Ultra Lithium Inc.

CONSOLIDATED FINANCIAL STATEMENTS
(Stated in Canadian Dollars)

Three and nine months ended July 31, 2011 and 2010

(Unaudited)

Ultra Lithium Inc.
(the "Company")

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Three and nine months ended July 31, 2011

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

September 12, 2011

Ultra Lithium Inc.
Consolidated Balance Sheets
(Expressed in Canadian dollars)

July 31, 2011 and October 31, 2010
(Unaudited)

	July 31, 2011 $	October 31, 2010 $
Assets		
Current assets:		
Cash and cash equivalents	479,345	17,669
Short-term investments (Note 5)	150,000	20,000
Amounts receivable	31,959	10,239
Marketable securities (Note 6)	56,000	18,000
Prepaid expenses, deposits and advances (Note 9)	3,149	22,545
	720,453	88,453
Equipment (Note 7)	1,361	669
Resource properties (Note 8)	332,227	653,346
	1,054,041	742,468
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 8 and 9)	44,392	54,861
Shareholders' equity:		
Share capital (Note 10)	3,279,761	2,165,849
Contributed surplus (Note 10)	941,929	730,415
Obligation to issue shares (Note 8(b))	1,950	1,950
Accumulated other comprehensive income	(4,375)	2,000
Deficit	(3,209,616)	(2,212,607)
	1,009,649	687,607
	1,054,041	742,468

Nature of operations and going concern (Note 1)
Commitments (Note 8 and 11)
Subsequent events (Note 8(b))

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

Ultra Lithium Inc.

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

Three and nine months ended July 31, 2011 and 2010
(Unaudited)

	Three months ended		Nine months ended	
	2011	July 31, 2010	2011	July 31, 2010
	$	$	$	$
Expenses:				
Amortization	119	71	219	214
Bank charges and interest	592	591	2,724	1,176
Consulting fees	76,058	41,593	148,225	152,049
Management fees	7,500	2,500	22,500	25,900
Office, rent and administration	27,129	28,750	76,288	73,963
Professional fees	7,520	6,522	22,584	13,327
Project evaluation	7,120	-	44,990	-
Stock-based compensation	14,592	12,042	221,254	7,838
Stock exchange and filing fees	2,622	500	11,439	8,086
Transfer agent fees	4,918	3,485	9,079	6,448
Travel and promotion	78,275	6,147	213,147	20,828
	226,445	102,201	772,449	309,829
Loss before other items:	(226,445)	(102,201)	(772,449)	(309,829)
Other items:				
Foreign exchange gain (loss)	526	1,349	(923)	1,232
Interest income	409	238	1,208	1,071
Gain on sale of marketable securities	-	-	25,155	-
Impairment of resource property (Note 8)	(250,000)	-	(250,000)	-
	(249,065)	1,587	(224,560)	2,303
Loss for the period	(475,510)	(100,614)	(997,009)	(307,526)
Deficit, beginning of period	(2,734,106)	(2,006,691)	(2,212,607)	(1,799,779)
Deficit, end of period	(3,209,616)	(2,107,305)	(3,209,616)	(2,107,305)
Basic and diluted loss per share	0.01	-	0.01	-
Weighted average number of shares outstanding	94,452,505	78,710,005	90,383,531	76,342,239

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

Ultra Lithium Inc.

Consolidated Statements of Comprehensive Loss and Accumulated Other Comprehensive Loss
(Expressed in Canadian dollars)

Three and nine months ended July 31, 2011 and 2010
(Unaudited)

	Three months ended	July 31,	Nine months ended	July 31,
	2011 $	2010 $	2011 $	2010 $
Loss for the period	(475,510)	(100,614)	(997,009)	(307,526)
Other comprehensive income:				
Unrealized loss on available-for-sale marketable securities	-	(7,000)	(4,375)	(3,000)
Comprehensive loss for the period	(475,510)	(107,614)	(1,001,384)	$ (310,526)
Accumulated other comprehensive income, beginning	(4,375)	4,000	2,000	-
Other comprehensive income:				
Unrealized gain loss on available-for-sale marketable securities	-	(7,000)	(4,375)	(3,000)
Realized gain on sale of marketable securities transferred to net loss (Note 6)	-	-	(2,000)	-
Accumulated other comprehensive income, ending	(4,375)	(3,000)	(4,375)	(3,000)

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

Ultra Lithium Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Three and nine months ended July 31, 2011 and 2010
(Unaudited)

