Ltd. and Temex Resources Corp.. The Properties in total consist of 444 (100% owned) claim units comprising 7,104 hectares and 891 (50% owned) claim units comprising 14,256 hectares, all which are located in the James Bay Lowlands 'Ring of Fire', Ontario. As consideration for the sale, the Company has received 5,000,000 common shares of Hawk, 4,000,000 warrants of Hawk to purchase shares at a price of $0.15 for four years. The expiry can be accelerated in year three if the share price trades above $0.30 for 10 consecutive days and in year four if the share price trades above $0.40 for 10 consecutive days.