

SALARES LITHIUM INC.
(Formerly P2P Health Systems Inc.)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2010 AND 2009

Notice to Shareholders

Responsibility for Financial Statements

The accompanying interim consolidated financial statements for Salares Lithium Inc. (the “Company”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) consistently applied. The most significant of these accounting principles have been set out in Note 2 in the accompanying notes to these interim consolidated financial statements.

These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

Auditor Involvement

The independent auditor of the Company has not performed a review of the unaudited interim consolidated financial statements for the three and six months ended January 31, 2010 and January 31, 2009.

SALARES LITHIUM INC.
(Formerly P2P Health Systems Inc.)
BALANCE SHEETS

| | January 31, 2010 | July 31, 2009 |
|---|---------------------|------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 1,643,962 | \$ 47,553 |
| Receivables | 53,240 | 30,635 |
| Prepaid expenses | 5,588 | 9,434 |
| | 1,702,790 | 87,622 |
| Mineral property interests (Note 4) | 318,397 | 55,938 |
| | \$ 2,021,187 | \$ 143,560 |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT) | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 244,812 | \$ 224,734 |
| Shareholders' equity (deficiency) | | |
| Capital stock (Note 5) | 7,516,802 | 5,212,174 |
| Contributed surplus (Note 7) | 2,034,998 | 1,741,475 |
| Deficit | (7,775,425) | (7,034,823) |
| | 1,776,375 | (81,174) |
| | \$ 2,021,187 | \$ 143,560 |
| Nature and continuance of operations (Note 1) | | |
| Commitment (Note 12) | | |

On behalf of the Board:

| | | | |
|--|----------|--|----------|
| <u>“Todd Hilditch”</u> Todd Hilditch | Director | <u>“David Shaw”</u> David Shaw | Director |
|--|----------|--|----------|

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

SALARES LITHIUM INC.
(Formerly P2P Health Systems Inc.)
STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

| | Three month Period Ended January 31, 2010 | Three month Period Ended January 31, 2009 | Six month Period Ended January 31, 2010 | Six month Period Ended January 31, 2009 |
|--|--|--|--|--|
| GENERAL AND ADMINISTRATIVE EXPENSES | | | | |
| Administration expense | \$ 9,398 | \$ 31,687 | \$ 17,874 | \$ 46,687 |
| Filing and transfer fees | 12,962 | 4,970 | 27,950 | 9,463 |
| Management fees | 73,292 | 40,000 | 108,292 | 68,000 |
| Office expenses | 8,684 | 15,762 | 23,365 | 41,288 |
| Investor relations | 9,573 | - | 9,573 | - |
| Professional fees | 81,062 | 34,161 | 90,095 | 34,161 |
| Research and due diligence | - | 80,814 | 92,918 | 97,314 |
| Stock-based compensation expense (Note 7) | 93,549 | 42,675 | 370,112 | 85,350 |
| Travel | 926 | 4,417 | 926 | 64,627 |
| Amortization (Note 3) | - | 4,565 | - | 9,368 |
| Loss before interest income | (289,446) | (259,051) | (741,105) | (456,258) |
| Interest income | 503 | - | 503 | - |
| Net and Comprehensive income (loss) for the period | (288,943) | (259,051) | (740,602) | (456,258) |
| Deficit, beginning of period | (7,486,482) | (6,220,119) | (7,034,823) | (6,022,912) |
| Deficit, end of period | \$ (7,775,425) | \$ (6,479,170) | \$ (7,775,425) | \$ (6,479,170) |
| Basic and diluted loss per share | \$ (0.01) | \$ (0.01) | \$ (0.03) | \$ (0.03) |
| Basic and diluted weighted average number of shares outstanding | 31,052,241 | 17,900,652 | 26,702,940 | 17,590,244 |

