

AMERICAN LITHIUM MINERALS, INC.  
Form 10-Q  
February 18, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

**FORM 10-Q**

x  
Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the period ended December 31, 2010

o  
Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period \_\_\_\_\_to

Commission File Number **333-132648**

**AMERICAN LITHIUM MINERALS, INC.**

*(Exact name of Registrant as specified in its charter)*

**Nevada**  
*(State or other jurisdiction of incorporation or organization)*

**71-1049972**  
*(IRS Employer Identification No.)*

**130 King Street West, Suite 3670**  
**Toronto, Ontario, Canada**  
*(Address of principal executive offices)*

**M5X 1A9**  
*(Postal or Zip Code)*

**416.214.5640**  
*Issuer's telephone number, including area code:*

*(Former name, former address and former fiscal year, if changed since last report)*

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Small reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 53,190,740 shares of common stock with par value of \$0.001 per share outstanding as of February 16, 2011.

**PART I. FINANCIAL INFORMATION**

**Item 1.**

**Financial Statements**

**American Lithium Minerals, Inc.**

**(fka Nugget Resources Inc.)**

**(An Exploration Stage Company)**

Financial Statements

(Expressed in U.S. Dollars)

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**American Lithium Minerals, Inc.****(fka Nugget Resources Inc.)****(An Exploration Stage Company)**

Balance Sheets

(Expressed in U.S. Dollars)

|   | <b>As of 31</b>     | <b>As of 30</b>     |
|---|---------------------|---------------------|
|   | <b>December</b>     | <b>September</b>    |
|   | <b>2010</b>         | <b>2010</b>         |
|   | <b>(Unaudited)</b>  | <b>(Audited)</b>    |
| <b>Assets</b>   |                     |                     |
| <b>Current assets</b>   |                     |                     |
| Cash and cash equivalents                                     | \$ 482,937          | \$ 425,794          |
| Advance to PinePoint (Note 8)                                 | 3,593               | 8,123               |
| Tax recoverable   | 20,937              | -                   |
| Prepaid and deposits  | 73,364              | 20,323              |
| <b>Total current assets</b>                                   | <b>580,831</b>      | <b>454,240</b>      |
| <b>Fixed assets (Note 4)</b>                                  |                     |                     |
| Computer equipment and office furniture - net of depreciation | 15,937              | 17,032              |
| Total fixed assets  | 15,937              | 17,032              |
| <b>Other assets</b>   |                     |                     |
| Website - net of amortization (Note 5)                        | 10,237              | 10,828              |
| Mineral claims (Note 6)                                       | 2,802,831           | 2,861,604           |
| Total other assets  | 2,813,068           | 2,872,432           |
| <b>Long term assets</b>                                       |                     |                     |
| Deposit and bond  | 23,389              | 9,152               |
| <b>TOTAL ASSETS</b>   | <b>\$ 3,433,225</b> | <b>\$ 3,352,856</b> |
| <b>Liabilities and Stockholders Equity</b>                    |                     |                     |
| <b>Current liabilities</b>                                    |                     |                     |
| Accounts payable  | \$ 21,552           | \$ 76,929           |
| Bank overdraft  | 168,113             | -                   |

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|  |                     |                     |
|--|---------------------|---------------------|
| Due to related party (Note 8)  | 69,877              | 69,877              |
| Deposit on property option   | 1,047,081           | 260,000             |
| Convertible note payable, net of unamortized debt discount of<br>\$379,118 and \$454,031, respectively (Note 10)   | 370,882             | 295,969             |
| Interest payable on convertible note   | 29,458              | 6,958               |
| <b>Total current liabilities</b>   | <b>1,706,963</b>    | <b>709,733</b>      |
| <b>TOTAL LIABILITIES</b>   | <b>1,706,963</b>    | <b>709,733</b>      |
| <b>Stockholders equity</b>   |                     |                     |
| Common stock (Note 6): \$0.001 par value; authorized 75,000,000<br>shares; issued and outstanding as of December 31, 2010 and<br>September 30, 2010: 53,190,740 and 53,190,740, respectively | 53,391              | 53,391              |
| Additional paid-in capital   | 14,267,706          | 14,267,706          |
| Subscriptions receivable   | (382,500)           | (382,500)           |
| Related party receivables, senior officer (Note 8)   | (59,498)            | (25,000)            |
| Deficit accumulated during the exploration stage   | (12,152,837)        | (11,270,474)        |
| <b>Total stockholders equity</b>   | <b>1,726,262</b>    | <b>2,643,123</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>   | <b>\$ 3,433,225</b> | <b>\$ 3,352,856</b> |

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

**American Lithium Minerals, Inc.****(fka Nugget Resources Inc.)****(An Exploration Stage Company)**

Statements of Operations

(Expressed in U.S. Dollars)

(Unaudited)

|  | <b>For the three<br/>months ended</b> | <b>For the three<br/>months ended</b> | <b>From inception</b>                          |
|--|---------------------------------------|---------------------------------------|--|
|  | <b>31 December<br/>2010</b>           | <b>31 December<br/>2009</b>           | <b>(10 March 2005) to<br/>31 December 2010</b> |
| <b>Revenues</b>  | \$ -                                  | \$ -                                  | \$ -   |
| <b>Expenses</b>  |                                       |                                       |  |
| Mineral property expenditures (Note 6)                 | 442,866                               | -                                     | 461,866  |
| Mineral property impairment                            | -                                     | -                                     | 513,296  |
| Consulting fees related party (Note 8)                 | 63,750                                | 59,291                                | 468,498  |
| Consulting fees stock compensation                     | -                                     | 1,209,398                             | 9,132,364                                      |
| Consulting fees  | 27,951                                | -                                     | 118,579  |
| General and administrative                             | 111,420                               | 59,241                                | 507,952  |
| Legal and accounting                                   | 23,429                                | 16,540                                | 274,239  |
| Management fees related party (Note 8)                 | 45,000                                | 23,000                                | 285,000  |
| Promotion and shareholder relations                    | 70,534                                | 52,500                                | 266,794  |
| Rent expense related party (Note 8)                    | -                                     | -                                     | 7,600  |
| <b>Total expenses</b>                                  | <b>784,950</b>                        | <b>1,419,970</b>                      | <b>12,036,188</b>                              |
| <b>Other expenses (income)</b>                         |                                       |                                       |  |
| Interest income  | -                                     | (1,620)                               | (3,524)  |
| Gain on extinguishment of accrued liability            | -                                     | -                                     | (8,500)  |
| Interest and debt discount expense on convertible note | 97,413                                | -                                     | 128,673  |
| <b>Net loss</b>  | <b>\$ 882,363</b>                     | <b>\$ 1,418,350</b>                   | <b>\$ 12,152,837</b>                           |
| <b>Basic loss per common share</b>                     | <b>\$ (0.02)</b>                      | <b>\$ (0.03)</b>                      |  |
| <b>Weighted average number of common shares basic</b>  | <b>53,190,740</b>                     | <b>50,426,328</b>                     |  |



