Ultra Lithium Inc.

CONSOLIDATED FINANCIAL STATEMENTS
(Stated in Canadian Dollars)

Year ended October 31, 2011

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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ultra Lithium Inc.:

We have audited the accompanying consolidated financial statements of Ultra Lithium Inc., which comprise the consolidated balance sheets as at October 31, 2011 and 2010 and the consolidated statements of operations and deficit, comprehensive loss and accumulated other comprehensive income (loss) and cash flows for the years 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 Canadian generally accepted accounting principles, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditor's 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 that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ultra Lithium Inc. as at October 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that give rise to doubt about the entity's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
February 21, 2012

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Ultra Lithium Inc.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

As at October 31

	2011 $	2010 $
Assets		
Current assets:		
Cash	209,289	17,669
Short-term investments (Note 4)	150,000	20,000
Amounts receivable	29,939	10,239
Marketable securities (Note 5)	50,750	18,000
Prepaid expenses, deposits and advances (Note 8)	5,067	22,545
	445,045	88,453
Equipment (Note 6)	1,242	669
Resource properties (Note 7)	465,462	653,346
	911,749	742,468
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 7(b) and 8)	49,902	54,861
Shareholders' equity:		
Share capital (Note 9)	3,284,720	2,165,849
Contributed surplus (Note 9)	945,118	730,415
Obligation to issue shares (Note 7(b))	975	1,950
Accumulated other comprehensive income (loss)	(9,625)	2,000
Deficit	(3,359,341)	(2,212,607)
	861,847	687,607
	911,749	742,468

Nature of operations and going concern (Note 1)
Commitments (Notes 7 and 10)
Subsequent event (Note 7(d))

Approved on behalf of the directors:

"Marc Morin" Director
Marc Morin

"Roop Mundi" Director
Roop Mundi

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

Ultra Lithium Inc.

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

Years ended October 31, 2011 and 2010

	2011 $	2010 $
Expenses:		
Amortization	337	286
Bank charges and interest	3,678	1,454
Consulting fees (Note 8)	200,680	181,343
Management fees (Note 8)	30,000	33,400
Office, rent and administration (Note 8)	120,251	98,652
Professional fees (Note 8)	44,549	31,896
Project evaluation	19,753	-
Stock-based compensation (Note 9)	224,443	28,023
Stock exchange and filing fees	11,439	7,509
Transfer agent fees	10,244	7,971
Travel and promotion	257,956	24,335
Loss before other items:	(923,330)	(414,869)
Other items:		
Foreign exchange gain (loss)	(881)	824
Interest and other income	2,322	1,217
Gain on sale of marketable securities	25,155	-
Impairment of resource property (Note 7(a))	(250,000)	-
	(223,404)	2,041
Loss for the year	(1,146,734)	(412,828)
Deficit, beginning of year	(2,212,607)	(1,799,779)
Deficit, end of year	(3,359,341)	(2,212,607)
Basic and diluted loss per share	(0.01)	(0.01)
Basic and diluted weighted average number of shares outstanding	91,419,354	77,011,457

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

Ultra Lithium Inc.

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

Years ended October 31

	2011 **$**	**2010** **$**
Loss for the year	(1,146,734)	(412,828)
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale marketable securities	(9,625)	2,000
Comprehensive loss for the year	(1,156,359)	(410,828)
Accumulated other comprehensive income, beginning	2,000	-
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale marketable securities	(9,625)	2,000
Realized gain on sale of marketable securities transferred to net loss (Note 5)	(2,000)	-
Accumulated other comprehensive income (loss), ending	(9,625)	2,000

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

Ultra Lithium Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended October 31

	2011 $	2010 $
Operations:		
Loss for the year	(1,146,734)	(412,828)
Items not involving cash:		
Amortization	337	286
Gain on sale of marketable securities	(25,155)	-
Stock-based compensation	224,443	28,023
Impairment of resource property	250,000	-
Changes in non-cash working capital items:		
Amounts receivable	(4,700)	(5,072)
Prepaid expenses, deposits and advances	2,478	(14,045)
Accounts payable and accrued liabilities	(4,959)	15,889
	(704,290)	(387,747)
Investing:		
Short-term investments	(130,000)	530,000
Proceeds from sale of marketable securities	41,155	-
Purchase of equipment	(910)	-
Resource properties	(133,491)	(283,086)
Property option payment received	15,000	10,000
	(208,246)	256,914
Financing:		
Shares issued for cash	1,205,000	150,000
Share issuance costs	(100,844)	(16,595)
	1,104,156	133,405
Increase in cash	191,620	2,572
Cash, beginning of year	17,669	15,097
Cash, end of year	209,289	17,669
Supplementary information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-
Reclassification of prepaid expenses to amounts receivables	15,000	-
Reclassification of obligation to issue shares to share capital	975	-
Shares issued for resource properties (Note 7)	4,000	109,750
Marketable securities received as property option payment (Note 7)	60,375	16,000
Fair value of finders' warrants (Note 9(b))	3,078	-
Warrant modification (Note 9(c))	13,728	-
Non-cash compensation charges on options exercised (Note 9)	26,546	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

These consolidated financial statements have been prepared on a basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has a history of losses with no operating revenue other than interest income and had working capital at October 31, 2011 of $395,143 (October 31, 2010 - $33,592) and accumulated deficit of $3,359,341. 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, 2012. Further discussion of liquidity has been disclosed in Notes 12 and 13.

