Ultra Lithium Inc.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2014 AND 2013

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Ultra Lithium Inc.

We have audited the accompanying consolidated financial statements of Ultra Lithium Inc., which comprise the consolidated statement of financial position as at October 31, 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Ultra Lithium Inc. as at October 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Ultra Lithium Inc.'s ability to continue as a going concern.

Other Matters

The consolidated financial statements of Ultra Lithium Inc. for the year ended October 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on February 25, 2014.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

February 16, 2015

Ultra Lithium Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

October 31,

	2014	2013
	$	$
Assets		
Current assets:		
Cash and cash equivalents	473,490	2,888,401
Amounts receivable	10,075	24,901
Marketable securities (Note 4)	6,250	18,750
Prepaid expenses and deposits (Note 8)	18,433	11,962
	508,248	2,944,014
Equipment (Note 5)	97,769	76,732
Exploration and evaluation assets (Note 6)	4,253,357	2,935,827
	4,859,374	5,956,573
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities (Note 8)	53,352	432,251
Advances payable (Note 6(c))	-	511,586
	53,352	943,837
Shareholders' equity:		
Share capital (Note 7)	9,566,305	8,714,165
Reserves	1,234,857	841,094
Deficit	(5,995,140)	(4,542,523)
	4,806,022	5,012,736
	4,859,374	5,956,573

Nature and continuance of operations (Note 1)
Commitments (Note 9)
Subsequent event (Note 14)

"Marc Morin" Director
Marc Morin

"Phu Van Bui" Director
Phu Van Bui

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

Ultra Lithium Inc.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

Year ended October 31,

	2014	2013
	$	$
Expenses:		
Consulting fees	59,695	166,429
Depreciation (Note 5)	911	1,109
Management fees (Note 8)	144,000	115,250
Office, rent and administration (Note 8)	252,199	184,399
Professional fees (Note 8)	32,504	47,012
Share-based payments (Note 7)	224,187	409,647
Stock exchange and filing fees	13,901	25,499
Transfer agent fees	7,392	8,803
Travel and promotion	81,238	155,541
	(816,027)	(1,113,689)
Other items:		
Interest income	9,869	23,464
(Impairment) recovery of exploration and evaluation assets (Note 6)	(492,333)	57,114
Finance and other costs	(11,610)	(9,354)
Foreign exchange (loss) gain	(158,104)	62,611
	(652,178)	133,835
Net loss for the year	(1,468,205)	(979,854)
Other comprehensive income (loss):		
Foreign currency translation	55,774	(8,548)
Unrealized loss on available-for-sale marketable securities (Note 4)	(12,500)	(12,500)
Comprehensive loss for the year	(1,424,931)	(1,000,902)
Basic and diluted loss per share	(0.01)	(0.01)
Weighted average number of common shares – basic and diluted	215,033,464	171,848,108

Ultra Lithium Inc.

Consolidated Statements of Changes in Equity (Expressed in Canadian Dollars)