	Three months ended	July 31,	Nine months ended	July 31,
	2011	2010	2011	2010
	$	$	$	$
Operations:				
Loss for the period	(475,510)	(100,614)	(997,009)	(307,526)
Items not involving cash:				
Amortization	119	71	219	214
Gain on sale of marketable securities	-	-	(25,155)	-
Stock-based compensation	14,592	12,042	221,254	7,838
Impairment of resource property	250,000	-	250,000	-
Changes in non-cash working capital items:				
Amounts receivable	(15,959)	12,162	(21,720)	(2,179)
Prepaid expenses, deposits and advances	30,143	-	19,396	3,577
Accounts payable and accrued liabilities	11,123	17,458	(10,469)	(1,219)
	(185,492)	(58,881)	(563,484)	(299,295)
Investment:				
Short-term investments	20,000	85,000	(130,000)	410,000
Proceeds from sale of marketable securities	-	-	41,155	-
Purchase of equipment	(911)	-	(911)	-
Resource properties	(4,083)	(92,447)	(4,256)	(256,320)
Property option payment received	-	-	15,000	10,000
	15,006	(7,447)	(79,012)	163,680
Financing:				
Shares issued for cash	-	-	1,205,000	150,000
Share issuance costs	-	-	(100,828)	(16,595)
	-	-	1,104,172	133,405
Increase in cash and cash equivalents	(170,486)	(66,328)	461,676	(2,210)
Cash and cash equivalents, beginning of period	649,831	79,215	17,669	15,097
Cash and cash equivalents, end of period	479,345	12,887	479,345	12,887
Supplementary information:				
Shares issued for resource properties	-	-	-	78,800
Marketable securities received as property option payment	-	-	60,375	16,000
Fair value of finders' warrants	-	-	3,078	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated on November 27, 2004 under the Company Act of British Columbia and is involved in the acquisition, exploration and development of resource properties. On March 21, 2006, the Company's common shares were posted for trading on Tier 2 of the TSX Venture Exchange (the "Exchange") under the symbol "JR". On August 27, 2009, the Company changed its name to Ultra Lithium Inc. (the "Company") and commenced trading on the Exchange under the symbol "ULI".

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized for resource properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its resource properties, the discovery of economically recoverable reserves and obtaining future profitable production or proceeds from disposition of the Company's resource properties. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

These consolidated financial statements have been prepared on a basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has a history of losses with no operating revenue other than interest income and had working capital at July 31, 2011 of $676,061 (October 31, 2010 - $33,592) and accumulated deficit of $3,209,616. Management is also aware that material uncertainties exist related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. The Company has prepared a budget for its cash flows and management expects that it has sufficient liquidity to meet its obligations for the next twelve months. Further discussion of liquidity has been disclosed in Notes 13 and 14.

These consolidated financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended October 31, 2010.

The accounting policies set out in note 2 to the audited financial statements of the Company for the year ended October 31, 2010 have been consistently followed in the preparation of these consolidated financial statements.

3. BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Ultra Lithium (USA) Inc. ("ULI USA") and Ultra Balkans D.O.O. Beograd ("ULI Balkans"). All intercompany transactions and balances have been eliminated on consolidation.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the date that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, with a transition date of January 1, 2010. Effective November 1, 2011, the Company will adopt IFRS as the basis for preparing its financial statements. The Company will issue its financial statements prepared on an IFRS basis commencing with the quarter ended January 31, 2012, and provide comparative data on an IFRS basis as required.

Business Combinations

CICA Handbook Section 1582, Business Combinations, replaces Section 1581, Business Combinations and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3, Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. Earlier application is permitted. The Company does not expect to adopt this standard prior to November 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

Consolidations and Non-Controlling Interests

Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company does not expect to adopt this standard prior to November 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

Other accounting pronouncements issued by the CICA with future affective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

(Expressed in Canadian dollars)

5. SHORT TERM INVESTMENTS

The Company held short-term investments comprised of the following:

Terms	July 31, 2011 Maturity	Principal $
12 months term investment; prime less 2.05% annual interest rate	November 21, 2011	150,000

Terms	October 31, 2010 Maturity	Principal $
12 months term investment; prime less 1.85% annual interest rate	July 15, 2010	20,000

The counterparties of the short-term investments are financial institutions.

The fair market value of the Company's short-term investments approximates their carrying values at the balance sheet dates.

