

Cedar Mountain Exploration Inc.

Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

To the shareholders of Cedar Mountain Exploration Inc.:

The interim consolidated balance sheets of Cedar Mountain Exploration Inc. as at June 30, 2010 and 2009, and the interim consolidated statements of net loss, comprehensive loss, and deficit and cash flows for the periods then ended have been compiled by management.

No audit or review of this information has been performed by the Company's auditors.

Cedar Mountain Exploration Inc.

Consolidated Balance Sheets

As at	<i>(unaudited)</i> June 30, 2010	<i>(audited)</i> September 30, 2009
	\$	\$
Assets		
Current		
Cash	657,085	140,782
Accounts receivable	64,442	150,988
Prepaid expenses and deposits	193,737	21,900
Debenture (note 3)	-	300,000
	<u>915,264</u>	<u>613,670</u>
Mineral properties (note 4)	<u>359,203</u>	<u>764,398</u>
	<u>1,274,467</u>	<u>1,378,068</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	38,346	214,254
Advance share subscriptions received	422,225	92,000
	<u>460,571</u>	<u>306,254</u>
Shareholders' equity		
Share capital (note 5)	3,146,042	2,503,819
Contributed surplus (note 6)	486,430	474,350
Deficit	(2,818,576)	(1,906,355)
	<u>813,896</u>	<u>1,071,814</u>
	<u>1,274,467</u>	<u>1,378,068</u>

Approved on behalf of the Board

Signed "*John Williamson*" Director

Signed "*Sean Mager*" Director

See accompanying notes to the consolidated financial statements

Cedar Mountain Exploration Inc.

Consolidated Statements of Net Loss, Comprehensive Loss, and Deficit For the three and nine months ended June 30, 2010 and 2009

(unaudited)

Period ended June 30	2010 3 months \$	2009 3 months \$	2010 9 months \$	2009 9 months \$
Expenses				
Management fees and salaries	110,566	75,852	247,583	162,365
Marketing and investor relations	26,981	10,875	84,535	46,455
Office and administration	41,918	21,799	112,754	88,802
Professional fees	24,264	10,147	34,481	21,803
Project generation	-	4,325	7,855	4,325
Stock-based compensation (note 5)	-	-	-	52,500
	(203,729)	(122,998)	(487,208)	(376,250)
Other				
Interest income	7,590	372	24,725	1,107
Gain (loss) on foreign exchange	(594)	-	(571)	-
Loss on disposition of mineral property	(44,255)	-	(44,255)	-
Mineral property write downs (note 4)	-	-	(79,679)	-
Provision for Debenture (note 3)	(325,233)	-	(325,233)	-
Net loss from continuing operations	(566,221)	(122,626)	(912,221)	(375,143)
Discontinued operations (note 3)	-	(21,592)	-	(52,995)
Net loss and comprehensive loss	(566,221)	(144,218)	(912,221)	(428,138)
Deficit - beginning of period	(2,252,355)	(1,322,994)	(1,906,355)	(1,039,074)
Deficit - end of period	(2,818,576)	(1,467,212)	(2,818,576)	(1,467,212)
Basic and diluted net loss from continuing operations per common share (note 5)	(0.02)	(0.01)	(0.04)	(0.02)
Weighted average number of common shares outstanding	25,568,424	18,568,424	25,542,783	17,554,779

See accompanying notes to the consolidated financial statements

Cedar Mountain Exploration Inc.

Consolidated Statements of Cash Flows

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

Period ended June 30	2010 3 months \$	2009 3 months \$	2010 9 months \$	2009 9 months \$
Cash provided by (used in)				
Operating activities				
Net loss for the period	(566,221)	(144,218)	(912,221)	(428,138)
Items not affecting cash:				
Stock-based compensation	-	-	-	52,500
Mineral interest write down	-	-	79,679	-
Loss on disposition of mineral property	44,255	-	44,255	-
Provision for Debenture	325,233	-	325,233	-
	(196,733)	(144,218)	(463,054)	(375,638)
Change in non cash working capital items	(218,638)	1,296	(286,268)	(4,363)
	(415,371)	(142,922)	(749,322)	(380,001)
Investing activities				
Acquisition of Sterling Mexico (note 3)	-	-	-	(170,485)
Acquisition of mineral properties	(82,639)	-	(148,612)	(340,445)
Proceeds on disposition of mineral property	500,000	-	500,000	-
Expenditures on mineral properties	(61,927)	(20,434)	(70,291)	(85,342)
	355,434	(20,434)	281,097	(596,272)
Financing activities				
Proceeds from issuance of shares	-	-	700,000	686,500
Share issuance costs	(5,951)	-	(45,697)	(21,097)
Advance share subscriptions	422,225	-	330,225	-
	416,274	-	984,528	665,403
Increase (decrease) in cash	356,337	(163,356)	516,303	(310,870)
Cash - beginning of period	300,748	231,210	140,782	378,724
Cash - end of period	657,085	67,854	657,085	67,854