Years ended October 31, 2014 and 2013

		Share Capital		Reserves					Deficit	Total shareholder's equity
	Notes	Common shares	Amount	Stock options	Warrants	Foreign currency translation	Fair value	Total		
		#	$	$	$	$	$	$	$	$
Balance, October 31, 2012		115,872,505	4,410,940	373,739	34,835	(3,074)	-	405,500	(3,620,921)	1,195,519
Comprehensive loss for the year		-	-	-	-	(8,548)	(12,500)	(21,048)	(979,854)	(1,000,902)
Private placements	7	90,000,000	4,500,000	-	-	-	-	-	-	4,500,000
Share issuance costs	7	-	(462,778)	-	-	-	-	-	-	(462,778)
Agent's finder's fees	7	6,750,000	371,250	-	-	-	-	-	-	371,250
Modification to warrants	7	-	(108,325)	-	108,325	-	-	108,325	-	-
Forfeited options	7	-	-	(58,252)	-	-	-	(58,252)	58,252	-
Expired warrants	7	-	3,078	-	(3,078)	-	-	(3,078)	-	-
Share-based payments		-	-	409,647	-	-	-	409,647	-	409,647
Balance, October 31, 2013		212,622,505	8,714,165	725,134	140,082	(11,622)	(12,500)	841,094	(4,542,523)	5,012,736
Comprehensive loss for the year		-	-	-	-	55,774	(12,500)	43,274	(1,468,205)	(1,424,931)
Private placements	7	20,000,000	1,000,000	-	-	-	-	-	-	1,000,000
Share issuance costs	7	-	(5,970)	-	-	-	-	-	-	(5,970)
Modification to warrants	7	-	(141,890)	-	141,890	-	-	141,890	-	-
Forfeited options	7	-	-	(15,588)	-	-	-	(15,588)	15,588	-
Share-based payments		-	-	224,187	-	-	-	224,187	-	224,187
Balance, October 31, 2014		232,622,505	9,566,305	933,733	281,972	44,152	(25,000)	1,234,857	(5,995,140)	4,806,022

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

Ultra Lithium Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	2014	2013
	$	$
Operations:		
Net loss for the year	(1,468,205)	(979,854)
Items not involving cash:		
Depreciation	911	1,109
Share-based payments	224,187	409,647
Impairment (recovery) of exploration and evaluation assets	492,333	(57,114)
Changes in non-cash working capital items:		
Amounts receivable	14,826	(2,162)
Prepaid expenses and deposits	(6,471)	(6,679)
Trade payables and accrued liabilities	(2,891)	4,908
	(745,310)	(630,145)
Financing:		
Share issued for cash	488,414	4,500,000
Share issuance costs	(5,970)	(91,528)
Advances payable	-	511,586
	482,444	4,920,058
Investing:		
Purchase of equipment	(60,505)	(53,128)
Property option payment received	-	25,864
Exploration and evaluation assets	(2,201,993)	(1,566,680)
	(2,262,498)	(1,593,944)
Effect of foreign exchange on cash flows	110,453	(12,642)
Increase (decrease) in cash and cash equivalents	(2,414,911)	2,683,327
Cash and cash equivalents, beginning of year	2,888,401	205,074
Cash and cash equivalents, end of year	473,490	2,888,401
Supplementary information:		
Marketable securities received for exploration and evaluation assets (Note 6)	-	31,250
Exploration and evaluation asset expenditures in trade payables and accrued liabilities	7,410	383,418
Depreciation in exploration and evaluation assets	34,411	22,169
Advances applied towards share issuances	511,586	-
Forfeited warrants and options	15,588	61,330
Warrants modification	141,890	108,325
Cash and cash equivalents consist of:		
Cash	458,490	1,038,401
Guaranteed investment certificates	15,000	1,850,000
	473,490	2,888,401

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

NOTE 1 – NATURE AND CONTINANCE OF OPERATIONS

Ultra Lithium Inc. (the "Company") was incorporated on November 27, 2004 under the Business Corporations Act of British Columbia and is engaged in the acquisition, exploration and development of exploration and evaluation assets. The Company's common shares are listed for trading on Tier 2 of the TSX Venture Exchange (the "Exchange") under the symbol "ULI".

The head office and principal address of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's records office and registered office address is located at Suite 700 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts shown for exploration and evaluation assets are dependent upon the ability of the Company to raise additional financing in order to complete the exploration and development of its resource properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's exploration and evaluation assets. 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 October 31, 2014 of $454,896 (2013 – $2,000,177) and accumulated deficit of $5,995,140 and expects to incur further losses in the development of its business. The Company will require additional financing in order to fund working capital requirements. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These material uncertainties cast significant doubt on the entity's ability to continue as a going concern.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were authorized for issue on February 16, 2015, by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(b) Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, apart from those requiring estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- the determination of the element of costs recorded as exploration and evaluation assets and determination of reclamation obligations;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company's consolidated entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company. The functional currency of ULI USA is the US dollar; the functional currency of ULI Balkans is the Serbian Dinar; and the functional currency of Ultra Dragon is the Canadian dollar.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit and loss.

