Ultra Lithium Inc.
(formerly Jantar Resources Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS
(Stated in Canadian Dollars)

Year ended October 31, 2010

DALE MATHESON CARR-HILTON LABONTE LLP
DMCL CHARTERED ACCOUNTANTS

Partnership of:

Vancouver	Robert J. Burkart, Inc. Alvin F. Dale Ltd. Robert J. Matheson, Inc.	James F. Carr-Hilton Ltd. Barry S. Hartley, Inc. Rakesh I. Patel Inc.	Kenneth P. Chong Inc. Reginald J. LaBonte Ltd. F.M. Yada FCA Inc.
South Surrey	Michael K. Braun Inc.	Peter J. Donaldson, Inc.	
Port Coquitlam	Wilfred A. Jacobson Inc. Brian A. Shaw Inc.	G.D. Lee Inc.	Fraser G. Ross, Ltd.

AUDITORS' REPORT

To the Shareholders of Ultra Lithium Inc. (formerly Jantar Resources Ltd.):

We have audited the consolidated balance sheet of Ultra Lithium Inc. (formerly Jantar Resources Ltd.) as at October 31, 2010 and the consolidated statements of operations and deficit, comprehensive loss and accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The audited consolidated financial statements at October 31, 2009 and for the year then ended were examined by other auditors who expressed an opinion without reservation on those statements in their report dated January 31, 2010.

As part of our audit of the 2010 consolidated financial statements, we also audited the adjustment described in Note 17 that was applied to amend the 2009 consolidated financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2009 financial statements of the Company other than with respect to the adjustment and accordingly, we do not express an opinion or any other form of assurance on the 2009 consolidated financial statements taken as a whole.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
February 15, 2011

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Ultra Lithium Inc. (formerly Jantar Resources Ltd.)

Consolidated Balance Sheets
(Expressed in Canadian dollars)

As at October 31

		2010		2009 (Restated – Note 17)
Assets				
Current assets:				
Cash	$	17,669	$	15,097
Short-term investments (Note 5)		20,000		550,000
Amounts receivable		10,239		5,167
Marketable securities (Note 6)		18,000		-
Prepaid expenses, deposits and advances (Note 9)		22,545		8,500
		88,453		578,764
Equipment (Note 7)		669		955
Resource properties (Note 8)		653,346		276,560
	$	742,468	$	856,279
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Notes 8 and 9)	$	54,861	$	30,972
Shareholders' equity:				
Share capital (Note 10)		2,165,849		1,922,694
Contributed surplus (Note 10)		730,415		702,392
Obligation to issue shares (Note 8)		1,950		-
Accumulated other comprehensive income		2,000		-
Deficit		(2,212,607)		(1,799,779)
		687,607		825,307
	$	742,468	$	856,279

Nature of operations and going concern (Note 1)
Subsequent events (Note 18)
Commitments (Note 8 and 11)

APPROVED BY THE DIRECTORS

"Marc Morin" Director
MARC MORIN

"Antony Claydon" Director
ANTONY CLAYDON

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

Ultra Lithium Inc. (formerly Jantar Resources Ltd.)

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

Years ended October 31

	2010	2009
Expenses:		
Amortization	$ 286	$ 410
Bank charges and interest	1,454	653
Consulting fees (Note 9)	181,343	98,090
Management fees (Note 9)	33,400	53,400
Office, rent and administration (Note 9)	98,652	70,067
Professional fees (Note 9)	31,896	32,072
Stock-based compensation (Note 10)	28,023	216,593
Stock exchange and filing fees	7,509	15,380
Transfer agent fees	7,971	6,817
Travel and promotion	24,335	25,161
Loss before other items	(414,869)	(518,643)
Other items:		
Foreign exchange gain	824	-
Interest income	1,217	4,962
Mining exploration tax recovered	-	23,963
Write-off of resource property (Note 8)	-	(27,000)
	2,041	1,925
Loss for the year	(412,828)	(516,718)
Deficit, beginning of year	(1,799,779)	(1,283,061)
Deficit, end of year	$ (2,212,607)	$ (1,799,779)
Loss per common share – basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding – basic and diluted	77,011,457	72,301,649

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

Ultra Lithium Inc. (formerly Jantar Resources Ltd.)