See accompanying notes to the consolidated financial statements

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

1. Nature of operations

Cedar Mountain Exploration Inc. (the “Company” or “Cedar”) was incorporated in Alberta and commenced operations on March 16, 2006. On October 18, 2007, the Company closed its initial public offering (“IPO”) and began trading on the TSXV stock exchange under the symbol **CED** on October 29, 2007.

Cedar is in the business of acquiring and exploring mineral properties. The Company has not yet determined whether these properties contain mineral reserves that are economically recoverable and the Company is presently, or is planning to carry out active exploration efforts on all of its mineral properties. The Company has not yet earned significant revenues and is considered to be in the development stage. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and ultimately upon future profitable production or proceeds from disposition of the mineral properties. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets should the Company be unable to continue as a going concern.

2. Principles of consolidation and preparation of financial statements

The accompanying unaudited interim financial statements have been prepared by the Company following the same accounting policies and methods as those disclosed in the audited financial statements for the year ended September 30, 2009, unless otherwise stated. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada have been omitted. These interim financial statements should be read in conjunction with the September 30, 2009 audited financial statements and the notes thereto. In the opinion of management, all adjustments of a normal and recurring nature that are necessary for a fair presentation of the balance sheet, results of operations, and cash flows of those interim periods have been included.

The consolidated Balance Sheet as at June 30, 2010 and the statements of net loss, comprehensive loss and deficit and cash flows for the three and nine months ended June 30, 2010 include the accounts of the Company’s 100% owned subsidiary, Cedar Mountain Exploration (Alaska) Inc. (“Cedar Alaska”).

The financial statements use the Canadian Dollar as the unit of measurement. Where foreign currency-denominated balance sheet items or commitments are disclosed, the Canadian Dollar equivalent amount is presented, at the rate in effect at the related balance sheet date, unless otherwise indicated.

New accounting policies

The following new accounting policy has been adopted by the Company effective October 1, 2009:

Financial instruments

In June 2009, the CICA Handbook Section 3862 was amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure, effective for the Company beginning October 1, 2009. The additional fair value measurements disclosures include classification

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Additional disclosure concerning the fair value hierarchy of the Company's financial instruments will be included in the Company's financial statements for the year ended September 30, 2010.

3. Significant acquisitions and discontinued operations

Kelly Creek Project, Alaska, United States of America

On March 26, 2010, the Company announced that its wholly owned subsidiary Cedar Mountain Exploration (Alaska) Inc. had entered into an agreement ("Kelly Creek Agreement") with an arm's length party (the "Vendor") to lease, with an option to purchase, a gold exploration project ("Kelly Creek Project") located in the State of Alaska in the United States of America ("USA").

Under the terms of the Kelly Creek Agreement, Cedar Alaska may lease the Kelly Creek Project (the "Lease") from the Vendor by paying aggregate lease payments of USD 1 Million and incurring USD 2.15 Million in exploration ("Work Commitments") over six years. Cedar Alaska has the option (the "Option") to purchase 100% of the project at any time during the term of the lease for USD 1.5 Million (the "Purchase Price"), with any lease payments paid prior to exercise of the Option being deducted from the Purchase Price. If Cedar Alaska exercises the Option, it will not be required to complete the Work Commitments. The Kelly Creek Agreement also requires Cedar, during the term of the Lease, to maintain the Kelly Creek Project in good standing. The Kelly Creek Agreement may be terminated at any time by Cedar Alaska.