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

**American Lithium Minerals, Inc.****(fka Nugget Resources Inc.)****(An Exploration Stage Company)**

Statements of Cash Flows

(Expressed in U.S. Dollars)

(Unaudited)

|  | <b>For the three months<br/>ended</b> | <b>For the three months<br/>ended</b> | <b>From inception</b>     |
|--|---------------------------------------|---------------------------------------|---------------------------|
|  | <b>31 December</b>                    | <b>31 December</b>                    | <b>(10 March 2005) to</b> |
|  | <b>2010</b>                           | <b>2009</b>                           | <b>31 December 2010</b>   |
| <b>Cash flows from operating activities</b>                                |                                       |                                       |                           |
| Net loss   | \$ (882,363)                          | \$ (1,418,350)                        | \$ (12,152,837)           |
| Adjustments to reconcile net loss to net cash used in operating activities |                                       |                                       |                           |
| Contributions to capital by related parties expenses (Notes 7 and 8)       | -                                     | -                                     | 38,400                    |
| Contributions to capital by related parties forgiven debt (Note 8)         | -                                     | -                                     | 32,000                    |
| Non-cash gain on extinguishment of accrued liability                       | -                                     | -                                     | 8,500                     |
| Depreciation and amortization  | 1,686                                 | -                                     | 4,291                     |
| Stock based compensation expense   | -                                     | 1,209,398                             | 9,132,364                 |
| Amortization of debt discount & accretion of warrants fair value           | 74,913                                | -                                     | 97,715                    |
| Mineral property impairment  | -                                     | -                                     | 513,296                   |
| Changes in operating assets and liabilities                                |                                       |                                       |                           |
| Increase to accrued interest   | 22,500                                | -                                     | 29,458                    |
| Increase in tax recoverable  | (20,937)                              | -                                     | (20,937)                  |
| Increase in prepaid expenses and rent deposit                              | (67,278)                              | (52,440)                              | (96,753)                  |
| Increase (decrease) in advance to Pine Point                               | 4,530                                 | (21,470)                              | (3,593)                   |
| Increase (decrease) in accounts payable                                    | (55,377)                              | (135)                                 | 13,052                    |
| <b>Net cash used in operating activities</b>                               | <b>(922,326)</b>                      | <b>(307,997)</b>                      | <b>(2,405,044)</b>        |
| <b>Cash flows from investing activities:</b>                               |                                       |                                       |                           |
| Acquisition of fixed assets and website development                        | -                                     | -                                     | (30,465)                  |
| Cash proceeds received on property deposit                                 | 787,081                               | -                                     | 1,047,081                 |

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|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Purchase of mineral claims and exploration                 | 58,773            | (44,641)          | (562,627)         |
| <b>Net cash provided by (used in) investing activities</b> | <b>845,854</b>    | <b>(44,641)</b>   | <b>453,989</b>    |
| <b>Cash flows from financing activities</b>                |                   |                   |                   |
| Proceeds from convertible note                             | -                 | -                 | 750,000           |
| Bank overdraft   | 168,113           | -                 | 168,113           |
| Advances on related party receivables, senior officer      | (34,498)          | -                 | (59,498)          |
| Due to related party                                       | -                 | 3,000             | 69,877            |
| Common shares issued for cash                              | -                 | -                 | 1,505,500         |
| <b>Net cash provided by financing activities</b>           | <b>133,615</b>    | <b>3,000</b>      | <b>2,433,992</b>  |
| <b>(Decrease) increase in cash and cash equivalents</b>    | <b>57,143</b>     | <b>(349,638)</b>  | <b>482,937</b>    |
| <b>Cash and cash equivalents, beginning of period</b>      | <b>425,794</b>    | <b>1,232,712</b>  | <b>-</b>          |
| <b>Cash and cash equivalents, end of period</b>            | <b>\$ 482,937</b> | <b>\$ 883,074</b> | <b>\$ 482,937</b> |
| <b>Supplemental disclosure of cash flow information:</b>   |                   |                   |                   |
| Cash paid during the period for interest                   | \$ -              | \$ -              | \$ -              |
| Cash paid during the period for income taxes               | \$ -              | \$ -              | \$ -              |
| <b>Non cash investing and financing activities:</b>        |                   |                   |                   |
| Beneficial conversion feature                              | \$ -              | \$ -              | \$ 224,528        |
| Financing costs associated with warrants                   | \$ -              | \$ -              | \$ 252,305        |
| Common stock issued to satisfy common stock payable        | \$ -              | \$ -              | \$ 1,000,000      |
| Stock issued for mineral property                          | \$ -              | \$ (1,000,000)    | \$ 2,607,500      |

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

**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**1.**

**Nature of Operations**

American Lithium Minerals, Inc. (the Company) was originally organized as Nugget Resources Inc. under the laws of the State of Nevada on March 10, 2005. The Company has been investigating prospective lithium opportunities. On March 2, 2009, the Company changed its name to American Lithium Minerals, Inc. to better reflect the direction of the Company. The Company is an exploration stage enterprise, as defined in FASB ASC 915-10 *Development Stage Entities*. The Company is devoting all of its present efforts to securing and establishing a new business and its planned principal operations have not commenced. Accordingly, no revenue has been derived during the exploration period.

On May 7, 2010, the Company was registered under the Extra-Provincial Corporations Act in Ontario, Canada.

**Going Concern**

The Company's financial statements as at December 31, 2010 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has a net loss for the periods ended December 31, 2010 and 2009 of \$882,363 and \$1,418,350, respectively, and has working capital deficit of \$1,126,132 and \$230,493 at December 31, 2010 and September 30, 2010, respectively.

Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management intends to raise additional funding in the form of equity financing from the sale of common stock and/or obtain short-term loans from the directors of the Company. However, if the Company is unable to raise additional capital in the near future, due to the Company's liquidity problems, management expects that the Company will need to curtail operations, liquidate assets, seek

additional capital on less favourable terms and/or pursue other remedial measures. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

At December 31, 2010, the Company was not engaged in a business and had suffered losses from exploration stage activities to date. Although management is currently attempting to implement its business plan, and is seeking additional sources of equity or debt financing, there is no assurance these activities will be successful. Accordingly, the Company must rely on its president to perform essential functions with minimal compensation until a business operation can be commenced. These factors raise substantial doubt about the ability of the Company to continue as a going concern.

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**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**1.**

**Nature of Operations (continued)**

**Unaudited Financial Statements**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for financial information and with the instructions to Form 10-Q. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the year ended September 30, 2010, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. The unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-K. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended December 31, 2010, are not necessarily indicative of the results that may be expected for the year ending September 30, 2011.

**2.**

**Significant Accounting Policies**

The following is a summary of significant accounting policies used in the preparation of these financial statements.

**Basis of presentation**

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to exploration stage enterprises, and are expressed in U.S. dollars.

The Company's fiscal year end is September 30.

### **Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

### **Mineral property costs**

The Company has been in the exploration stage since its formation on March 10, 2005 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties.

Mineral property exploration costs are charged to operations as incurred. The Company capitalizes costs for acquiring mineral properties and expenses costs to maintain mineral rights and leases as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, are capitalized. Such costs will be depleted using the units-of-production method over the estimated life of the probable reserve.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**2.**

**Significant Accounting Policies (continued)**

**Financial instruments**

The carrying value of cash, accounts payable and accrued liabilities, and due to related parties approximates their fair value because of the short maturity of these instruments. The Company's operations are in Canada and virtually all of its assets and liabilities are giving rise to significant exposure to market risks from changes in foreign currency rates. The Company's financial risk is the risk that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

**Environmental expenditures**

The operations of the Company have been, and may in the future, be affected from time to time, in varying degrees, by changes in environmental regulations, including those for future reclamation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

**Asset retirement obligations**

The Company has adopted the provisions of FASB ASC 410-20 "Asset Retirement and Environmental Obligations," which requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the related oil and gas properties. As of December 31, 2010, the Company has not recorded AROs associated with legal obligations to retire any of the Company's mineral properties as the settlement dates are not presently determinable.



### **Fixed Assets**

The Company's fixed assets consists of computer and office equipment and furniture which is valued at cost and depreciated using the straight-line method over a period of three years.

### **Income taxes**

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with FASB ASC 740-10, which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

2.

**Significant Accounting Policies (continued)**

**Basic and diluted net loss per share**

The Company computes net loss per share in accordance with FASB ASC 260, which requires presentation of both basic and diluted earnings per share ( EPS ) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all potentially dilutive common shares outstanding during the period. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all

potentially dilutive shares if their effect is anti-dilutive and is not presented in the accompanying financial statements.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

**Concentrations of credit risk**

The Company's financial instruments that are exposed to concentrations of credit risk primarily consist of its cash. The Company places its cash and cash equivalents with financial institutions of high credit worthiness. At times, its cash and cash equivalents with a particular financial institution may exceed any applicable government insurance

limits. The Company's management also routinely assesses the financial strength and credit worthiness of any parties to which it extends funds and as such, it believes that any associated credit risk exposures are limited.

### **Stock based compensation**

The Company records stock based compensation in accordance with the guidance in ASC Topic 718, which requires the Company to recognize expense related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with FASB ASC 718-10 and the conclusions reached in FASB ASC 505-10. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by FASB ASC 505-10.

**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

2.

**Significant Accounting Policies (continued)**

**Risks and uncertainties**

The Company operates in the resource exploration industry that is subject to significant risks and uncertainties, including financial, operational, technological, and other risks associated with operating a resource exploration business, including the potential risk of business failure.

**Website Development Costs**

Costs incurred in developing and maintaining a website are charged to expense when incurred for the planning, content population, and administration or maintenance of the website. All development costs for the application, infrastructure, and graphics development are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. Capitalized costs are amortized using the straight-line basis over a five year estimated economic life of the product.

**Foreign Currency Translation**

The financial statements are presented in United States dollars. In accordance with FASB ASC 830-10, Foreign Currency Matters, foreign denominated monetary assets and liabilities are translated to their United States dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the period. Related translation adjustments are reported as a separate component of stockholders' equity, whereas gains or losses resulting from foreign currency transactions are included in results of operations. To December 31, 2010, the Company has not recorded any translation adjustments into stockholders' equity.

### **Long-lived assets**

The Company accounts for its long-lived assets in accordance with FASB ASC 360-10, Property, Plant and Equipment which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposal value.

### **3.**

#### **Reclassification**

Certain reclassifications have been made in the prior year's financial statements to conform to the presentation used in fiscal year 2011. More specifically, a due from related party, previously classified as a current asset, was reclassified as a contra account to Stockholders' equity. Additionally, Cash proceeds received on property deposit and purchase of mineral claims and exploration, previously reported on a net basis, are reported separately on the statement of cash flows.

These reclassifications did not affect the reported net loss for prior year.

**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**4.**

**Fixed Assets**

The Company's fixed assets consist of the following:

|                                 | <b>31 December<br/>2010</b> | <b>30 September<br/>2010</b> |
|---------------------------------|-----------------------------|------------------------------|
| Computer                        | \$ 4,878                    | \$ 4,878                     |
| Office furniture                | 13,774                      | 13,774                       |
|                                 | 18,652                      | 18,652                       |
| Less - accumulated depreciation | (2,715)                     | (1,620)                      |
| Net fixed assets                | \$ 15,937                   | \$ 17,032                    |

Depreciation of \$1,095 and \$nil is included in general and administrative expenses in the statement of operations for the periods ended December 31, 2010 and 2009, respectively.