6. MARKETABLE SECURITIES

	July 31, 2011			October 31, 2010		
	Market $	Cost $	Unrealized Gain (loss) $	Market $	Cost $	Unrealized Gain (loss) $
Common shares in a public company received pursuant to an option agreement, representing less than a 5% ownership interest (Note 8 (b))	56,000	60,375	(4,375)	18,000	16,000	2,000

7. EQUIPMENT

	July 31, 2011			October 31, 2010
	Cost $	Accumulated depreciation $	Net Book Value $	Net Book Value $
Computer equipment	4,895	3,534	1,361	669

(Expressed in Canadian dollars)

8. RESOURCE PROPERTIES

	Berland Property, Alberta $	Zigzag Property, Ontario $	South Big Smokey Valley, Nevada $	Mineral Concessions, Serbia $	Total $
	(a)	(b)	(c)	(d)	
Balance, October 31, 2009	250,000	26,560	-	-	276,560
Acquisition and option payments:					
Cash consideration	-	34,440	155,745	-	190,185
Common shares	-	8,700	103,000	-	111,700
Other	-	833	3,944	-	4,777
	-	43,973	262,689	-	306,662
Exploration:					
Property maintenance costs	-	-	96,124	-	96,124
Less: option payments received	-	(26,000)	-	-	(26,000)
Balance, October 31, 2010	250,000	44,533	358,813	-	653,346
Exploration:					
Property maintenance costs	-	-	174	4,082	4,256
Less: option payments received	-	(75,375)	-	-	(75,375)
	250,000	(30,842)	358,987	4,082	582,227
Impairment of resource property	(250,000)	-	-	-	(250,000)
Balance, July 31, 2011	-	(30,842)	358,987	4,082	332,227

(Expressed in Canadian dollars)

8. RESOURCE PROPERTIES – continued

(a) Berland Property, Alberta

The Company entered into a mineral property acquisition agreement dated August 21, 2009 to acquire a 100% interest in certain claims comprising the Berland Property, located near the Berland River within west central Alberta. As consideration, the Company paid $50,000 and issued 2,000,000 common shares recorded at a fair value of $200,000. The property is subject to a 2% NSR, of which, 1% may be acquired by the Company for $1,000,000.

During the nine months ended July 31, 2011, the Company determined that it would not pursue the acquisition agreement for the Berland Property and as a result, $250,000 in resource property costs was written off as at July 31, 2011.

(b) Zigzag Property, Ontario

The Company entered into a mineral property acquisition agreement dated August 31, 2009 to acquire a 100% interest in certain claims comprising the Zigzag Property, located near Armstrong, Ontario. As consideration, the Company had agreed to pay $112,000, issue 400,000 common shares and incur aggregate exploration expenditures of $226,800 over a period of four years. During the year ended October 31, 2009, the Company paid $12,000 and issued 100,000 common shares recorded at a fair value of $10,000, which were recorded as acquisition costs.

On March 3, 2010, the Company entered into a mineral property acquisition agreement with Canadian Orebodies Inc. ("Orebodies") whereby Orebodies was granted an option to earn an 80% interest in the Zigzag Property, thereby reducing the Company's option to earning a 20% interest.

The Company's remaining consideration to acquire the 20% interest is as follows:

	Cash Payment $	Shares to be issued #
On or before August 31, 2010	20,000(paid)	-
On or before October 2, 2010	-	100,000(issued)
On or before August 31, 2011	30,000 (paid subsequent to period ended)	-
On or before October 2, 2011	-	100,000
On or before August 31, 2012	50,000	-
On or before October 2, 2012	-	100,000
	100,000	300,000

The common shares issued by the Company during the year ended October 31, 2010 were recorded at a fair value of $5,500 (Note 10).

In consideration of the Company replacing the original mineral property acquisition agreement, Orebodies is required to incur exploration expenditures of $350,000 on the property and make the following payments to the Company over a period of three years:

(Expressed in Canadian dollars)

8. RESOURCE PROPERTIES - continued

(b) Zigzag Property, Ontario - continued

	Cash Payment $	Shares to be issued #
On or before March 5, 2010	10,000(received)	200,000 (received)
On or before March 5, 2011	15,000(received)	175,000 (received)
On or before March 5, 2012	25,000	150,000
On or before March 5, 2013	50,000	125,000
	100,000	650,000

Provided that Orebodies makes all of its required payments, including additional cash payments, share issuances and exploration expenditure commitments to the original vendor of the Zigzag Property, Orebodies may give written notice of acceleration, requiring the Company to satisfy its remaining payments within 30 days of such notice.