Provided Cedar Alaska exercises the Option, the Vendor would retain a production royalty equal to 5% of the net smelter returns ("NSR") and Cedar Alaska must make advance royalty payments to the Vendor as follows: USD 100,000 upon exercise of the Option; USD 100,000 on the first anniversary of the exercise of the Option; and USD 200,000 on or before each subsequent anniversary of the exercise of the Option. Cedar Alaska has a further option to purchase up to 3/5 of the NSR by paying the Vendor the sum of USD 2 Million for each 1% of the NSR, whereupon the advance minimum royalty payments shall be adjusted proportionately.

In conjunction with the Kelly Creek Agreement, Cedar Alaska agreed to pay a finder's fee ("Finder's Fee"), subject to regulatory approval, to an arm's length third party (the "Finder") for total consideration of USD 70,000 over five years. Provided the Kelly Creek Agreement is not terminated, Cedar Alaska shall pay to the Finder an aggregate USD 55,000 in cash and USD 15,000 in common shares of the Company. Should Cedar Alaska choose to exercise the Option, the full unpaid amount of the Finder's Fee is payable within 30 days of such exercise.

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

Cedar Creek Property, British Columbia, Canada

During the period ended June 30, 2010, the Company sold its 100% interest in the Cedar Creek Property in British Columbia, Canada to an unrelated party for the sum of \$500,000 in cash proceeds. The Cedar Creek Property consisted of two mineral claims totalling 1,453 hectares.

País del Elephante and Jimenez del Tuel, Zacatecas State, Mexico

On December 22, 2008, the Company announced that it had acquired 99% of the issued and outstanding shares of Sterling Mining de Mexico S.A. de C.V. (“Sterling Mexico”), a Company incorporated in Mexico, from an arm’s length party for USD 222,000 (\$265,419) (the “Acquisition”). The following table shows the allocation of the total acquisition cost to the fair value of the assets acquired and liabilities assumed in the Acquisition.

Cash	\$ 265,419
Acquisition costs	<u>5,531</u>
Total purchase price	<u>\$ 270,950</u>
Cash	\$ 122,093
Non-cash working capital	18,766
Mineral properties	<u>130,091</u>
Net assets acquired	<u>\$ 270,950</u>

The mineral properties acquired with Sterling Mexico, comprising approximately 5,400 ha of mineral rights in the State of Zacatecas in central Mexico, were added to the Company’s País del Elephante area of interest (note 4).

On August 27, 2009, the Company divested of its interests in its two Mexico subsidiaries, Sterling Mexico and Evoba, including the Company’s interest in the Jimenez del Tuel and País del Elephante mineral properties. The shares of Evoba and Sterling Mexico were sold to an unrelated third party, a Canadian private corporation (the “Buyer”), in exchange for a debenture with a face value of \$300,000 bearing simple interest at 10% per annum payable semi-annually (the “Debenture”). Under the terms of the Debenture, the principal amount and unpaid accrued interest is due on August 27, 2010 and, in the event that the Buyer defaults on payment of the Debenture, the Company has the right to repurchase the Buyer’s interest in Evoba and Sterling in exchange for cancellation of the Debenture.

Subsequent to the June 30, 2010, the Company has assessed that the Buyer’s financial position may be inadequate to meet its obligations for repayment of the Debenture. The Company intends to make every effort to recover the amounts owing under the Debenture however, due to the uncertainty of repayment, the Company has recorded a provision against the principal and accrued interest on the Debenture totalling \$325,233.

The results of operations and cash flows for the comparative periods on the statements of net loss, comprehensive loss and deficit and the statements of cash flows include the results of operations and cash flows of Evoba and Sterling Mexico as well as the effects of the acquisition of Sterling and the disposal of both Sterling and Evoba, classified as discontinued operations. A summary of these amounts follows:

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

Period ended June 30	2010	2009	2010	2009
	3 months	3 months	9 months	9 months
	\$	\$	\$	\$
Revenues	-	-	-	-
Expenses	-	(21,592)	-	(52,995)
Discontinued operations	-	(21,592)	-	(52,995)
Basic and diluted net loss from discontinued operations per common share (note 5)	-	(0.00)	-	(0.00)