(iii) Consolidated entities

The results and financial position of consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Shareholder's equity is translated at historical rates of exchange at the reporting date;
- Intercompany loans are translated at historical rates of exchange at the reporting date as they are considered part of the net investment in foreign subsidiaries and for which settlement is neither planned nor likely to occur in the foreseeable future;

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(c) Functional and Presentation of Foreign Currency (Continued)

(iii) Consolidated entities (Continued)

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in the statement of comprehensive loss as part of the gain or loss on sale.

(d) Cash and Cash Equivalents

Cash and cash equivalents consists of cash balances and short-term highly liquid investments which are readily convertible into cash and that are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, total cash and cash equivalents include cash and guaranteed investment certificates ("GIC") with maturities of less than one year and cashable anytime at the option of the holder.

(e) Equipment

Equipment is carried at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a declining-balance basis to write off the cost of the assets to their residual values over their estimated useful lives, except in the year of acquisition, when half of the rate is used. The annual rate used to compute depreciation is as follows:

Computer equipment	30% - 50%
Other equipment	20%
Motor vehicle	30%

The depreciation expense for each period is recognized in the statement of comprehensive loss except for certain items of equipment related to exploration and evaluation activities where the depreciation expense is included in the carrying amount of the exploration and evaluation asset.

(f) Exploration and Evaluation Assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage.

Exploration and evaluation activity begins when the Company obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties, and the costs of the Company's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(f) Exploration and Evaluation Assets (Continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(g) Decommissioning Obligations

A liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with decommissioning as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning costs will be amortized to expense over the life of the related assets using the units-of-production method. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at October 31, 2014 and 2013, the Company does not have material decommissioning obligations.

(h) Impairment of Non-Financial Assets

The carrying amount of the Company's non-financial assets (which include equipment and exploration and evaluation assets) is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(i) Share Capital

Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value of the shares on the date of issue.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(j) Share-Based Payments

The Company has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized to expense over the vesting periods.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are transferred to deficit in the year of forfeiture or expiry.

Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

(k) Loss Per Share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

All potential dilutive common shares are anti-dilutive for the years presented.

(l) Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

(i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(l) Income Taxes (Continued)

(ii) Deferred Income Tax (Continued)

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(m) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Financial instruments are initially measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale, and other financial liabilities.

Financial assets

(i) Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss are either ‘held-for-trading’ or classified at fair value through profit or loss. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

The Company does not have any financial assets and liabilities at fair value through profit or loss.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Company has designated its cash and cash equivalents and interest receivable as loans and receivables.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(m) Financial Instruments (Continued)

Financial assets (Continued)

(iii) Held-to-Maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost, using the effective interest method, less any impairment losses.

The Company does not have any held-to-maturity financial assets.

(iv) Available-For-Sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses, are recognized in other comprehensive income (loss) and presented in the investment revaluation reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, the cumulative gains or losses in the fair value reserve recognized in shareholders' equity are included in the statement of comprehensive loss.

The Company's marketable securities are classified as available-for-sale.

Financial Liabilities

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

The Company's non-derivative financial liabilities include its trades payable and accrued liabilities, which are designated as other liabilities.

Impairment of Financial Assets

A financial asset not carried at fair value through profit or loss is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(Expressed in Canadian Dollars)

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The following IFRS standards have been recently issued by the IASB or IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

(a) IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has tentatively been set for January 1, 2018, however early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the financial statements as the classification and measurement of the Company's financial instruments is not expected to change given the nature of the Company's operations and the types of financial instruments that it currently holds.