**5.**

**Website**

|                                 | <b>31 December<br/>2010</b> | <b>30 September<br/>2010</b> |
|---------------------------------|-----------------------------|------------------------------|
| Website                         | \$ 11,813                   | \$ 11,813                    |
| Less - accumulated amortization | (1,576)                     | (985)                        |
| Net website                     | \$ 10,237                   | \$ 10,828                    |

Amortization expense of \$590 and \$nil is included in general and administrative expenses in the statement of operations for the periods ended December 31, 2010 and 2009, respectively.

**6.**

**Mineral Properties**

Pursuant to a mineral property purchase agreement dated August 17, 2005, the Company acquired a 100% undivided right, title and interest in a 524.728 hectare mineral claim, located in the Similkameen Mining Division of British Columbia, Canada for a cash payment of \$4,000 (paid). During the year ended September 30, 2006, the Company paid \$5,000 for exploration work on the property. The Company was unable to keep the mineral claim in good standing due to lack of funding and has lost its interest in the mineral claim.

Pursuant to a mineral property purchase agreement dated June 15, 2009, the Company acquired an option to acquire a 100% interest in 88 unpatented mining claims in Esmeralda County, Nevada, U.S.A, subject to a 3% Net Value Royalty. Consideration for the property is as follows:

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**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**6.**

**Mineral Properties (continued)**

Cash payments of:

-

\$5,000 upon the execution of a letter of intent on April 29, 2009, (paid);

-

\$56,000 upon execution of the agreement (paid);

-

\$18,000 upon presentation of a receipt for payment of the filing and claim maintenance fees;

-

\$35,000 on or before June 15, 2010; (see below)

-

\$50,000 on or before June 15, 2011;

-

\$100,000 on or before June 15, 2012;

-

\$100,000 on or before June 15, 2013.



Shares to be issued:

-

250,000 common shares on execution of the agreement; (issued, valued at \$120,000 using the market price of \$0.48 per share)

-

250,000 common shares on or before June 15, 2010; and (see below)

-

250,000 common shares on or before June 15, 2011.

The Company has the right to purchase up to two percent (2%) of the Net Value Royalty, in whole percentage points, for \$1,000,000 for each 1%.

Should the Company, its assignees or a joint venture partner: (i) deliver to the board of directors or applicable other management a feasibility study recommending mining of lithium carbonate or other lithium compound from the property and such board authorizes implementation of a mining plan, or (ii) sells, options, assigns, disposes or otherwise alienates all or a portion of its interest in the property, the Company will pay the vendor an additional \$500,000 in cash or shares.

The Company has a commitment to incur \$2,000,000 in exploration expenditures within five years of the agreement as follows:

-

\$100,000 during the first year;

-

\$200,000 during the second year;

-

\$500,000 during the third year;

-

\$1,200,000 during the fourth year.

The Company was in negotiations with the vendor regarding the property agreement and has since terminated their discussions to move forward on the property. The Company expensed \$295,609 as mineral property impairment during the year ended September 30, 2010 related to the costs being capitalized on the property.

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**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**6.**

**Mineral Properties (continued)**

Pursuant to a letter of intent dated August 30, 2009, the Company acquired an option to acquire a 100% interest in 50 mining claims in Esmeralda County, Nevada, U.S.A, subject to a 3% Net Value Royalty. The Company had the right to negotiate and enter into a definitive purchase agreement on or before January 1, 2010 which encompasses the terms of the letter of intent. The Company has a verbal agreement to continue to negotiate a definitive agreement. As per the terms of the letter of intent the consideration for the property is as follows:

Cash payments of:

-

\$20,000 upon the execution of a letter of intent on August 30, 2009, (paid);

-

\$32,500 upon execution of the purchase agreement;

-

\$50,000 on or before the first year anniversary;

-

\$100,000 on or before the second year anniversary;

-

\$100,000 on or before the third year anniversary;

-

\$100,000 on or before the fourth year anniversary.

Shares to be issued:

-

250,000 common shares on execution of the letter of intent; (issued valued at \$120,000 using the market price of \$0.48 per share)

-

250,000 common shares on or before first year anniversary;

-

250,000 common shares on or before second year anniversary; and

-

250,000 common shares on or before third year anniversary.

The Company has the right to purchase up to two percent (2%) of the Net Value Royalty, in whole percentage points, for \$1,000,000.

The Company has a commitment to incur \$1,300,000 in exploration expenditures within four years of the agreement as follows:

-

\$100,000 during the first year;

-

\$200,000 during the second year;

-

\$500,000 during the third year;

-

\$500,000 during the fourth year.

The Company discontinued negotiations to enter into a definitive agreement on this property and has expensed \$217,687 as mineral property impairment during the year ended September 30, 2010 related to the costs being capitalized on this property.

On January 5, 2010, the Company entered into an agreement to acquire a 100% interest in mineral claims located in Nevada, USA. Consideration includes a cash payment of \$50,000 (paid) and the issuance of 500,000 shares (issued valued at \$425,000 using market price of \$0.85 per share). In the event that the share price of the Company closes at less than \$1.00, six to twelve months after the closing date of the Agreement, the Company shall issue on a one-time basis, an additional 200,000 shares. On July 6, 2010, the price per share of the Company's common stock closed at a price per share less than \$1.00. On August 12, 2010, the Company issued 200,000 shares of common stock as required under the agreement (valued at \$146,000 using market price of \$0.73 per share). A 2% NRR is payable to the vendor with the provision that the Company can buyback the NRR for \$2 million.

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**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**6.**

**Mineral Properties (continued)**

On January 11, 2010, the Company entered into an agreement to acquire a 100% interest in mineral claims located in Nevada, USA. Consideration includes a cash payment of \$40,000 (paid) and the issuance of 500,000 shares (issued valued at \$550,000 using the market price of \$1.10 per share). A 2% NRR is payable to the vendor with a provision that the Company can purchase 1% back for \$1 million.

On January 11, 2010, the Company entered into an agreement to acquire a 100% interest in mineral claims located in Nevada and Utah, USA. Consideration includes a cash payment of \$40,000 (paid) and the issuance of 1,200,000 shares (issued valued at \$1,320,000 using the market price of \$1.10 per share). A 2% NRR is payable to the vendor with a provision that the Company can purchase 1% back for \$1 million.