4. Mineral properties

	Canada	U.S.A	Mexico	Total
	BC Properties	Alaskan Properties	Jimenez del Teul & País del Elephante	
	\$	\$	\$	\$
Balance – September 30, 2008	794,148	-	-	794,148
Acquisition	-	-	497,368	497,368
Claims and land use	1,229	-	24,214	25,443
Geological consulting	12,382	-	43,683	56,065
Analysis	3,282	-	-	3,282
Fieldwork	547	-	-	547
Mineral tax credits	(4,857)	-	-	(4,857)
Balance – June 30, 2009	806,731	-	565,265	1,371,996
Acquisition	-	-	6,060	6,060
Claims and land use	1,402	-	43,251	44,653
Geological consulting	-	-	963	963
Analysis	-	-	2,848	2,848
Fieldwork	91	-	-	91
Mineral tax credits	(43,826)	-	-	(43,826)
Disposition of mineral property (note 3)	-	-	(618,387)	(618,387)
Balance – September 30, 2009	764,398	-	-	764,398
Acquisition	-	148,612	-	148,612
Analysis	837	-	-	837
Geological Consulting	188	58,250	-	58,438
Fieldwork	348	10,899	-	11,247
Mineral tax credits	(395)	-	-	(395)
Write down of mineral property	(79,679)	-	-	(79,679)
Disposition of mineral property (note 3)	(544,255)	-	-	(544,255)
Balance – June 30, 2010	141,442	217,761	-	359,203

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

Acquisition	113,920	148,612	-	262,532
Exploration	35,781	69,149	-	104,930
Mineral tax credits	(8,259)	-	-	(8,259)
Balance – June 30, 2010	141,442	217,761	-	359,203

During the period ended June 30, 2010, the Company wrote off the carrying value of the Venus property, in British Columbia, and has allowed the underlying mineral claims to lapse. The carrying value of the Venus property was \$79,679.

During the period ended June 30, 2010, the Company entered an option to acquire the Kelly Creek Project in Alaska as described in note 3 to the consolidated financial statements. Subsequent to the initial acquisition, the Company staked an additional 147 State of Alaska claims surrounding the original block of claims.

During the period ended June 30, 2010, the Company sold its 100% interest in the Cedar Creek Property to an arm's-length party for cash proceeds of \$500,000 (note 3).

During the year ended September 30, 2009, the Company acquired, and subsequently sold, several projects in Zacatecas State, Mexico, as described in note 3 to the consolidated financial statements.

5. Share capital

Authorized:

Unlimited number of common shares

Issued:	Nine months ended June 30, 2010		Year ended September 30, 2009	
	Common Shares #	Amount \$	Common Shares #	Amount \$
Balance – beginning of period	18,568,424	2,503,819	13,985,088	1,839,166
Shares issued for cash	7,000,000	700,000	4,576,669	686,500
Shares issued as commissions	-	-	6,667	1,000
Share issuance costs	-	(57,777)	-	(22,847)
Balance – end of period	25,568,424	3,146,042	18,568,424	2,503,819

On October 1, 2009, the Company closed a non-brokered private placement of 7,000,000 units (each, a “Unit”) at a price of \$0.10 per Unit for gross proceeds of \$700,000 (the “Offering”). Each Unit consisted of one common share of the Company (“Common Share”) and one Common Share purchase warrant (“Warrant”). Each Warrant entitles the holder to acquire one Common Share until October 1, 2011 (the “Exercise Period”) at an exercise price of \$0.15 per Common Share within the first 12 months of the Exercise Period, and at a price

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

of \$0.20 per Common Share within the remaining 12 months of the Exercise Period. The securities issued pursuant to the Offering are subject to a four-month hold period which expires on February 2, 2010.

Finders acting in connection with the Offering received finder's fees totalling \$30,200 and agent's options to acquire up to 302,000 Common Shares at a price of \$0.10 per Common Share until October 1, 2011. The estimated fair value of the agents' warrants, aggregating \$12,080 has been recorded as an increase to contributed surplus and a reduction of share capital. The fair value of the Agents' Warrants was estimated using the Black Scholes option pricing model with the following grant date assumptions: a risk-free interest rate of 1.20%; expected hold prior to exercise of 2 years; expected volatility of 80%; and a dividend yield per share of 0%.