Commencing March 5, 2014, the Company and Orebodies will be required to pay a pre-production royalty of $10,000 per year, which will be deductible against future payments upon the commencement of commercial production. The royalty will be payable in cash or in common shares.

Pursuant to an Agreement dated August 10, 2009, between the Company and an arm’s length party, the Company agreed to pay a finder’s fee, for the property acquisition agreement relating to the Zigzag Property, of $14,440 and the issuance of 40,000 common shares.

During the year ended October 31, 2010, the Company paid $6,440 and issued 20,000 common shares recorded at a fair value of $1,250 (Note 10). Recorded in accounts payable and obligation to issue shares at July 31, 2011 and October 31, 2010 were $8,000 and $1,950, respectively, related to the remaining finder’s fee. Subsequent to July 31, 2011, the Company paid $3,000 and issued 10,000 common shares under this agreement thereby reducing finder’s fee payable and obligation to issue shares to $5,000 and $975, respectively.

(c) South Big Smokey Valley, Nevada

The Company entered into a mineral property acquisition agreement dated February 22, 2010, through its wholly-owned subsidiary, Ultra Lithium USA, to acquire a 100% interest in certain claims comprising the South Big Smokey Valley Property located in Esmeralda County, Nevada. As consideration, the Company paid $155,745 (US$150,000) and issued 1,500,000 common shares at a fair value of $85,000 (Note 10).

The Company also issued an aggregate of 300,000 common shares, at a fair value of $18,000, to arm’s length parties as finder’s fees related to this acquisition.

(Expressed in Canadian dollars)

8. RESOURCE PROPERTIES – continued

(d) Mining Concessions, Serbia

During the nine months ended July 31, 2011, the Company has been granted six exploration licenses in the Republic of Serbia through its wholly-owned subsidiary, ULI Balkans, for the Trnava, Kragujevac, Valjevo East, Koceljeva, Ladevci and Preljina mineral prospects. The exploration licenses cover an area of approximately 544 square km in total.

9. RELATED PARTY TRANSACTIONS

During the nine months ended July 31, 2011 and 2010, payments to the Company's directors and officers and companies controlled by them were as follows.

	2011 $	2010 $
Management fees	22,500	25,900
Office, rent and administration	48,900	43,200
Consulting fees	-	10,925
Professional fees	4,886	9,869
	76,286	89,894

These transactions are in the normal course of business operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in prepaid expenses, deposits and advances at July 31, 2011 is a rent deposit of $2,000 (October 31, 2010 - $2,000) to a company having a director and officer in common.

Included in accounts payable and accrued liabilities is $9,744 (October 31, 2010 - $8,691) payable to a former director and an officer of the Company. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

10. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(Expressed in Canadian dollars)

10. SHARE CAPITAL – continued

(b) Issued and Outstanding

	Shares #	Amount $	Contributed Surplus $
Balance, October 31, 2009	74,400,005	1,922,694	702,392
Share issued for properties (Notes 8(b) and 8(c))	1,920,000	109,750	-
Private placement	3,000,000	150,000	-
Share issuance costs	-	(16,595)	-
Stock-based compensation	-	-	28,023
Balance, October 31, 2010	79,320,005	2,165,849	730,415
Private placement	13,440,000	1,047,000	-
Agents' finder's fees	112,500	12,937	-
Share issuance costs	-	(116,843)	3,078
Exercise of options	580,000	58,000	-
Exercise of warrants	1,000,000	100,000	-
Non-cash compensation charges on options exercised	-	26,546	(26,546)
Stock-based compensation	-	-	221,254
Modification to warrants	-	(13,728)	13,728
Balance, July 31, 2011	94,452,505	3,279,761	941,929

On April 6, 2010, the Company closed a non-brokered private placement of 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.10 per share until April 6, 2012. The Company paid a finder's fee of $15,000 on this private placement.

On November 30, 2010, the Company closed a non-brokered private placement of 5,940,000 units at a price of $0.05 per unit for gross proceeds of $297,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.10 per share expiring November 30, 2012. Share issue costs with respect to the private placement totaled $32,035 which included cash issue costs of $2,335 and finders' fees of $29,700.

On February 17, 2011, the Company closed a non-brokered private placement of 7,500,000 units at a price of $0.10 per unit for gross proceeds of $750,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.15 per share expiring February 17, 2013. Share issue costs with respect to the private placement totaled $84,808 which included cash issue costs of $5,543 and finders' fees of $79,265. The finders' fees were comprised of cash payments of $63,250 and 112,500 units being, 112,500 common shares at a fair value of $12,937 and 56,250 finders' warrants with a fair value of $3,078.