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

Years ended October 31

	2010	2009
Loss for the year	$ (412,828)	$ (516,718)
Other comprehensive income:		
Unrealized gain on available-for-sale marketable securities	2,000	-
Comprehensive loss for the year	$ (410,828)	$ (516,718)
Accumulated other comprehensive income, beginning	$ -	$ -
Other comprehensive loss:		
Unrealized gain on available-for-sale marketable securities	2,000	-
Accumulated other comprehensive income, ending	$ 2,000	$ -

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

Ultra Lithium Inc. (formerly Jantar Resources Ltd.)

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended October 31

	2010	2009
Operations:		
Loss for the year	$ (412,828)	$ (516,718)
Items not involving cash:		
Amortization	286	410
Stock-based compensation	28,023	216,593
Write-off of resource property	-	27,000
Changes in non-cash working capital items:		
Amounts receivable	(5,072)	6,314
Due from related parties	-	318
Prepaid expenses, deposits and advances	(14,045)	1,250
Accounts payable and accrued liabilities	15,889	2,158
	(387,747)	(262,675)
Investment:		
Resource properties	(283,086)	(93,560)
Property option payment received	10,000	-
Short-term investments	530,000	(550,000)
	256,914	(643,560)
Financing:		
Shares issued for cash	150,000	12,500
Share issue costs	(16,595)	-
	133,405	12,500
Change in cash	2,572	(893,735)
Cash, beginning of year	15,097	908,832
Cash, end of year	$ 17,669	$ 15,097
Supplementary information:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Warrant modification (Note 10)	$ -	$ 179,836
Shares issued for resource properties (Note 8)	$ 109,750	$ 210,000
Finder's fee (Note 8)	$ 9,950	$ -
Marketable securities received as property option payment (Note 6)	$ 16,000	$ -

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 a working capital at October 31, 2010 of $33,592 (2009 - $547,792) and accumulated deficit of $2,212,607. 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. Subsequent to October 31, 2010, the Company raised $297,000 from a private placement financing and announced another private placement to raise up to $750,000 (Note 18). The Company has prepared a budget for its cash flows and management expects that it has sufficient liquidity and additional financing will be available to meet its obligations during the year ending October 31, 2011. 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 consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and within the framework of the significant accounting policies outlined below:

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Ultra Lithium (USA) Inc. ("Ultra Lithium USA"), incorporated in the state of Nevada. All intercompany transactions and accounts have been eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(b) Estimates, Assumptions and Measurement Uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to going concern assessments, the impairment of mineral property interests, the determination of reclamation obligations, determining the fair value of stock-based payments, the useful life of its equipment, financial instruments and estimating the future tax rates used to determine future income taxes. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(c) Short-term Investments

Short-term investments consist of an investment in a guaranteed investment certificate which has a maturity date beyond three months.

(d) Marketable Securities

Marketable securities are carried at their market value based upon quoted market prices.

(e) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated annually at the following rates:

Computer hardware	-	30% declining balance method

Further, property, plant and equipment are amortized at one-half of the annual rate in the year of acquisition.

(f) Resource Properties

The cost of resource properties and related exploration and development costs are deferred until the properties are placed into production, sold or abandoned, or management has determined there has been an impairment in value. These costs will be amortized over the useful life of the properties following the commencement of commercial production or written off if the properties are sold, allowed to lapse, or abandoned. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of resource properties and related deferred exploration costs could be written off. Although the Company has taken steps to verify title to resource 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 title defects.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(g) Asset Retirement Obligation

The Company accounts for asset retirement obligations and site rehabilitation costs in accordance with the requirements of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110 Asset Retirement Obligations. Under this policy, the present value of future closure obligations is recorded as a liability when that liability is incurred with a corresponding increase in carrying value of the related Mining Property assets. The increased carrying value of the mining property asset will be amortized over the life of the related mining assets on a unit of production basis when the property comes into production. The liability for asset retirement obligations is accreted to the amount ultimately payable over the period to the date it is paid. As at October 31, 2010 and 2009, the Company has not recognized any asset retirement obligations.