Warrants

The following table summarizes activity related to warrants:

	Nine months ended June 30, 2010		Year ended September 30, 2009	
	Number of warrants #	Weighted average exercise price \$	Number of warrants #	Weighted average exercise price \$
Balance – beginning of period	4,583,336	0.25	-	-
Issued	7,000,000	0.15	4,583,336	0.25
Expired	(4,583,336)	0.25	-	-
Balance – end of period	7,000,000	0.15	4,583,336	0.25

The following table summarizes information about warrants outstanding:

As at June 30, 2010			As at September 30, 2009		
Number of warrants outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life Years	Number of warrants outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life Years
7,000,000	0.15	1.3	2,091,670	0.25	0.35
-	-	-	2,491,666	0.25	0.50
7,000,000	0.15	1.3	4,583,336	0.25	0.43

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

Agent options

The following table summarizes activity related to agent options:

	Nine months ended June 30, 2010		Year ended September 30, 2009	
	Number of agent options #	Weighted average exercise price \$	Number of agent options #	Weighted average exercise price \$
Balance – beginning of period	400,000	0.40	400,000	0.40
Issued	302,000	0.10	-	-
Expired	(400,000)	0.40	-	-
Balance – end of period	302,000	0.10	400,000	0.40

The following table summarizes information about agent options outstanding:

As at June 30, 2010			As at September 30, 2009		
Number of agent options outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life Years	Number of agent options outstanding #	Weighted Average exercise price \$	Weighted average remaining contractual life Years
302,000	0.10	1.3	400,000	0.40	1.0
302,000	0.10	1.5	400,000	0.40	1.0

Stock options

The following table summarizes activity related to stock options:

	Nine months ended June 30, 2010		Year ended September 30, 2009	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Balance – beginning of period	1,855,000	0.32	1,380,000	0.40
Issued	-	-	575,000	0.15
Expired	-	-	(100,000)	0.40
Balance – end of period	1,855,000	0.32	1,855,000	0.32

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

The following table summarizes information about stock options outstanding:

Number of stock options outstanding #	Weighted average exercise price \$	As at	Number of stock options outstanding #	Weighted Average exercise price \$	As at
		June 30, 2010			September 30, 2009
		Weighted average remaining contractual life Years			Weighted average remaining contractual life Years
1,280,000	0.40	2.3	1,280,000	0.40	3.1
525,000	0.15	3.6	525,000	0.15	4.3
50,000	0.12	4.2	50,000	0.12	4.9
1,855,000	0.32	2.7	1,855,000	0.32	3.5

6. Contributed surplus

Contributed surplus arises from the recognition of estimated fair value of stock options and agent options as follows:

	Nine months ended June 30, 2010	Year ended September 30, 2009
	\$	\$
Balance – beginning of period	474,350	444,600
Agent options issued	12,080	-
Stock options issued	-	29,750
Balance – end of period	486,430	474,350

7. Financial instruments

Financial instrument classification

Cedar's financial instruments recognized on the balance sheet consist of cash, accounts receivable, debenture, and accounts payable and accrued liabilities.

Upon initial recognition, Cedar has designated its cash as held for trading, and accordingly it is recognized on the balance sheet at its fair value, and changes in fair value are recognized in net income in the period in which the change arises.

Accounts receivable and debenture have been classified as loans and receivables, and are measured at amortized cost.

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

Accounts payable and accrued liabilities have been classified as other liabilities, and are measured at amortized cost.

The estimated fair market values of Cedar's financial instruments approximate their carrying values due to their short-term nature.

Purchases and sales of financial assets will be accounted for using trade-date accounting, and transaction costs on financial instruments other than those classified as held for trading will be recognized in net income in the period in which they occur.

The Company has no unrecognized financial instruments or derivative financial instruments.

Capital management

Cedar's capital consists of cash and share capital.

Cedar's objectives in managing its capital are: to maintain corporate and administrative functions necessary to support its operations and corporate functions; to perform mineral exploration activities on its exploration projects; and to seek out and acquire new projects of merit.

Cedar manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

Risk management

Cedar may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of Cedar's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Interest risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments.

The Company had approximately \$657,085 in cash at June 30, 2010, on which it may earn variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is deemed to be immaterial by management of Cedar.