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

SALARES LITHIUM INC.
(Formerly P2P Health Systems Inc.)
STATEMENTS OF CASH FLOWS

| | Three month Period Ended January 31, 2010 | Three month Period Ended January 31, 2009 | Six month Period Ended January 31, 2010 | Six month Period Ended January 31, 2009 |
|---|--|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income (loss) for period | \$ (288,943) | \$ (259,051) | \$ (740,602) | \$ (456,258) |
| Items not affecting cash: | | | | |
| Amortization | - | 4,565 | - | 9,368 |
| Stock based compensation | 93,549 | 42,675 | 370,112 | 85,350 |
| Changes in non-cash working capital items | | | | |
| Decrease (increase) in receivables | (10,645) | (7,636) | (22,604) | 1,339 |
| Increase in prepaid expenses | (396) | (1,531) | 3,846 | 1,102 |
| Increase (decrease) in accounts payable and accrued liabilities | <u>(129,687)</u> | <u>(31,646)</u> | <u>20,077</u> | <u>(37,608)</u> |
| Net cash provided by (used in) operating activities | <u>(336,122)</u> | <u>(252,624)</u> | <u>(369,171)</u> | <u>(396,707)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisition of capital assets | - | - | - | (5,350) |
| Mineral property expenditures | <u>(119,005)</u> | <u>-</u> | <u>(262,459)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(119,005)</u> | <u>-</u> | <u>(262,459)</u> | <u>(5,350)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Subscriptions receivable | - | 2,000 | - | 2,000 |
| Issuance of capital stock | 1,500,000 | 358,500 | 1,500,000 | 358,500 |
| Share issue costs | (20,478) | (34,534) | (52,086) | (34,534) |
| Stock options exercised | 50,000 | - | 63,125 | - |
| Warrants exercised | 677,000 | - | 717,000 | - |
| Repayment of short-term loan | <u>(150,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net cash provided by financing activities | <u>2,056,522</u> | <u>325,966</u> | <u>2,228,039</u> | <u>325,966</u> |
| Change in cash during period | 1,601,395 | 73,342 | 1,596,409 | (76,091) |
| Cash position, beginning of period | <u>42,567</u> | <u>136,556</u> | <u>47,553</u> | <u>285,989</u> |
| Cash position, end of period | <u>\$ 1,643,962</u> | <u>\$ 209,898</u> | <u>\$ 1,643,962</u> | <u>\$ 209,898</u> |

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

SALARES LITHIUM INC.

(Formerly P2P Health Systems Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended January 31, 2010 and 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the laws of the Province of British Columbia and was listed as a capital pool corporation on the TSX Venture Exchange ("TSX.V"). On October 6, 2003, following the acquisition of Person to Person Health Systems Inc., the Company changed its name to P2P Health Systems Inc. and ceased to be a capital pool corporation. The Company was focused on the development and sale of peer-to-peer streaming technology and telehealth software for long distance medical diagnosis; during the year ended July 31, 2008 it abandoned these technologies. On December 1, 2008, the Company's classification was changed from the TSX.V to the NEX Exchange ("NEX"), and the Company resumed trading on the NEX under the trading symbol PTP.H. On February 11, 2009, pursuant to a debt settlement agreement with Atlantic Canada Opportunities Agency, the Company's wholly-owned subsidiary, Person to Person Health Systems Inc., was dissolved and wound up. On November 26, 2009, the Company changed its name to Salares Lithium Inc. and graduated from the NEX to the TSX.V and began trading under the symbol "LIT". Currently, the Company is exploring mineral property opportunities in Chile (Note 4).

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is in substantial doubt and is dependent on the Company's ability to satisfy its liabilities as they come due, complete public equity financing, or generate profitable operations in the future. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim unaudited consolidated financial statements have been prepared by the Company in accordance with GAAP for interim financial statements, applied on a consistent basis. These interim financial statements follow the same significant accounting policies and methods of application as those disclosed in Note 2 to the Company's audited consolidated financial statements as at and for the year ended July 31, 2009 (the "Annual Financial Statements"). Accordingly, they do not include all disclosures required for annual financial statements. These interim unaudited consolidated financial statements and notes thereon should be read in conjunction with the Annual Financial Statements.

The preparation of these interim unaudited consolidated financial statements and the accompanying notes require management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these interim unaudited consolidated financial statements reflect all adjustments (which include only normal, recurring adjustments) necessary to state fairly the results for the periods presented. Actual results could vary from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

The interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Inversiones Sli Chile Limitada. All inter-company balances and transactions have been eliminated upon consolidation.

SALARES LITHIUM INC.

(Formerly P2P Health Systems Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended January 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements issued by the CICA, which have not yet been adopted by the Company, are as follows:

(a) Transition to International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with IFRS over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the future impact of the initiative on its financial statements.

(b) Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, replacing Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

(c) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

SALARES LITHIUM INC.