On June 10, 2010, the Company entered into an property option agreement with Japan Oil, Gas and Metals National Corporation ( JOGMEC ) whereby JOGMEC can earn a 40% interest in certain mineral claims located in Nevada, USA owned by the Company. Terms of the agreement include staged work commitments totaling \$4,000,000 over three years. JOGMEC also has the option to terminate the agreement with 30 days notice after expending \$600,000. As of December 31, 2010 JOGMEC has advanced the Company \$1,047,081 for work commitments. The \$1,047,081 advance has been recorded as a deposit liability on property option.

Mineral properties costs are summarized below:

|                          | As of<br>December 31,<br>2010 | As of<br>September 30,<br>2010 |
|--------------------------|-------------------------------|--------------------------------|
| <b>Acquisition Costs</b> |                               |                                |
| Cash                     | \$                            | - \$ 191,600                   |

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|                        |   |           |
|------------------------|---|-----------|
| Value of shares issued | - | 2,441,000 |
|                        | - | 2,632,600 |

**Exploration Costs**

|  |    |           |    |           |
|--|----|-----------|----|-----------|
| Exploration bond                       | \$ | 14,237    | \$ | -         |
| Assays and geochemical analysis        |    | 5,226     |    | -         |
| Equipment rental                       |    | 10,334    |    | -         |
| Drilling                               |    | 185,231   |    | -         |
| Exploration                            |    | 44,553    |    | 175,000   |
| Claim maintenance, licenses, and legal |    | 47,347    |    | -         |
| Consulting                             |    | 32,500    |    | 47,645    |
| Gravity survey                         |    | -         |    | 76,641    |
| Salaries and wages                     |    | 51,500    |    | -         |
| Miscellaneous                          |    | 214       |    | (37,000)  |
| Travel and accommodation               |    | 17,188    |    | 11,359    |
|  |    | 408,330   |    | 273,645   |
| Total costs incurred during the period | \$ | 408,330   | \$ | 2,906,245 |
| Balance of costs, beginning of period  |    | 2,861,604 |    | 468,655   |
| Less costs expensed during period      |    | (452,866) |    | -         |
| Less costs held as deposit             |    | (14,237)  |    | -         |
| Less costs written down during period  |    | -         |    | (513,296) |
| Balance of costs, end of period        | \$ | 2,802,831 | \$ | 2,861,604 |

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**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

7.

**Capital Stock**

**Authorized**

The total authorized capital is 75,000,000 common shares with a par value of \$0.001 per common share.

**Issued and outstanding**

The total issued and outstanding capital stock is 53,190,740 common shares with a par value of \$0.001 per common share.

i.

On March 18, 2005, 20,000,000 common shares of the Company were issued for cash proceeds of \$5,000.

ii.

On April 5, 2005, 16,000,000 common shares of the Company were issued for cash proceeds of \$4,000.

iii.

On April 13, 2005, 2,700,000 common shares of the Company were issued for cash proceeds of \$6,750.



iv.

On April 21, 2005, 3,300,000 common shares of the Company were issued for cash proceeds of \$8,250.

v.

On June 17, 2008, 6,000,000 common shares of the Company were issued for cash proceeds of \$1,500.

vi.

On July 14, 2009, 250,000 common shares of the Company were issued for property for a fair value of \$120,000.

vii.

On July 14, 2009, 1,250,000 common shares and 1,250,000 warrants of the Company were issued for cash proceeds of \$450,000. Each share purchase warrant is exercisable at a price of \$0.50 for a period of two years.

viii.

On July 23, 2009, 1,250,000 common shares of the Company were issued for cash proceeds of \$450,000.

ix.

On August 30, 2009, 250,000 common shares of the Company were issued for property for a fair value of \$192,500.

x.

On October 6, 2009, 740,740 common shares and 1,111,110 warrants of the Company were issued for cash proceeds of \$1,000,000. Each share purchase warrant is exercisable at a price of \$1.50 for a period of two years.

xi.

On January 5, 2010, 500,000 common shares were issued for property with a fair value of \$425,000.



**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

7.

**Capital Stock (continued)**

xii.

On January 11, 2010, a total of 1,700,000 common shares were issued for properties with a fair value of \$1,870,000.

xiii.

On February 4, 2010, 50,000 common shares were issued pursuant to the exercise of stock options for cash proceeds of \$30,000.

xiv.

On August 12, 2010, a total of 200,000 common shares were issued in connection with the agreement to acquire mineral claims locates in Nevada, USA, with a fair value of \$146,000.

xv.

On September 30, 2010, the Company recorded the fair value of the beneficial conversion feature of the convertible note (see note 10), total beneficial conversion feature was recorded to additional paid - in capital in the amount of \$224,528.

xvi.

On September 30, 2010, the Company recorded the fair value of 1,388,899 warrants of the Company issued in connection with the convertible note (see note 10) of \$252,305. Each share purchase warrant is exercisable at a price of \$0.54 for a period of one year.

xvii.

During the year ended September 30, 2010, the Company had issued 1,650,000 stock options to various individuals with a value of \$1,402,500 all of which were exercised during the year. As of September 30, 2010, a total of 1,200,000 stock options valued at \$1,020,000 had been cancelled by the Company. A total of 450,000 stock options valued at \$382,500 remain as a subscription receivable as of December 31, 2010.

On March 2, 2009, the Board of Directors authorized a 4:1 forward stock split. The number of shares issued in accordance with the private offerings as listed above, include the effects of this split.

On August 20, 2009, the Board of Directors of the Company ratified, approved and adopted a Stock Option Plan for the Company in the amount of 4,000,000 shares with an exercisable period up to 10 years. In the event an optionee ceases to be employed by or to provide services to the Company for reasons other than cause, any Stock Option that is vested and held by such optionee may be exercisable within up to ninety calendar days after the effective date that his position ceases. No Stock Option granted under the Stock Option Plan is transferable. Any Stock Option held by an optionee at the time of his death may be exercised by his estate within one year of his death or such longer period as the Board of Directors may determine. On December 3, 2009, the Company filed a Form S-8 to register these shares.

On August 20, 2009, the Company granted a total of 50,000 fully vested stock options to a consultant of the Company at \$0.60 per share expiring August 20, 2014.