Credit risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. For the period ending June 30, 2010, the Company has recorded a provision against the Debenture and accrued interest thereon (note 3) totalling \$325,233 due to the Company's assessment of the counterparty's financial condition in relation to its obligations under the Debenture.

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

Cedar's cash is held with a financial institution in Canada. Cash held with a Canadian financial institution is guaranteed in full by the Crown in Right of Alberta. Cedar's receivables are due from the government of British Columbia for refundable mineral exploration tax credits and from the Government of Canada for goods and services tax receivable. Management does not consider this concentration of credit to pose any substantial risk to the Company.

Foreign currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, Cedar's financial instruments will fluctuate because of changes in foreign exchange rates.

Cedar maintains its cash reserves in Canadian Dollars and United States Dollars and is therefore subject to fluctuations in foreign exchange rates. Cedar's corporate costs and share capital, as well as Cedar's reporting currency, is denominated in Canadian Dollars.

Liquidity risk

Liquidity risk is the risk that Cedar will not meet its financial obligations as they fall due.

At June 30, 2010, Cedar's working capital is \$454,693, and it does not have any long-term liabilities. The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future. Cedar may have to seek additional debt or equity financing, and there can be no assurance that such financing will be available on terms acceptable to Cedar. Subsequent to June 30, 2010, the Company closed a non-brokered private placement (note 9).

8. Related party transactions

At June 30, 2010, the Company had an outstanding payable to a Company with common officers and directors in the amount of \$51,880 (September 30, 2009 - \$21,093) for reimbursement of staffing, general and administrative costs. These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

From January 1, 2010, the Company's accounting and administrative support services are delivered in the normal course of business on normal commercial terms by a corporate services partnership (the "Partnership") which is managed exclusively by an arms-length principal ("Managing Partner"). The services do not include authority or responsibility for planning, directing and controlling the Company's activities. Corporations controlled by immediate family members of certain directors and an officer of the Company are non-managing, non-controlling members of the Partnership and, in each case, have no active role in the provision of the services. During the nine months ended June 30, 2010, the Company paid fees aggregating \$56,000 to the Partnership for the provision of accounting and administrative support services, which are included in "management fees and salaries" in the consolidated statements of net loss, comprehensive loss, and deficit and are measured at the exchange amount, which is the consideration agreed to between the Company and the Managing Partner, and were fully paid as at June 30, 2010.

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2010 and 2009

(unaudited)

9. Subsequent events

Non-brokered private placement

On July 9, 2010, the Company completed a non-brokered private placement (“Offering”) of 6,686,500 units (“Units”) of the Company at a price of \$0.15 per Unit for gross proceeds of \$1,002,975. Each Unit consisted of one common share of the Company (“Common Share”) and one Common Share purchase warrant (“Warrant”) entitling the holder to acquire one additional Common Share at a price of \$0.20 if exercised within 12 months of issuance and \$0.30 if exercised after 12 months of issuance. The Warrants will expire on the earlier of: (a) 30 days following the issuance of a news release by the Company that the trading price of the Common Shares on the TSX Venture Exchange is at or greater than \$0.40 per Common Share for 10 consecutive trading days; and (b) July 9, 2012. In connection with the Offering, the Company paid finders’ fees to registered dealers by the issuance of: (a) an aggregate of 248,300 Common Shares at a deemed price of \$0.15 per Common Share (in full satisfaction of the sum of \$37,245, representing 10% of the gross proceeds realized from the sale of such Units); and (b) non-transferable share purchase warrants (Finders’ Warrants) entitling such registered dealers to acquire in the aggregate an additional 248,300 Common Shares (equivalent to 10% of such Units) on the same terms as the Warrants.

Stock options repriced

On July 9, 2010, the Company amended the exercise price of outstanding stock options held by non-insiders of the Company to acquire an aggregate of 500,000 Common Shares to \$0.15 per Common Share.

Stock options issued

On July 9, 2010, the Company issued stock options pursuant to the Corporation’s stock option plan to officers, directors, employees and consultants of the Corporation to acquire an aggregate of 1,445,000 Common Shares, exercisable at a price of \$0.15 per Common Share until July 8, 2015, of which stock options to acquire 1,150,000 Common Shares were issued to directors and/or officers of the Company.

10. Comparative figures

Certain comparative amounts have been reclassified to conform to the current period’s presentation.