NOTE 4 – MARKETABLE SECURITIES

	2014			2013		
	Market $	Cost $	Unrealized Loss $	Market $	Cost $	Unrealized Loss $
Common shares in a public company received pursuant to an option agreement, representing less than a 5% ownership interest (Note 6 (a))	6,250	31,250	(25,000)	18,750	31,250	(12,500)

NOTE 5 –EQUIPMENT

	Computer hardware	Other equipment	Motor vehicles	Total
	$	$	$	$
Costs:				
Balance, October 31, 2012	7,693	-	46,730	54,423
Additions	33,329	19,799	-	53,128
Foreign exchange	159	833	4,218	5,210
Balance, October 31, 2013	41,181	20,632	50,948	112,761
Additions	8,201	6,123	46,181	60,505
Foreign exchange	(167)	(1,196)	(5,127)	(6,490)
Balance, October 31, 2014	49,215	25,559	92,002	166,776

(Expressed in Canadian Dollars)

NOTE 5 –EQUIPMENT (Continued)

	Computer hardware	Other equipment	Motor Vehicle	Total
	$	$	$	$
Depreciation:				
Balance, October 31, 2012	4,445	-	7,190	11,635
Depreciation	8,863	1,980	12,435	23,278
Foreign exchange	24	83	1,009	1,116
Balance, October 31, 2013	13,332	2,063	20,634	36,029
Depreciation	14,755	4,387	16,180	35,322
Foreign exchange	(84)	(338)	(1,922)	(2,344)
Balance, October 31, 2014	28,003	6,112	34,892	69,007
Net Book Value:				
October 31, 2013	27,849	18,569	30,314	76,732
October 31, 2014	21,212	19,447	57,110	97,769

NOTE 6 – EXPLORATION AND EVALUATION ASSETS

	Zigzag Property, Ontario (a)	South Big Smokey Valley, Nevada (b)	Mineral Concessions, Serbia (c)	Total
	$	$	$	$
Balance, October 31, 2012	-	431,206	539,454	970,660
Acquisition:				
Staking	-	90,701	-	90,701
Exploration:				
Assays	-	-	3,423	3,423
Depreciation	-	-	22,169	22,169
Drilling	-	-	401,233	401,233
Geology and geophysics	-	18,430	891,624	910,054
Licenses, permits, claim fees and taxes	-	101,950	75,179	177,129
Office, rent and administration	-	-	94,952	94,952
Professional fees	-	2,279	38,489	40,768
Travel and accommodation	-	8,029	7,530	15,559
Wages and contract labor	-	-	140,958	140,958
	-	130,688	1,675,557	1,806,245
Foreign exchange	-	18,593	49,628	68,221
Balance, October 31, 2013	-	671,188	2,264,639	2,935,827

(Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

	Zigzag Property, Ontario (a)	South Big Smokey Valley, Nevada (b)	Mineral Concessions, Serbia (c)	Total
	$	$	$	$
Balance, October 31, 2013	-	671,188	2,264,639	2,935,827
Exploration:				
Depreciation	-	-	34,411	34,411
Drilling	-	-	702,618	702,618
Geology and geophysics	-	25,200	239,139	264,339
Licenses, permits, claim fees and taxes	-	118,917	159,985	278,902
Office, rent and administration	-	-	204,876	204,876
Professional fees	-	6,265	33,884	40,149
Wages and contract labor	-	-	390,810	390,810
	-	150,382	1,765,723	1,916,105
Impairment	-	-	(492,333)	(492,333)
Foreign exchange	-	48,100	(154,342)	(106,242)
Balance, October 31, 2014	-	869,670	3,383,687	4,253,357

(a) Zigzag Property, Ontario

On August 31, 2009, the Company entered into a mineral property acquisition agreement to acquire a 100% interest in certain claims comprising the Zigzag Property located near Armstrong, Ontario. The Company paid a finder’s fee of $14,440 and 40,000 common shares at a fair value of $3,200 related to this agreement.

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

During the year ended October 31, 2012, the Company earned its 20% interest in the Zigzag property by completing its three-year staged cash payments of $112,000 and issuances of 400,000 common shares of the Company to the original vendors.