**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**7.**

**Capital Stock (continued)**

On September 1, 2009, the Company granted a total of 500,000 stock options to a consultant of the Company at \$0.85 per share expiring August 31, 2010. The options vest in increments of 125,000 options per quarter for the duration of the term. On January 8, 2010, the option agreement was amended to 100% vesting of the options.

On October 6, 2009, the Company granted a total of 50,000 fully vested stock options to a consultant of the Company at \$0.85 per share expiring October 6, 2014.

On October 8, 2009, the Company granted a total of 750,000 stock options to a consultant of the Company at \$0.85 per share expiring October 8, 2014. 250,000 options vest immediately, 250,000 on February 4, 2010, and 250,000 on May 4, 2010. On January 8, 2010, the option agreements were amended to 100% vesting of the options.

On November 4, 2009, the Company granted a total of 750,000 stock options to a consultant of the Company at \$0.85 per share expiring November 8, 2014. 250,000 options vest immediately, 250,000 on February 4, 2010 and 250,000 on May 4, 2010. On January 8, 2010, the option agreements were amended to 100% vesting of the options.

On December 29, 2009, the Company granted a total of 500,000 fully vested stock options to a consultant of the Company at \$0.85 per share expiring December 29, 2014.

On March 4, 2010, the Company granted a total of 1,325,000 fully vested stock options to a director and a consultant of the Company at \$0.85 per share expiring March 4, 2015.

On March 8, 2010, the Board of Directors of the Company ratified, approved and adopted a Stock Option Plan for the Company in the amount of 5,000,000 shares with an exercisable period up to 10 years. In the event an optionee ceases to be employed by or to provide services to the Company for reasons other than cause, any Stock Option that is vested and held by such optionee may be exercisable within up to ninety calendar days after the effective date that his position ceases. No Stock Option granted under the Stock Option Plan is transferable. Any Stock Option held by an optionee at the time of his death may be exercised by his estate within one year of his death or such longer period as the Board of Directors may determine. On July 20, 2010, the Company filed a Form S-8 to register these shares.

On April 1, 2010, the Company granted 1,075,000 fully vested stock options to directors and consultants of the Company at \$0.85 per share expiring April 1, 2015.

On April 23, 2010, the Company granted 1,300,000 fully vested stock options to directors and consultants of the Company at \$1.00 per share expiring April 23, 2015.

On May 17, 2010, the Company granted 3,100,000 fully vested stock options to directors and consultants of the Company at \$0.925 per share expiring May 17, 2015.

**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**7.**

**Capital Stock (continued)**

During the year ended September 30, 2010, a total of 8,800,000 options were granted. The Company recognized stock based consulting expenses totalling \$9,066,704 which was charged to operations. The fair value of each option granted is estimated at the respective grant date using the Black-Scholes Option Model. The following assumptions were used in estimating the fair value:

|                         |                  |
|-------------------------|------------------|
| Expected volatility     | 83.59% - 153.41% |
| Expected life           | 1 to 5 years     |
| Risk-free interest rate | 0.41 2.62        |
| Dividend yield          | -                |

At December 31, 2010, the following stock options were outstanding:

| Number of<br>Shares | Exercise<br>Price | Expiry Date       |
|---------------------|-------------------|-------------------|
| 50,000              | \$0.85            | August 20, 2014   |
| 1,300,000           | \$0.85            | November 4, 2014  |
| 500,000             | \$0.85            | December 29, 2014 |
| 325,000             | \$0.85            | March 4, 2015     |
| 825,000             | \$0.85            | April 1, 2015     |
| 1,300,000           | \$1.00            | April 23, 2015    |
| 3,100,000           | \$0.925           | May 17, 2015      |
| 7,400,000           |                   |                   |

The Company's stock option activity is presented below:

|                                  | Number of<br>Stock<br>Options | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Contractual<br>Life |
|----------------------------------|-------------------------------|--|--|
| Balance, September 30, 2009      | 550,000                       | \$0.83                                   | 1.28                                       |
| Exercised                        | (50,000)                      | \$0.64                                   | -  |
| Expired                          | (500,000)                     | \$0.85                                   | -  |
| Exercised                        | (450,000)                     | \$0.85                                   | -  |
| Cancelled                        | (1,000,000)                   |  |  |
| Granted                          | 8,850,000                     | \$0.90                                   | 4.06                                       |
| Balance, September 30, 2010      | 7,400,000                     | \$0.91                                   | 4.54                                       |
| Balance, December 31, 2010       | 7,400,000                     | \$0.91                                   | <u>4.21</u>                                |
| Exercisable at December 31, 2010 | 7,400,000                     |  |  |

Stock based compensation on shares vested and exercisable during the periods ended December 31, 2010 and 2009 is \$nil and \$1,209,398, respectively.



**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**7.**

**Capital Stock (continued)**

At December 31, 2010, the following share purchase warrants were outstanding:

| <u>Number of<br/>Warrants</u> | <u>Exercise<br/>Price</u> | <u>Expiry Date</u> |
|-------------------------------|---------------------------|--------------------|
| 1,250,000                     | \$0.50                    | July 14, 2011      |
| 1,388,889                     | \$0.54                    | September 2, 2011  |
| <u>1,111,110</u>              | \$1.50                    | October 6, 2011    |
| 3,749,999                     |                           |                    |

The Company's share purchase warrants activity for the year ended September 30, 2010 and period ended December 31, 2010 is summarized as follows:

|                             | Number of Warrants | Weighted<br>average exercise<br>Price per share | Weighted average<br>remaining<br>In contractual life (in<br>years) |
|-----------------------------|--------------------|---|--|
| Balance, September 30, 2009 | 1,250,000          | \$0.50  | 1.79   |
| Issued                      | 2,499,999          | \$0.96  | 0.96   |
| Balance, September 30, 2010 | 3,749,999          | \$0.97  | 0.90   |
| Balance, December 31, 2010  | 3,749,999          | \$0.97  | 0.65   |

All warrants are exercisable as at December 31, 2010.

During the year ended September 30, 2009, officers and/or directors of the Company made contributions to capital by the payment of Company expenses and forgiveness of debt (Note 7).

**8.**

**Related Party Transactions**

During the year ended September 30, 2009, a former director of the Company advanced \$32,000 to the Company. During the year ended September 30, 2009, the debt was forgiven and \$32,000 has been allocated to additional paid-in capital.