(Formerly P2P Health Systems Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended January 31, 2010 and 2009

3. EQUIPMENT

| July 31, 2008 | | | | |
|------------------------|------------------|--------------------------|-----------|---------------|
| | Cost | Accumulated Amortization | Net | |
| Computer hardware | \$ 33,400 | \$ 9,315 | \$ | 24,085 |
| Furniture and fixtures | 13,570 | 1,993 | | 11,577 |
| Computer software | 1,959 | 802 | | 1,157 |
| Leasehold improvements | 47,028 | 3,069 | | 43,959 |
| | <u>\$ 95,957</u> | <u>\$ 15,179</u> | <u>\$</u> | <u>80,778</u> |

During July 2009, with the change of management, the Company sold equipment with a book value of \$33,260 for \$15,000. Concurrently, leasehold improvements with a net book value of \$36,539 as at June 30, 2009, were written off. The Company recognized a loss during the year of \$54,799, based on the above transactions.

4. MINERAL PROPERTY INTERESTS

Pursuant to an Irrevocable Option to Purchase Agreement (the "IOA") and a Partner Agreement ("PA") effective November 25, 2009, the Company was granted the sole and irrevocable right and option to acquire up to 70% ownership interest in Salares De Atacama Sociedad Contractual Minera ("SALA"), a private Chilean company. SALA owns an exclusive 100% legal interest in and to a group of concessions in III Region, Chile known as Piedra Parada, Grande, Aguilar, Agua Amarga, La Isla, Las Parinas and Maricunga (collectively the "Concessions"). Upon execution of the IOA and PA, the Company has the ability to further explore and, if warranted, develop the Concessions for commercial production and to participate in such venture as a shareholder of SALA.

The Company's sole and irrevocable right to option to acquire up to a 70% ownership interest in SALA is structured as follows:

- (a) an initial 50% ownership interest in SALA (the "First Option") upon completion of the following:
 - (i) the filing of a National Instrument 43-101- Standards of Disclosure for Mineral Properties report with respect to the Concessions with the TSX.V (completed); and
 - (ii) incurring exploration expenditures on the Concessions totaling US\$2.5 million on or before November 25, 2012; and
- (b) an additional 20% ownership interest in SALA (the "Second Option") can be obtained upon completion, at the Company's sole expense, of a feasibility study on the Concessions within 24 months from the date the First Option is exercised .

The Company has incurred the following acquisition and exploration expenditures as of January 31, 2010:

| | <u>January 31,</u> <u>2010</u> | <u>Activity</u> | <u>July 31,</u> <u>2009</u> |
|--|-----------------------------------|-------------------|--------------------------------|
| Acquisition | \$ 94,556 | \$ 57,889 | \$ 36,667 |
| Concession maintenance | 110,671 | 110,671 | - |
| Communication, field supplies and expenses | 66,522 | 56,522 | 10,000 |
| Consulting | 46,648 | 37,377 | 9,271 |
| | <u>\$ 318,397</u> | <u>\$ 262,459</u> | <u>\$ 55,938</u> |

SALARES LITHIUM INC.

(Formerly P2P Health Systems Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended January 31, 2010 and 2009

5. CAPITAL STOCK

Authorized

Unlimited number of common shares without par value

| | Number of Shares | Amount |
|--|---------------------|--------------|
| Issued: | | |
| As at July 31, 2008 | 17,279,837 | \$ 4,600,009 |
| For cash – private placement | 3,585,000 | 358,500 |
| Share issue costs | - | (34,534) |
| For cash – exercise of share purchase warrants (Note 6) | 1,250,000 | 250,000 |
| For cash – exercise of stock options (Note 7) | 100,000 | 20,000 |
| Reclassification of contributed surplus on exercise of options | - | 18,199 |
| As at July 31, 2009 | 22,214,837 | 5,212,174 |
| For cash – private placement | 9,375,000 | 1,500,000 |
| Share issue costs | - | (52,085) |
| For cash – exercise of share purchase warrants (Note 6) | 3,566,250 | 717,000 |
| For cash – exercise of stock options (Note 7) | 315,625 | 63,125 |
| Reclassification of contributed surplus on exercise of options | - | 76,588 |
| As at January 31, 2010 | 35,471,712 | \$ 7,516,802 |

Pursuant to shareholder approval received on November 10, 2009, the common shares of the Company were consolidated on a basis of one share for every two shares issued and outstanding. All outstanding share purchase warrants and options to purchase stock were consolidated on the same basis. The capital stock disclosure has been amended to reflect the post consolidation share structure.

During the six month period ended January 31, 2010, the Company completed a non-brokered private placement of 9,375,000 units for gross proceeds of \$1,500,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.32 per common share until November 26, 2012. The fair value attributable to the warrant component of the private placement units was estimated to be \$256,970 using the Black-Scholes option-pricing model with the following assumptions: expected warrant life of 3 years, risk-free interest rate of 2.06%, dividend yield of 0% and expected volatility of 109%. The Company paid finder's fees totalling \$52,085 in connection with the private placement.