During the year ended October 31, 2013, Orebodies earned its 80% interest in the Zigzag property by completing its three-year staged payments of $100,000, issuances of 650,000 common shares of Orebodies to the Company and required exploration expenditures of $350,000.

Pursuant to an agreement dated September 16, 2013 with Orebodies, the Company sold its remaining 20% interest in the Zigzag property for 500,000 common shares of Orebodies valued at $15,000.

(Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

(b) South Big Smokey Valley, Nevada

The Company entered into a mineral property acquisition agreement dated February 22, 2010, through its wholly-owned subsidiary, ULI 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. The Company issued an aggregate of 300,000 common shares at a fair value of $18,000 to arm's length parties as finders' fees related to this acquisition.

During the year ended October 31, 2013, the Company staked additional claims in the South Big Smoky Valley area for $90,701.

On October 17, 2013, the Company entered into a non-binding letter of intent ("LOI") with CCG Mining (Canada) Inc. ("CCG") related to terms in which CCG will be granted a right to acquire up to a 35% interest in the Claims. Under the LOI, CCG may earn up to a 35% interest in the Claims by funding up to $2,000,000 of exploration expenditures over a period of three years. No further agreements were reached with CCG and the LOI was terminated on March 16, 2014.

(c) Mining Concessions, Serbia

The Company holds seven mineral exploration licenses ("ELs") for the following mineral prospects in the Republic of Serbia through ULI Balkans.

	Expiration date
Trnava	September 12, 2015
Kragujevac	September 12, 2015
Blace	April 1, 2016
Preljina	June 25, 2015
Ladevci	June 25, 2015
Valjevo	June 20, 2015
Koceljeva	June 25, 2015

An exploration license in the Republic of Serbia is granted for a term of three (3) years with the option to extend twice, each for a further two (2) year term. Requirements for every renewal include completion of at least 75% of the submitted and approved work program and reduction of the area of interest by at least 25%.

On May 15, 2012, the Company executed a legally binding Framework Agreement (the "Agreement") with Beijing Zairun Mining Investment Co. Ltd. ("BZMI") (formerly Beijing GuoFang Mining Investment Co. Ltd.) to jointly explore and develop the Company's seven ELs for its Serbian mineral prospects (collectively the "Balkans Project"). The Agreement regulates the establishment of a 65/35 joint venture and mutual relationship with respect to the implementation and funding of the Balkans Project.

Further to the Agreement, on January 3, 2014, the Company, Ultra Balkans and BZMI executed an option agreement, pursuant to which BZMI has been granted an option to acquire up to a 35% of the total share capital of ULI Balkans by funding up to $3,500,000 of approved exploration expenditures on the Balkans Project. BZMI has the right to acquire a 5% of the total share capital of ULI Balkans for each tranche of $500,000 invested to a maximum of 35% within a period of three years.

(Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

(c) Mining Concessions, Serbia (Continued)

During the year ended October 31, 2013, the Company received the initial contribution from BZMI of $511,586 (US$500,000) ("Contribution") and recorded the amount as advances payable.

During the year ended October 31, 2014, the Company terminated the option agreement with BZMI and BZMI subscribed and placed its Contribution in the Company's private placement financing.

As at October 31, 2014, the Company determined that it will no longer pursue exploration work on the Valjevo property. Accordingly, the Company recorded an impairment of $492,333 related to this property.

NOTE 7 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At October 31, 2014, there were 232,622,505 issued and fully paid common shares (2013 – 212,622,505).

(c) Share Issuances

During the year ended October 31, 2014, the Company closed a non-brokered private placement of 20,000,000 common shares at a price of $0.05 per share for gross proceeds of $1,000,000. Share issue costs with respect to the private placement totaled $5,970.