(Expressed in Canadian dollars)

10. SHARE CAPITAL – continued

(b) Issued and Outstanding - continued

The fair value of the finders' warrants of $3,078 has been charged to share issue costs with a corresponding increase to contributed surplus. The fair value of these finder's warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield - 0.00%; expected stock price volatility - 102.83%; risk free interest rate - 1.17%; expected life - 2 years. The weighted average fair value of the finder's warrants issued during the nine months ended July 31, 2011 was $0.09 per warrant.

During the nine months ended July 31, 2011, 580,000 stock options at $0.10 per share were exercised for gross proceeds of $58,000. Non-cash compensation charges of $26,546 was reclassified from contributed surplus to share capital on the exercise of these options.

During the nine months ended July 31, 2011, 1,000,000 warrants at $0.10 per share were exercised for gross proceeds of $100,000.

(c) Warrants

As at July 31, 2011, the following warrants were outstanding:

Shares #	Exercise Price $	Expiry date
3,000,000 *	0.20	July 7, 2012
2,000,000	0.10	April 6, 2012
5,940,000	0.10	November 30, 2012
3,806,250	0.15	February 17, 2013

* These warrants were repriced from $0.30 per share to $0.20 per share and the expiry date was extended from July 7, 2009 to July 7, 2011. The amended warrants contain a forced provision exercise whereby the warrant holders will be required to exercise their warrants within a period of 30 days if the Company's common shares close at or above $0.25 per share for 10 consecutive trading days, otherwise the warrants will, if not exercised, expire at the end of such 30 day period. To April 30, 2011, the Company's common shares have not met the criteria for forced provision exercise. During the nine months ended July 31, 2011, the expiry date of these warrants was further extended to July 7, 2012.

Summary details of warrants outstanding are as follows:

	Warrants #	Weighted Average Exercise Price $
Balance, October 31, 2009	3,000,000	0.20
Private placement	3,000,000	0.10
Balance, October 31, 2010	6,000,000	0.15
Exercised	(1,000,000)	0.10
Granted	9,746,250	0.12
Balance, July 31, 2011	14,746,250	0.13

(Expressed in Canadian dollars)

10. SHARE CAPITAL – continued

(d) Stock Options

The Company adopted a stock option plan whereby the Company may from time to time in accordance with the Exchange requirements grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options.

A summary of the status of the stock option plan as of July 31, 2011 and changes during the period then ended is presented below:

	Options #	Weighted Average Exercise Price $
Balance, October 31, 2009	4,285,000	0.10
Granted	2,220,000	0.10
Cancelled	(100,000)	0.10
Balance, October 31, 2010	6,405,000	0.10
Exercised	(580,000)	0.10
Cancelled	(1,150,000)	0.10
Granted	2,461,000	0.11
Balance, July 31, 2011	7,136,000	0.10

As of July 31, 2011, the following stock options were outstanding:

Shares #	Exercise Price Per Share $	Expiry Date	Exercisable #
725,000	0.10	May 12, 2018	725,000
1,160,000	0.10	February 5, 2019	1,160,000
400,000	0.10	June 3, 2019	400,000
50,000	0.10	August 14, 2019	50,000
250,000	0.10	September 22, 2019	250,000
300,000	0.10	January 14, 2020	300,000
187,500	0.10	May 3, 2020	140,625
400,000	0.10	June 23, 2020	300,000
200,000	0.10	September 1, 2020	125,000
1,002,500	0.10	October 13, 2020	1,002,500
2,050,000	0.11	January 24, 2021	1,650,000
150,000	0.11	February 14, 2021	118,750
261,000	0.11	February 14, 2013	97,875
7,136,000			6,319,750

During the nine months ended July 31, 2011, under the fair-value-based method, $221,254 (2010 – $7,838) in compensation expense was recorded for stock options granted and vested during the period and charged to operations.

(Expressed in Canadian dollars)

10. SHARE CAPITAL – continued

(d) Stock Options - continued

The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2011	2010
Risk free interest rate	2.05%	1.91%
Expected life of options	4.01 years	3.52 years
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	117.98%	121.72%

The weighted average fair value of options granted during the nine months ended July 31, 2011 was $0.07 (2010 - $0.03) per option.