(h) Impairment of Long-Lived Assets

The Company follows the recommendations of the CICA Handbook Section 3063 Impairment of Long Lived Assets. Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognized in the statement of operations when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If an asset is considered to be impaired, the impairment charge is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

(i) Financial Instruments

The Company adopted the CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement. Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Company's financial instruments consist of cash, short-term investments, amounts receivable, marketable securities and accounts payable. All financial instruments are measured at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its financial instruments as follows:

- Cash and short-term investments are classified as held-for-trading.
- Amounts receivables are classified as loans and receivables.
- Marketable securities are classified as available-for-sale.
- Accounts payable are classified as other financial liabilities.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about financial instruments, and approximate carrying values unless otherwise noted. The Company does not use any hedging instrument.

The Company considers net smelter return ("NSR") and other production related commitments associated with mineral property interests to be derivate instruments. Until such time as economically recoverable resources are identified such derivates are not considered to have reliably measurable value.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(j) Loss Per Share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants, and similar equity instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants, and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years ended October 31, 2010 and 2009, this calculation proved to be anti-dilutive.

Basic and diluted loss per common share is calculated using the weighted-average number of shares outstanding during the years ended October 31, 2010 and 2009.

(k) Stock-based Compensation

The Company follows the CICA Handbook Section 3870 Stock-based Compensation and uses the fair value-based method for stock-based compensation and all stock-based awards to employees and non-employees are recorded at fair value and expensed over the respective vesting period of the awards. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option. Any consideration paid by option holders on the exercise of options is credited to share capital.

(l) Foreign Currency Translation

Transactions and account balances originally stated in currencies other than Canadian dollars have been translated into Canadian dollars using the temporal method of foreign currency translation as follows:

- Revenue and expense items at average exchange rates.
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market value, in which case they are translated at the exchange rate in effect on the balance sheet date.
- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date.

Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

(m) Income Taxes

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities 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. Future tax assets and liabilities are measured using enacted or substantially 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 effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount. At October 31, 2010, the Company recognized a valuation allowance equal to the full amount of net future tax assets.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(n) Comprehensive Income

The Company adopted CICA Handbook Section 1530 Comprehensive Income. Section 1530 establishes standards for the reporting and presenting of comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Comprehensive income includes net income or loss and other comprehensive income. Other comprehensive income may include holding gains and losses on available for sale securities, gains and losses on certain derivative instruments and foreign exchange gains and losses from self sustaining foreign operations. During the year ended October 31, 2010, the Company recognized a $2,000 unrealized gain on marketable securities.

(o) Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Fair Value Hierarchy

In 2009, the AcSB amended Section 3862, Financial Instruments – Disclosures, to require enhanced disclosures about the relative reliability of the data, or "inputs," that an entity uses to measure the fair values of its financial instruments. It requires financial instruments measured at fair value to be classified into one of three levels in the "fair value hierarchy" based on the lowest level input that is significant to the fair value measurement in its entirety. It requires financial instruments measured at fair value to be classified into one of three levels in the "fair value hierarchy" based on the lowest level input that is significant to the fair value measurement in its entirety as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 - Inputs that are not based on observable market data.

The amended section relates to disclosure only and did not have a material impact on the financial results of the Company. These disclosures are presented in Note 12.

Accounting Changes

CICA Handbook Section 1506, "Accounting Changes," establishes criteria for changes in accounting policies, accounting treatment and disclosure regarding changes in accounting policies, estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policies to be applied retrospectively unless doing so is impracticable.

3. ADOPTION OF NEW ACCOUNTING STANDARDS - continued

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173, "Credit Risk and the Fair Value of Financial Assets and Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The implementation of the recommendations of this section has not had an impact on the Company's financial statements.