During the year ended October 31, 2013, the Company closed a non-brokered private placement of 90,000,000 units at a price of $0.05 per unit for gross proceeds of $4,500,000. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.10 per share expiring two years from date of issuance. Share issue costs with respect to the private placement totaled $462,778 which included cash issue costs of $24,028 and finders' fees of $67,500 and 6,750,000 common shares at a fair value of $371,250.

(d) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

	Warrants	Weighted Average Exercise Price
	#	$
Balance, October 31, 2012	31,746,250	0.11
Issued	45,000,000	0.10
Expired	(56,250) [1]	0.15
Balance, October 31, 2014 and 2013	76,690,000	0.10

[1] During the year ended October 31, 2013, the fair value of 56,250 expired warrants of $3,078 was reclassified from reserves to share capital.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants (Continued)

Warrants	Exercise Price	Expiry Date
#	$	
10,000,000 [3]	0.10	July 9, 2017
10,000,000 [3]	0.10	September 10, 2017
25,000,000	0.10	March 20, 2015
2,000,000	0.10	April 6, 2015
20,000,000	0.10	April 29, 2015
5,940,000 [1]	0.10	November 30, 2015
3,750,000 [2]	0.15	February 17, 2016
76,690,000		

(1) During the year ended October 31, 2013, the expiry date of the 5,940,000 warrants was extended from November 30, 2012 to November 30, 2015. The Company calculated the incremental increase in the fair value of the warrant extension to be $46,109 using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 95.55%; risk-free interest rate – 1.10%; expected life – 3 years. The Company recorded the fair value of the modified warrants as a capital transaction, with a charge to share capital and reserve.

(2) During the year ended October 31, 2013, the expiry date of 3,750,000 warrants was extended from February 17, 2013 to February 17, 2016. The Company calculated the incremental increase in the fair value of the warrant extension to be $62,216 using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 98.73%; risk-free interest rate – 1.17%; expected life – 3 years. The Company recorded the fair value of the modified warrants as a capital transaction, with a charge to share capital and reserve.

(3) During the year ended October 31, 2014, the expiry date of 20,000,000 warrants was extended for another 3 years expiring July 9, 2017 and September 10, 2017, respectively. The Company calculated the incremental increase in the fair value of the warrant extension to be $141,890 using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 97.85%; risk-free interest rate – 1.10%; 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 reserve.

(e) 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.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(e) Stock Options (Continued)

A summary of the status of the options outstanding follows:

	Options	Weighted Average Exercise Price
	#	$
Balance, October 31, 2012	6,641,000	0.05
Granted	11,700,000	0.05
Forfeited/Expired	(1,521,000) [(1)]	0.05
Balance, October 31, 2013	16,820,000	0.05
Forfeited	(400,000) [(2)]	0.05
Balance, October 31, 2014	16,420,000	0.05

(1) During the year ended October 31, 2013, the fair value of 1,521,000 forfeited options of $58,252 was reclassified from reserves to deficit.

(2) During the year ended October 31, 2014, the fair value of 400,000 forfeited options of $15,588 was reclassified from reserves to deficit.

The following table summarizes the options outstanding and exercisable as at October 31, 2014:

Shares	Exercise Price Per Share	Expiry Date	Exercisable
#	$		#
600,000	0.05 [(1)]	November 1, 2022	600,000
10,150,000	0.05 [(1)]	April 19, 2023	10,150,00
660,000	0.05 [(1)]	May 12, 2018	660,000
200,000	0.05 [(1)]	May 28, 2023	200,000
250,000	0.05 [(1)]	October 11, 2023	187,500
1,160,000	0.05 [(1)]	February 5, 2019	1,160,000
200,000	0.05 [(1)]	June 3, 2019	200,000
50,000	0.05 [(1)]	August 14, 2019	50,000
300,000	0.05 [(1)]	January 14, 2020	300,000
300,000	0.05 [(1)]	June 23, 2020	300,000
200,000	0.05 [(1)]	September 1, 2020	200,000
670,000	0.05 [(1)]	October 13, 2020	670,000
1,530,000	0.05 [(1)]	January 24, 2021	1,530,000
150,000	0.05 [(1)]	February 14, 2021	150,000
16,420,000			16,357,500