As of December 31, 2010 and September 30, 2010, a total of \$3,593 and \$8,123, respectively was advanced to a company owned by a senior officer for rent, office, and administrative expenses.

As of December 31, 2010 and September 30, 2010, advances totalling \$69,877 and \$69,877, respectively was payable to a former director of the Company. The amount is unsecured, non interest bearing and is due on demand.

During the periods ended December 31, 2010 and 2009 and from inception (March 10, 2005) to December 31, 2010, management fees of \$nil, \$3,000 and \$18,000, respectively, were payable to a former director of the Company.

**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**8.**

**Related Party Transactions (continued)**

During the periods ended December 31, 2010 and 2009 and from inception (March 10, 2005) to December 31, 2010, consulting fees totalling \$63,750 and \$59,291 and \$468,498 have been paid to senior officers of the Company.

During the periods ended December 31, 2010 and 2009 and from inception (March 10, 2005) to December 31, 2010, management fees totalling \$45,000 and \$20,000 and \$267,000 have been paid to senior officers of the Company.

During the year ending September 30, 2010, the Company advanced \$25,000 to a senior officer. This amount is repayable upon demand. This advance is in contravention of SOX 402 and the Company has since implemented strict internal controls to avoid a future occurrence. The Company has also advanced \$34,498 to a senior officer for expenses. The Company has recorded the aggregate of the amounts totalling \$59,498 as a reduction of stockholders equity.

**9.**

**Office Lease**

On April 1, 2010, the Company entered into a premises sublease for a three year period expiring June 30, 2013, at a basic rent of \$8,832 CDN (approximately \$8,500 US) effective July 31, 2010. Future minimum lease payments over the next five years are as follows:

| <u>Year</u> | <u>Lease \$</u> |
|-------------|-----------------|
| 2011        | \$102,000       |
| 2012        | \$102,000       |
| 2013        | \$76,500        |
| 2014        | -               |
| 2015        | -               |
| Total       | \$280,500       |

As of December 31, 2010 and 2009, total rent expense was \$28,851 and \$19,232, respectively.

## 10.

### Convertible Note Payable

On September 2, 2010, the Company issued a promissory convertible note in the amount of \$750,000 to an unrelated third party in an arm's length transaction secured by the Company's mineral claims in Nevada and a Security Agreement (8K filed September 8, 2010). The note is due August 31, 2015 and accrues interest at 4% per annum payable every six months. Should the Company default on the interest payment, the interest rate increases to 12% per annum and the note is payable on demand. The Company is currently in default of certain covenants related to the promissory convertible note due to the advances to a senior officer of \$59,498 which is in contravention of SOX 402.

As a result, the Company has classified the promissory convertible note as a current liability and has accrued interest payable on the note at 12% per annum. The Company has disclosed the default to the holder of the note and is requesting a waiver of the specific. The Company can provide no assurance such waiver will be granted. At the investor's option, the note principal and accrued interest can be converted to shares of the Company at a fixed price of \$0.54.

**American Lithium Minerals, Inc.**

**(An Exploration Stage Company)**

Notes to Interim Financial Statements

(Expressed in U.S. Dollars)

December 31, 2010

(Unaudited)

**10.**

**Convertible Note Payable (continued)**

A total of 1,388,889 warrants exercisable at \$0.54, expiring September 2, 2011 were issued. The Company has determined the fair value of the warrants issued as \$252,305 using the Black Scholes valuation model. The fair value of the warrants has been accreted and is being amortized over the life of the warrants (1 year). As at December 31, 2010, \$82,950 has been amortized and expensed as interest.

The Company has determined the value associated with the conversion feature in connection with the convertible note payable. The Company has determined the note, with a face value of \$750,000, to have a beneficial conversion feature of \$224,528. The beneficial conversion feature has been accreted and is being amortized over the life of the note (5 years). As at December 31, 2010, \$14,763 had been amortized and expensed as interest. The beneficial conversion feature is valued under the intrinsic value method.

## **Forward-Looking Statements**

This Form 10-Q includes "*forward-looking statements*" within the meaning of the "*safe-harbor*" provisions of the *Private Securities Litigation Reform Act of 1995*. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

All statements other than historical facts included in this Form, including without limitation, statements under "*Plan of Operation*", regarding our financial position, business strategy, and plans and objectives of management for the future operations, are forward-looking statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, market conditions, competition and the ability to successfully complete financing.

## **Item 2.**

### **Management's Discussion and Analysis of Financial Condition and**

### **Results of Operations**

#### **Plan of Operation**

Our plan of operation for the next twelve months is to carry out exploration work on our recently acquired properties located in Nevada and to continue to review other potential acquisitions in the resource and non-resource sectors.

We anticipate spending approximately \$1,000,000 on administrative fees, including fees we will incur in complying with reporting obligations.

As of December 31, 2010, we had a working capital deficiency of \$1,126,132 compared to a working capital deficiency of \$230,493 as at September 30, 2010.

We currently do not have sufficient funds on hand to cover our anticipated expenses for the next 12 months. We anticipate that additional funding will be required in the future in the form of equity financing from the sale of our common stock or from director loans. However, we do not have any arrangements in place for any future equity financing.

### **Results of Operations for Period Ending December 31, 2010 and 2009**

We did not earn any revenues during the three-month periods ended December 31, 2010 or December 31, 2009. We incurred total operating expenses of \$784,950 during the three months ended December 31, 2010 compared to \$1,419,970 during the three months ended December 31, 2009, consisting of general and administrative expenses, legal and accounting fees, consulting fees, management fees, promotion and shareholder relations, stock based compensation and mineral property expenditures.

For the three months ended December 31, 2010, general and administrative expenses were \$111,420 (\$59,241 December 31, 2009), consulting fees were \$27,951 (\$Nil December 31, 2009) and consulting fees to related parties were \$63,750 (\$59,291 December 31, 2009), legal and accounting were \$23,429 (\$16,540 December 31, 2009), management fees were \$45,000 (\$23,000 December 31, 2009), promotion and shareholder relations was \$70,534 (\$52,500 December 31, 2009), and stock based compensation was \$Nil (\$1,209,398 December 31, 2009). For the period from inception (March 10, 2005) through December 31, 2010, general and administrative expenses were \$507,952, consulting fees

were \$118,579 and consulting fees to related parties were \$468,498, legal and accounting were \$274,239, management fees were \$285,000, promotion and shareholder relations were \$266,794, rent expense was \$7,600, stock based compensation was \$9,132,364, mineral property expenditures were \$461,866 and mineral property impairment was \$513,296.