Mining exploration costs

In March 2009 the CICA approved EIC 174, "Mining Exploration Costs". The guidance clarified that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The implementation of the recommendations of this new section has not had a material impact on the Company's financial statements for the year ended October 31, 2010.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

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

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.

4. FUTURE ACCOUNTING PRONOUNCEMENTS - continued

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.

5. SHORT TERM INVESTMENTS

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

	2010	
Terms	Maturity	Principal
12 months term investment; prime less 1.85% annual interest rate	July 14, 2011	$ 20,000

	2009	
Terms	Maturity	Principal
12 months term investment; prime less 1.85% annual interest rate	July 15, 2010	$ 550,000

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

	2010			2009		
	Market	Cost	Unrealized Gain	Market	Cost	Unrealized Loss
Common shares in a public company received pursuant to an option agreement, representing less than a 5% ownership interest (Note 8)	$ 18,000	$16,000	$ 2,000	$ -	$ -	$ -

7. EQUIPMENT

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 3,985	$ 3,316	$ 669	$ 955

8. RESOURCE PROPERTIES

	Don Pancho Prospect, Peru	Berland Property, Alberta	Zigzag Property, Ontario	South Big Smokey Valley, Nevada	Total
	(a)	(b)	(c)	(d)	
Acquisition and option payments:					
Cash consideration	$ 25,000	$ 50,000	$ 12,000	$ -	$ 87,000
Common shares	-	200,000	10,000	-	210,000
	25,000	250,000	22,000	-	297,000
Exploration:					
Property mining taxes	2,000	-	-	-	2,000
Staking	-	-	4,560	-	4,560
	2,000	-	4,560	-	6,560
Less: write-off of resource property	(27,000)	-	-	-	(27,000)
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
	-	-	43,973	358,813	402,786
Less: option payments received	-	-	(26,000)	-	(26,000)
	-	-	17,973	358,813	376,786
Balance, October 31, 2010	$ -	$ 250,000	$ 44,533	$ 358,813	$ 653,346

8. RESOURCE PROPERTIES - continued

(a) Don Pancho Prospect, Peru

The Company entered into an option agreement to acquire a 100% interest in certain claims comprising the Don Pancho Prospect in Peru. The Company paid option payments of $25,000 and incurred $2,000 in expenditures on the property. During the year ended October 31, 2009, management abandoned its interest in the property resulting in a write-off of acquisition and exploration costs of $27,000.

(b) 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.

(c) 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 4 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	-
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).

8. RESOURCE PROPERTIES - continued

(c) Zigzag Property, Ontario - continued

In consideration of the Company replacing the original mineral property acquisition agreement, Orebodies is required to make the following payments to the Company:

	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	175,000
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. .

To 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 October 31, 2010 is $8,000 and $1,950, respectively, related to the remaining finder's fee.

(d) 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 common shares issued during the year ended October 31, 2010 were issued at a fair value of $60,000 and $25,000, respectively (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.

9. RELATED PARTY TRANSACTIONS

During the years ended October 31, 2010 and 2009, payments to the Company's directors and officers and companies controlled by them were as follows.

	2010	2009
Management fees	$ 33,400	$ 53,400
Office, rent and administration	56,700	60,000
Consulting fees	10,925	15,250
Professional fees	12,734	13,224
	$ 113,759	$ 141,874

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 October 31, 2010 is a rent deposit of $2,000 (2009 - $2,000) and prepaid rent of $Nil (2009 - $4,000) to a company having a director and officer in common.

Included in accounts payable and accrued liabilities is $8,691 (2009 - $8,635) payable to a 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.

(b) Issued and Outstanding

	Shares	Amount	Contributed Surplus
Balance, October 31, 2008	72,050,005	$ 1,876,156	$ 309,837
Share issued for properties (Notes 8(b) and 8(c))	2,100,000	210,000	-
Exercise of options	250,000	12,500	-
Stock-based compensation	-	-	216,593
Non-cash compensation charges on options exercised	-	3,874	(3,874)
Modification to warrants (Note 17)	-	(179,836)	179,836
Balance, October 31, 2009	74,400,005	1,922,694	702,392
Share issued for properties (Notes 8(c) and 8 (d))	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

10. SHARE CAPITAL – continued

(b) Issued and Outstanding – continued

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 consists 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 finder's fees of $16,595 on this private placement.