During the year ended July 31, 2009, the Company completed a non-brokered private placement of 3,585,000 units for gross proceeds of \$358,500. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.20 per share for a period of one year from closing. The fair value attributable to the warrant component of the private placement units was estimated to be \$14,331 using the Black-Scholes option-pricing model with the following assumptions: expected warrant life of 1 year, risk-free interest rate of 1.27 %, dividend yield of 0% and expected volatility of 220%. The Company paid finders' fees totalling \$34,534 in connection with the private placement.

SALARES LITHIUM INC.
(Formerly P2P Health Systems Inc.)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three and six months ended January 31, 2010 and 2009

6. WARRANTS

The following warrants were outstanding at January 31, 2010 and July 31, 2009:

| Expiry Date | Exercise Price | Number of Warrants |
|-------------------|----------------|--------------------|
| November 26, 2012 | \$ 0.32 | 9,343,750 |
| | | 9,343,750 |

Share purchase warrant transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---------------------------------|--------------------|---------------------------------|
| Outstanding at July 31, 2008 | 5,067,000 | \$ 0.41 |
| Issued | 3,585,000 | \$ 0.20 |
| Exercised | (1,250,000) | \$ 0.20 |
| Expired | (3,817,000) | \$ 0.48 |
| Outstanding at July 31, 2009 | 3,585,000 | \$ 0.20 |
| Issued | 9,375,000 | \$ 0.32 |
| Exercised | (3,566,250) | \$ 0.20 |
| Expired | (50,000) | \$ 0.20 |
| Outstanding at January 31, 2010 | 9,343,750 | \$ 0.32 |

During the six month period ended January 31, 2010, 3,566,250 share purchase warrants were exercised at an average price of \$0.20 per warrant for total proceeds of \$717,000.

During the year ended July 31, 2009, 1,250,000 share purchase warrants were exercised at \$0.20 per warrant for total proceeds of \$250,000.

7. STOCK OPTIONS AND STOCK-BASED COMPENSATION

Stock Options

The Company, in accordance with its shareholder approved stock option plan and the policies of the TSX.V, is authorized to grant options to directors, employees and consultants to acquire common shares. The exercise price of each option equals the closing price of the Company's shares on the day preceding the award date, less any discount permitted by the TSX.V, or such other price as may be required by the TSX.V. The options can be granted for a maximum term of five years and are subject to vesting provisions as determined by the board of directors.

SALARES LITHIUM INC.

(Formerly P2P Health Systems Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended January 31, 2010 and 2009

7. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

Outstanding incentive stock options as at January 31, 2010 and July 31, 2009 are as follows:

| | July 31, 2009 Number of Shares | Weighted Average Remaining Contractual Life (in Years) | January 31, 2010 Number of Shares | Exercise Price | Expiry Date |
|------------------------------|---|---|--|----------------|------------------|
| Options | - | - | - | \$0.20 | January 12, 2012 |
| Options | 62,500 | 2.68 | 62,500 | \$0.60 | April 4, 2012 |
| Options | 50,000 | 2.95 | - | \$1.26 | July 12, 2012 |
| Options | 475,000 | 3.82 | 150,000 | \$0.20 | May 26, 2013 |
| Options | - | 3.82 | 1,760,000 | \$0.20 | October 13, 2014 |
| Options | - | 3.82 | 250,000 | \$0.62 | January 28, 2015 |
| Total options outstanding | 587,500 | 4.57 | 2,222,500 | \$0.26 | |
| Total options exercisable | 468,750 | | 2,222,500 | | |

Incentive stock option transactions are summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|---------------------------------|----------------------|---------------------------------------|
| Outstanding at July 31, 2008 | 2,285,000 | \$ 0.28 |
| Exercised | (100,000) | \$ 0.20 |
| Forfeited | (1,597,500) | \$ 0.28 |
| Outstanding at July 31, 2009 | 587,500 | \$ 0.30 |
| Granted | 2,010,000 | \$ 0.25 |
| Exercised | (315,625) | \$ 0.20 |
| Forfeited | (59,375) | \$ 0.92 |
| Outstanding at January 31, 2010 | 2,222,500 | \$ 0.26 |

During the six month period ended January 31, 2010, 315,625 (July 31, 2009 – 100,000) stock options were exercised at an average price of \$0.20 per share for total proceeds of \$63,125 (July 31, 2009 - \$20,000).