Our expenses decreased by \$635,020 during the three months ended December 31, 2010, compared to the three months ended December 31, 2009, largely due to stock based compensation of \$1,209,398 incurred during the three months ended December 31, 2009 (\$Nil December 31, 2010). General and administrative expenses, consulting fees, management fees, promotion and shareholder relations, and legal and accounting fees were higher during the quarter ended December 31, 2010 as compared to 2009 due to increased activity related to our acquisition of mineral properties and corresponding increase in activity.

During the three months ended December 31, 2010, we incurred a net loss of \$882,363, which resulted in an accumulated deficit of \$12,152,837.

We have not attained profitable operations and are dependent upon obtaining financing to pursue exploration activities. For these reasons our auditors believe that there is substantial doubt that we will be able to continue as a going concern.

### **Liquidity and Capital Resources**

At December 31, 2010, we had total assets of \$3,433,225, compared to \$3,377,856 as at September 30, 2010. We had total liabilities recorded at \$1,706,963 as of December 31, 2010, compared to \$709,733 as at September 30, 2010.

We had cash and cash equivalents of \$482,937 as of December 31, 2010, compared to cash and cash equivalents of \$425,794 at September 30, 2010.

During the three months ended December 31, 2010 we did not issue any securities. During the three months ended December 31, 2009, we raised an aggregate of \$999,999 by the issuance of 740,740 units at a price of \$1.35 per unit by way of a private placement. Each unit consists of one common share in the Company and one and one-half non-transferable common share purchase warrant. Each whole common share purchase warrant entitles the holder thereof to purchase one share of common stock, exercisable for a period of twenty four months, at an exercise price of



\$1.50 per share.

We expect to run at a loss for at least the next twelve months. We have no agreements for additional financing and cannot provide any assurance that additional funding will be available to finance our operations on acceptable terms in order to enable us to complete our plan of operations. There are no assurances that we will be able to achieve further sales of our common stock or any other form of additional financing. If we are unable to achieve the financing necessary to continue our plan of operations, then we will not be able to continue our exploration of our mineral claims and our venture will fail.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

### **Contractual Obligations**

None.

### **Item 3.**

#### **Quantitative and Qualitative Disclosures About Market Risk**

We are a smaller reporting company as defined by Rule 12b-2 of the *Securities Exchange Act of 1934* and are not required to provide the information under this item.

### **Item 4.**

#### **Controls and Procedures**

(a)

*Evaluation of disclosure controls and procedures*

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Financial Officer and Chief Executive officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. Disclosure controls and procedures are procedures designed with the objective of ensuring that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934*, such as this Form 10-Q, is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and is communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our management concluded that, as of December 31, 2010, our disclosure controls and procedures were not effective.

In light of the material weaknesses described below, we performed additional analysis and other post-closing procedures to ensure that our financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations, changes in stockholders' equity and cash flows for the periods presented.

(b)

*Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer and implemented by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board ( *PCAOB* ) Auditing Standard No. 5) or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Hugh Aird, our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2010 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls.

Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2010 due to the material weaknesses described below.

**Material Weaknesses**

1.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, our management used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework. Based on this assessment, management concluded that, as of December 31, 2010, our internal control over financial reporting was not effective based on this framework.

Management evaluated the impact of ineffective control over financial reporting and concluded that the control deficiency represented a material weakness.

2.

In connection with the audit of our financial statements for the year ended September 30, 2010, our independent registered public accounting firm, DeJoya Griffith & Company, LLC, reported to our Board of Directors that they observed inadequate review and approval of certain aspects of the accounting process that they considered to be a material weakness in internal control.

After a review of our current review and approval of certain aspects of the accounting process, management concluded that the inadequate review and approval process represented a material weakness.

3.

Our Management noted an additional Material Weakness resulting from the following:

a.

During the year ended September 30, 2010, the Company gave an advance of \$25,000 to a Senior Officer. It was determined the advance was in contravention of SOX 402 and the Company implemented strict internal controls to avoid a future occurrence.

b.

During the Quarter ended December 31, 2010, the Company paid personal expenses for the same Senior Officer in the amount of \$34,498 for which the Company expects to be repaid.

Management determined that the strict internal controls implemented were not effective.

(c)

*Changes in Internal Control over Financial Reporting*

We have implemented or will be implementing changes in our internal controls that have materially affected or are reasonably likely to materially affect our internal control over financial reporting in order to remediate the material weaknesses identified above. We have commenced the following, which correspond to the two material weaknesses identified above.

1.

In connection with the ineffective assessment of our internal control over financial reporting, management plans to hire additional resources to perform our internal audit and assist with SEC compliance for purposes of all future reporting.

2.

In connection with the reported inadequate review and approval of certain aspects of the accounting process, management has reiterated our current review and approval processes, to ensure that all accounting reconciliations and journal entries are reviewed and approved on a timely basis.

**PART II- OTHER INFORMATION**

**Item 1.**

## **Legal Proceedings**

We are not a party to any pending legal proceeding. Management is not aware of any threatened litigation, claims or assessments.

### **Item 1A.**

#### **Risk Factors**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

### **Item 2.**

#### **Unregistered Sales of Equity Securities and Use of Proceeds**

We did not issue any securities during the quarter ended December 31, 2010.

### **Item 3.**

#### **Defaults Upon Senior Securities**

None.

### **Item 4.**

#### **Submission of Matters to a Vote of Security Holders**

None.

### **Item 5.**

**Other Information**

None.

**Item 6.**

**Exhibits and Report on Form 8-K**

(a)

Exhibit(s)

31.1

Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1

Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b)

Reports on Form 8-K

None.

**SIGNATURES**

Pursuant to the requirements of the *Securities Exchange Act of 1934*, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

February 18, 2011

**AMERICAN LITHIUM MINERALS, INC.**

/s/ Hugh Aird

**Hugh Aird,**

Chief Executive Officer and

Chief Financial Officer