(c) Warrants

As at October 31, 2010, the following warrants were outstanding:

Number of Shares	Exercise Price	Expiry date
3,000,000	$0.20	July 7, 2011
3,000,000	$0.10	April 6, 2012

Summary details of warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, October 31, 2008	3,000,000	$ 0.30
Warrants repriced	-	(0.10)
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

During the year ended October 31, 2009, the Company amended the terms of its 3,000,000 share purchase warrants. The original terms specified that each whole warrant was exercisable into one common share at a price of $0.30 per share expiring on July 7, 2009. The Company amended the warrant exercise price from $0.30 per share to $0.20 per share and extended the expiry date from July 7, 2009 to July 7, 2011. The Company calculated the incremental increase in the fair value of the warrant repricing and extension to be $179,836 using the Black-Scholes valuation model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 132.15%; risk-free interest rate – 1.33%; expected life – 2 years. The Company recorded the fair value of the modified warrants as a capital transaction, with a charge to share capital and contributed surplus.

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 October 31, 2010, the Company's common shares have not met the criteria for forced provision exercise (Note 17).

(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.

10. SHARE CAPITAL – continued

(d) Stock Options - continued

A summary of the status of the stock option plan as of October 31, 2010 and 2009 and changes during the periods then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, October 31, 2008	3,250,000	$ 0.10
Granted	2,460,000	0.10
Exercised	(250,000)	0.05
Cancelled	(1,175,000)	0.10
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

As of October 31, 2010, the following stock options were outstanding:

Number of Shares	Exercise Price Per Share	Expiry Date	Exercisable
1,725,000	$0.10	May 12, 2018	1,725,000
1,760,000	$0.10	February 5, 2019	1,760,000
400,000	$0.10	June 3, 2019	350,000
50,000	$0.10	August 14, 2019	37,500
250,000	$0.10	September 22, 2019	187,500
300,000	$0.10	January 14, 2020	187,500
250,000	$0.10	May 3, 2020	93,750
400,000	$0.10	June 23, 2020	150,000
200,000	$0.10	September 1, 2020	50,000
1,070,000	$0.10	October 13, 2020	267,500
6,405,000			4,808,750

During the year ended October 31, 2010, under the fair-value-based method, $28,023 (2009 - $216,593) in compensation expense was recorded for options granted to directors, employees and consultants of the Company during the year and options which had vested. The total was charged to operations.

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:

	2010	2009
Risk free interest rate	1.64%	2.19%
Expected life of options	3.51 years	4.46 years
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	121.78%	135.03%

10. SHARE CAPITAL – continued

(d) Stock Options - continued

The weighted average fair value of options granted during the year ended October 31, 2010 was $0.04 (2009 - $0.07) per share.

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 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.

During the year ended October 31, 2010, a mark to market gain of $2,000 (2009 - $Nil) for marketable securities designated as available-for-sale has been recognized in comprehensive income. There were no disposals or impairment provisions during the year.

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 recoverable of $10,179 and accrued interest receivable of $60 which are not considered past due.

(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 October 31, 2010, the Company had a cash balance of $17,669 and short-term investments of $20,000 to settle accounts payable and accrued liabilities of $54,861 that are considered short term and settled within 30 days. Subsequent to October 31, 2010, the Company raised $297,000 from a private placement financing (Note 18). Management expects that sufficient liquidity and additional financing will be available to meet the Company's requirements for fiscal 2011.

13. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT - continued

(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 a subsidiary in the United States and holds cash in Canadian and United States currencies in line with forecasted expenditures. The Company's main risk is associated with fluctuations in the US dollar and assets and liabilities are translated based on the foreign currency translation policy described in Note 2.