(1) On May 15, 2014, the exercise price of these stock options was amended to $0.05 per share.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(e) Stock Options (Continued)

During the year ended October 31, 2014, the Company amended the terms of an aggregate of 16,420,000 stock options previously granted to employees, directors and consultants of the Company. These options had original exercise prices between $0.10 and $0.11 per share with expiry dates between 2017 and 2023 and were amended to have an exercise price of $0.05 per share. The repricing of options resulted in the recognition of additional share-based payments of $169,542 during the year ended October 31, 2014.

During the year ended October 31, 2014, under the fair-value-based method, $54,645 (2013 – $409,647) in share-based payments was recorded for stock options vested during the period.

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

	2014	2013
Risk free interest rate	1.27%	1.26%
Expected life of options	3.85 years	3.93 years
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	98.47%	102.23%

The weighted average fair value of options granted during the year ended October 31, 2014 was $Nil (2013 - $0.04) per option.

As at October 31, 2014, the weighted average remaining life of options was 7.43 years (2013 – 5.03 years).

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the year ended October 31, 2014, the Company incurred the following transactions with a *(i)* company that is controlled by an officer of the Company and *(ii)* with a company having officers in common:

	2014	2013
	$	$
Legal fees *(i)*	7,715	12,375
Exploration and evaluation assets *(ii)*	-	507,900
Office, rent and administration (1) *(ii)*	137,025	83,650
	144,740	603,925

(1) Of these fees, $42,000 (2013 - $38,600) was allocated to the CFO of the Company (Note 8(b)).

(Expressed in Canadian Dollars)

NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

The Company recovered expenses from companies having directors and officers in common:

	2014	2013
	$	$
Office, rent and administration	-	24,600

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year ended October 31, 2014 and 2013 were as follows:

	2014	2013
	$	$
Short-term benefits [1]	186,000	153,850
Share-based payments [2]	112,020	134,701
	298,020	288,551

[1] Short-term benefits include salaries and management fees paid directly to key management.

[2] Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan (note 7(e)).

(c) Related party balances

The following related party amounts were included in *(i)* trade payable and accrued liabilities, and *(ii)* prepaid expenses and deposits:

	October 31, 2014	October 31, 2013
	$	$
A director and officer of the Company *(i)*	907	1,402
A company controlled by a director of the Company *(i)*	-	257,900
A former director of the Company *(i)*	7,203	7,203
A company having officers in common *(ii)*	2,000	2,000

(Expressed in Canadian Dollars)

NOTE 9 – COMMITMENTS

The Company is committed to future minimum annual lease payments with respect to office lease expiring January 31, 2015, as follows:

	$
2015	41,617

Subsequent to the October 31, 2014, the Company signed a lease agreement for its office space for approximately $4,200 per month commencing January 1, 2015 and expiring December 31, 2015.

NOTE 10 – SEGMENTED INFORMATION

The Company operated in the following geographic segments at October 31, 2014 and October 31, 2013:

October 31, 2014	Canada	United States	Serbia	Total
	$	$	$	$
Current assets	464,553	363	43,332	508,248
Equipment	20,763	-	77,006	97,769
Exploration and evaluation assets	-	869,670	3,383,687	4,253,357
	485,316	870,033	3,504,025	4,859,374

October 31, 2013	Canada	United States	Serbia	Total
	$	$	$	$
Current assets	2,415,043	820	528,151	2,944,014
Equipment	3,037	-	73,695	76,732
Exploration and evaluation assets	-	671,188	2,264,639	2,935,827
	2,418,080	672,008	2,866,485	5,956,573

NOTE 11 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, amounts receivable and trade payables and advances payable approximate their fair values because of their short term nature. The fair values of marketable securities are based on current bid prices.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

(Expressed in Canadian Dollars)

NOTE 11 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

(a) Fair Value of Financial Instruments (Continued)

The three levels of hierarchy are:

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; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial assets at fair value as at October 31, 2014:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Marketable securities	6,250	-	-	6,250

During the year ended October 31, 2014, a mark-to-market loss of $12,500 (2013 – $12,500) for marketable securities designated as available-for-sale has been recognized in other comprehensive loss.