11. COMMITMENT

The Company is committed to future minimum annual lease payments with respect to office leases as follows:

	$
2011	71,671
2012	73,203
2013	73,714
2014	75,246
2015	18,939
	312,773

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, short-term investments, amounts receivable, marketable securities and accounts payable and accrued liabilities approximate their fair values due to the short term nature of these items. The Company's classification of financial instruments within the fair value hierarchy are measured based on Level 1 inputs.

13. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes:

(a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances and short-term bank guaranteed investment certificates at the bank and amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The amounts receivable consist of goods and services tax and harmonized sales tax recoverable of $14,855 and accrued interest receivable of $984 which are not considered past due.

(Expressed in Canadian dollars)

13. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT - continued

(b) Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at July 31, 2011, the Company had a cash balance of $479,345 and short-term investments of $150,000 to settle accounts payable and accrued liabilities of $44,392 that are considered short term and settled within 30 days. The Company has sufficient liquidity to meet its requirements for the next twelve months.

(c) Market Risk

(i) Currency Risk

The Company's functional and reporting currency is the Canadian dollar. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has subsidiaries in the United States and the Republic of Serbia and holds cash in Canadian, United States, Euros and Serbian Dinar currencies in line with forecasted expenditures. The Company's main risk is associated with fluctuations in the US dollar, Euros and Serbian Dinar and assets and liabilities are translated based on the foreign currency translation policy described in Note 2 of the audited consolidated financial statements of the Company for the year ended October 31, 2010.

The Company's net exposure to the US dollar, Euros and Serbian Dinar on financial instruments is as follows:

	July 31, 2011 $	October 31, 2010 $
US dollar:		
Cash and cash equivalents	285	740
Euros:		
Cash and cash equivalents	27,868	-
Serbian Dinar:		
Cash and cash equivalents	15,020	-
Accounts payable and accrued liabilities	1,068	-
Net Serbian Dinar	13,592	-

13. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT - continued

(c) Market Risk - continued

(i) Currency Risk - continued

The Company has determined that an effect of a 10% increase or decrease in the US dollar Euros and Serbian Dinar against the Canadian dollar on financial assets and liabilities, as at July 31, 2011, including cash and cash equivalents and accounts payable and accrued liabilities denominated in US dollars, Euros and Serbian Dinar, would result in an insignificant change to the net loss and comprehensive loss for the period ended July 31, 2011. At July 31, 2011, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest Rate Risk

The interest on cash and short-term investments is typical of Canadian banking rates, which are at present low, however, the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the Company's financial statements.

(iii) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its resource properties described in Note 8 of these financial statements of which production is not expected in the near future.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funds to support the acquisition, exploration and development of resource properties such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to settle liabilities. The Company has no long-term debt and is not subject to externally imposed capital requirements.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities, loans, advances from related parties and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

There were no changes in the Company's management of capital during the nine months ended July 31, 2011.

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION

The Company operated in the following geographic segments at July 31, 2011 and October 31, 2010:

July 31, 2011	Canada $	United States $	Serbia $	Total $
Resource properties	76,103	252,042	4,082	332,227
Other assets	678,641	285	42,888	721,814
Total assets	754,744	252,327	46,970	1,054,041

October 31, 2010	Canada $	United States $	Serbia $	Total $
Resource properties	401,477	251,869	-	653,346
Other assets	88,382	740	-	89,122
Total assets	489,859	252,609	-	742,468

The Company operated in the following geographic segments during the nine months ended July 31, 2011 and 2010:

Nine Months Ended July 31, 2011	Canada $	United States $	Serbia $	Total $
Expenses	(719,251)	(3,759)	(50,362)	(773,372)
Interest and other income	1,208	-	-	1,208
Gain on sale of marketable securities	25,155	-	-	25,155
Impairment of resource property	(250,000)	-	-	(250,000)
Loss for the period	(942,888)	(3,759)	(50,362)	(997,009)
Unrealized loss on available-for-sale marketable securities	(4,375)	-	-	(4,375)
Loss and comprehensive loss for the period	(947,263)	(3,759)	(50,362)	(1,001,384)

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION - continued

Nine Months Ended July 31, 2010	Canada $	United States $	Serbia $	Total $
Expenses	(291,622)	(16,975)	-	(308,597)
Interest and other income	1,071	-	-	1,071
Loss for the period	(290,551)	(16,975)	-	(307,526)
Unrealized loss on available-for-sale marketable securities	(3,000)	-	-	(3,000)
Loss and comprehensive loss for the period	(293,551)	(16,975)	-	(310,526)