The Company's cash is held in a Canadian major banking institution. 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 year ended October 31, 2010.

15. SEGMENTED INFORMATION

The Company operated in the following geographic segments at October 31, 2010 and for the year then ended:

	Canada	United States	Total
Resource properties	$ 401,477	$ 251,869	$ 653,346
Other assets	88,382	740	89,122
Total assets	$ 489,859	$ 252,609	$ 742,468
Expenses	$ (398,633)	$ (16,236)	$ (414,869)
Interest and other income	2,041	-	2,041
Loss for the year	(396,592)	(16,236)	(412,828)
Other comprehensive income	2,000	-	2,000
Comprehensive loss for the year	$ (394,592)	$ (16,236)	$ (410,828)

The Company operated in the following geographic segments at October 31, 2009 and for the year then ended:

	Canada	United States	Total
Resource properties	$ 276,560	$ -	$ 276,560
Other assets	579,719	-	579,719
Total assets	$ 856,279	$ -	$ 856,279
Expenses	$ (518,643)	$ -	$ (518,643)
Write-off of resource property	(27,000)	-	(27,000)
Interest and other income	28,925	-	28,925
Comprehensive loss for the year	$ (516,718)	$ -	$ (516,718)

16. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2010	2009
Loss before income taxes	$ (412,828)	$ (516,718)
Corporate tax rate	28.50%	30,00%
Expected income tax recovery	(117,656)	(155,015)
Tax rate changes	157,710	46,050
Permanent differences	8,552	65,412
Share issuance costs	(4,149)	-
Change in valuation allowance	(44,457)	43,553
Income tax provision	$ -	$ -

16. INCOME TAXES - continued

The significant components of the Company's future income tax assets are as follows:

	2010	2009
Non-capital losses	$ 419,357	$ 363,286
Share issuance costs	22,183	33,687
Resource properties	37,750	127,603
Equipment	829	-
	480,119	524,576
Valuation allowance	(480,119)	(524,576)
Net future tax assets	$ -	$ -

The Company has non-capital losses of approximately $1,677,000 which may be available to offset future income for income tax purposes. Due to the uncertainty of realization of these loss carry-forwards, the benefit is not reflected in the financial statements as the Company has provided a full valuation allowance for the potential future tax assets resulting from these loss carry-forwards.

17. RESTATEMENT

The Company restated its financial statements for the year ended October 31, 2009, to record the increase in the fair value of warrants resulting from a modification of the warrant terms (Note 10).

	October 31, 2009 – As reported	Adjustments	October 31, 2009 – As restated
Consolidated balance sheets			
Share capital	$ 2,102,530	$ (179,836)	$ 1,922,694
Contributed surplus	$ 522,556	$ 179,836	$ 702,392

18. SUBSEQUENT EVENTS

Subsequent to October 31, 2010, the Company entered into the following transactions:

(a) 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 for a period of 2 years expiring November 30, 2012. The Company paid $29,700 as finder's fees on this private placement.

(b) granted incentive stock options to directors, employees and consultants to purchase 2,200,000 common shares at an exercise price of $0.11 per share expiring 10 years from date of grant.

(c) entered into an investor relations agreement whereby the Company will be obligated to pay a fee of 2,500 Euros per month for a period of 6 months, subject to an automatic 6 month renewal unless cancelled in advance. The Company will also grant 261,000 stock options which will be exercisable at $0.11 per share for a period of 2 years and vest over a period of 18 months. The agreement is subject to approval by the Exchange.

18. SUBSEQUENT EVENTS - continued

(d) 1,000,000 warrants and 580,000 stock options were exercised for proceeds of $158,000.

(e) announced 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 will consist of one common share and one-half of one share purchase warrant. Each share purchase warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.15 per share for a period of 2 years. The warrants will be subject to an acceleration provision 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 $0.20 per share for 10 consecutive trading days, otherwise the warrants will, if not exercised, expire at the end of such 30 day period. The Company will pay $63,250 and issue 112,500 units having the same terms as the private placement as finder's fees on this private placement.