SALARES LITHIUM INC.

(Formerly P2P Health Systems Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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7. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)**Stock-Based Compensation**

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, for the six month period ended January 31, 2010, stock-based compensation expense of \$16,177 (July 31, 2009 - \$145,911) was recognized for the 2008 options which vested in the current year. No options were granted during the 2009 fiscal year.

The Company recognizes stock-based compensation expense associated with the options based on vesting terms. During the six month period ended January 31, 2010, the Company granted 2,010,000 options (July 31, 2009 - Nil), which resulted in total compensation expense of \$351,702. Stock-based compensation is recognized over the vesting period or when the counterparty performance is complete.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the six month period ended January 31, 2010:

| | January 31, 2010 |
|-----------------------|---------------------|
| Expected life (years) | 4.63 |
| Interest rate | 2.94% |
| Volatility | 161% |
| Dividend yield | 0.0% |

Contributed surplus

| | | |
|---|----|-----------|
| Balance, July 31, 2008 | \$ | 1,613,763 |
| Stock options exercised, transferred to capital stock | | (18,199) |
| Stock-based compensation | | 145,911 |
| Balance, July 31, 2009 | | 1,741,475 |
| Stock options exercised, transferred to capital stock | | (76,589) |
| Stock-based compensation | | 370,112 |
| Balance, January 31, 2010 | \$ | 2,034,998 |

8. RELATED PARTY TRANSACTIONS

During the six month period ended January 31, 2010, the Company entered into transactions with related parties as follows:

- (a) Paid management fees of \$81,833 (2009 - \$68,000) to an officer and to companies controlled by directors of the Company.
- (b) Paid acquisition and consulting fees of \$60,264 (2009 - \$Nil) to companies controlled by directors of the Company. All of these fees have been capitalized under deferred mineral property interests.
- (c) Paid or accrued administrative and consulting fees of \$Nil (2009 - \$89,668) to officers or companies controlled by officers of the Company.
- (d) As at January 31, 2010, \$21,884 (2009 - Nil) is due from a company controlled by a director of the Company which is included in receivables.

Related party transactions have been recorded at the exchange amount, which is the amount agreed to between the parties.

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9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash, receivables, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

The Company classified its financial instruments as follows:

| | January 31, 2010 | | July 31, 2009 | |
|--|------------------|--------------|------------------|------------|
| | Carrying amounts | Fair value | Carrying amounts | Fair value |
| Financial assets | | | | |
| Held-for-trading | | | | |
| Cash | \$ 1,643,962 | \$ 1,643,962 | \$ 47,553 | \$ 47,553 |
| Loans and Receivables | | | | |
| Receivables | \$ 30,758 | \$ 30,758 | \$ 30,635 | \$ 30,635 |
| Other financial liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 247,264 | \$ 247,264 | \$ 224,734 | \$ 224,734 |

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and procedures for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has implemented and monitors compliance with risk management policies.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash and receivables; however, risk on cash is mitigated by placing it with major Canadian financial institutions. The Company considers credit risk to be minimal in respect to the amount currently shown as accounts receivable.

SALARES LITHIUM INC.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Company will incur if it has difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements.

As at January 31, 2010, the Company's other financial liabilities were comprised of accounts payable and accrued liabilities of \$247,264, which have a maturity of less than 30 days.

(c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian dollar and the Chilean peso. The Company has not entered into any arrangements to hedge currency risk. Canadian dollars are exchanged when needed to meet foreign denominated liabilities and, as a result, there are no amounts denominated in foreign currencies. Therefore, the Company is not significantly exposed to currency risk at this time.

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk on its financial instruments.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash is limited because of their short-term investment nature. A variable rate of interest is earned on cash; changes in market interest rates at the year-end would not have a material impact on the Company's financial statements.

SALARES LITHIUM INC.

(Formerly P2P Health Systems Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended January 31, 2010 and 2009

11. CAPITAL MANAGEMENT

The Company considers its share capital and, if required and available, its debt as components of its capital management base. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going-concern in order to pursue business and investment opportunities and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

There has been no change from the prior year in the Company's capital management.

12. COMMITMENT

The Company has an operating lease commitment for office premises requiring basic annual rent payments of \$36,608 to May 31, 2012.

Minimum payments relating to the above commitment in each of the next three fiscal years are as follows:

| | |
|------|--------|
| 2010 | 18,304 |
| 2011 | 36,608 |
| 2012 | 30,507 |