There were no financial liabilities at fair value as at October 31, 2014 and 2013.

(b) Financial Instruments Risk

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

(i) 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 (“GIC”) at the bank and amounts receivable. The risk to the Company managed as its 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 credit risk from amounts receivable is also minimal as at October 31, 2014, the amounts receivable consist of GST of $9,957 and interest receivable of $118 earned from GIC.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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, 2014, the Company had a cash and cash equivalents balance of $473,490 to settle trade payable and accrued liabilities of $53,352 that are considered short term and settled within 30 days. Management believes that the Company will be able to obtain financing as required to meet its obligations and commitments for fiscal 2015 (see note 1).

NOTE 11 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

(b) Financial Instruments Risk (Continued)

(iii) Market Risk

a) Currency Risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. 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 dollars, United States dollars, 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.

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

	2014	2013
	$	$
US dollar:		
Cash	363	820
Trade payable and accrued liabilities	(4,510)	(4,172)
Net US dollar	(4,147)	(3,352)
Euros:		
Cash	26,869	488,460
Serbian Dinar:		
Cash	1,616	30,272
Trade payable and accrued liabilities	(7,810)	(125,518)
Net Serbian Dinar	(6,194)	(95,246)

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 October 31, 2014, including cash and trade payable and accrued liabilities denominated in US dollars, Euros and Serbian Dinar, would result in an increase or decrease of approximately $1,653 (2013 - $38,986) to the net loss and comprehensive loss for the year ended October 31, 2014. At October 31, 2014, 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.

NOTE 11 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

(b) Financial Instruments Risk (Continued)

(iii) Market Risk (Continued)

b) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 consolidated financial statements.

c) 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 exploration and evaluation assets described in Note 6 of these consolidated financial statements of which production is not expected in the near future.

During the year ended October 31, 2014 and 2013, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

NOTE 12 - 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 exploration and evaluation assets 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.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended October 31, 2014.

(Expressed in Canadian Dollars)

NOTE 13 – INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2014	2013
	$	$
Net loss	(1,468,205)	(979,854)
Expected income tax recovery at the statutory tax rate	(382,000)	(250,679)
Change in statutory, foreign tax, foreign exchange rates and other	64,000	(36,068)
Permanent differences	74,000	105,958
Share issue cost	(2,000)	-
Change in unrecognized deductible temporary differences	246,000	180,789
Income tax recovery	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	2014		2013	
	$		$	
Exploration and evaluation assets	1,037,000	No expiry date	299,619	No expiry date
Property and equipment	60,000	No expiry date	36,029	No expiry date
Share issue costs	338,000	2035 to 2037	468,072	2033 to 2036
Marketable securities	25,000	No expiry date	12,500	No expiry date
Allowable capital losses	19,000	No expiry date	19,300	No expiry date
Non-capital losses available for future period	4,580,000	2015 to 2033	3,765,575	2014 to 2032

Tax attributes are subject to review, and potential adjustment, by tax authorities.

NOTE 14 – SUBSEQUENT EVENT

On November 3, 2014, the Company entered into a Letter of Intent (LOI") with Rock Tech Lithium Inc. ("Rock Tech") pursuant to which the Company has been granted an exclusive right to acquire a 100% interest in Rock Tech's Georgia Lake lithium property located near Georgia Lake in Ontario (the "Property"). Under the terms of the LOI, in order to earn a 100% interest in the Property, the Company must deliver to Rock Tech $750,000 in cash and $750,000 in common shares of the Company over a period of six months.

The transaction is subject to the approval of the Exchange.