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 subsidiaries, Ultra Lithium (USA) Inc. ("ULI USA") and Ultra Balkans D.O.O. Beograd ("ULI Balkans"). All intercompany transactions and balances have been eliminated on consolidation.

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) Equipment

Equipment is recorded at cost and is depreciated annually at the following rate:

Computer hardware	-	30% declining balance method

Further, equipment is 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, 2011 and 2010, 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 has determined that it does not have any derivatives or imbedded derivatives.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Financial Instruments - continued

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 derivatives are not considered to have reliably measurable value.

The Company adopted CICA Handbook Section 3862 Financial Instruments – Disclosures which was amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity disclosure. The additional fair value measurement disclosures include classification of financial inputs used in making the measurements, described as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 − Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 − Inputs derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has included the required disclosures in Note 12 to the consolidated financial statements.

(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, 2011 and 2010, 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, 2011 and 2010.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

(l) Foreign Currency Translation – continued

- 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, 2011, the Company recognized a valuation allowance equal to the full amount of net future tax assets.

(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, 2011, the Company recognized a $9,625 unrealized loss on marketable securities.

(o) Comparative figures

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

3. FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

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

(Expressed in Canadian dollars)

3. FUTURE ACCOUNTING PRONOUNCEMENTS - continued

Business Combinations

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

Consolidations and Non-Controlling Interests

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

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

4. SHORT TERM INVESTMENTS

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

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

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

(Expressed in Canadian dollars)

4. SHORT TERM INVESTMENTS - continued

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.

5. MARKETABLE SECURITIES

	October 31, 2011			October 31, 2010		
	Market $	Cost $	Unrealized Loss $	Market $	Cost $	Unrealized Gain $
Common shares in a public company received pursuant to an option agreement, representing less than a 5% ownership interest (Note 7 (b))	50,750	60,375	(9,625)	18,000	16,000	2,000

6. EQUIPMENT

	October 31, 2011			October 31, 2010
	Cost $	Accumulated amortization $	Net Book Value $	Net Book Value $
Computer equipment	4,895	3,653	1,242	669

(Expressed in Canadian dollars)

7. RESOURCE PROPERTIES

	Berland Property, Alberta $	Zigzag Property, Ontario $	South Big Smokey Valley, Nevada $	Mineral Concessions, Serbia $	Total $
	(a)	(b)	(c)	(d)	
Balance, October 31, 2009	250,000	26,560	-	-	276,560
Acquisition and option payments:					
Cash consideration	-	34,440	155,745	-	190,185
Common shares	-	8,700	103,000	-	111,700
Other	-	833	3,944	-	4,777
	-	43,973	262,689	-	306,662
Exploration:					
Property maintenance costs	-	-	96,124	-	96,124
Less: option payments received	-	(26,000)	-	-	(26,000)
	-	(26,000)	96,124	-	70,124
Balance, October 31, 2010	250,000	44,533	358,813	-	653,346
Acquisition and option payments:					
Cash consideration	-	30,000	-	-	30,000
Common shares	-	4,000	-	-	4,000
	-	34,000	-	-	34,000
Exploration:					
Consulting and geological fees	-	-	-	17,179	17,179
Licenses and permits	-	-	-	30,250	30,250
Property maintenance costs	-	-	55,378	-	55,378
Sampling and analysis	-	-	-	684	684
Less: option payments received	-	(75,375)	-	-	(75,375)
	-	(75,375)	55,378	48,113	28,116
Impairment of resource property	(250,000)	-	-	-	(250,000)
Balance, October 31, 2011	-	3,158	414,191	48,113	465,462

(Expressed in Canadian dollars)

7. RESOURCE PROPERTIES – continued

(a) Berland Property, Alberta

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

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

(b) Zigzag Property, Ontario

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

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

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

	Cash Payment $	Shares to be issued #
On or before August 31, 2010	20,000(paid)	-
On or before October 2, 2010	-	100,000(issued)
On or before August 31, 2011	30,000 (paid)	-
On or before October 2, 2011	-	100,000(issued)
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, 2011 were recorded at a fair value of $4,000 (2010 - $5,500) (Note 9).

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

(Expressed in Canadian dollars)

7. RESOURCE PROPERTIES - continued

(b) Zigzag Property, Ontario - continued

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

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

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

Pursuant to an Agreement dated August 10, 2009, between the Company and an arm's length party, the Company agreed to pay a finder's fee for the property acquisition agreement relating to the Zigzag Property of $14,440 and the issuance of 40,000 common shares at a fair value of $3,200. During the year ended October 31, 2010, the Company paid $6,440 and issued 20,000 common shares at a fair value of $1,250. During the year ended October 31, 2011, the Company paid a further $3,000 and issued 10,000 common shares at a fair value of $975. Recorded in accounts payable and obligation to issue shares at October 31, 2011 were $5,000 (2010 - $8,000) and $975 (2010 - $1,950), respectively, related to the remaining finder's fee.

(c) 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 (Note 9).

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

(Expressed in Canadian dollars)

7. RESOURCE PROPERTIES – continued

(d) Mining Concessions, Serbia

During the year ended October 31, 2011, the Company was granted six Exploration Licenses ("ELs") in the Republic of Serbia through its wholly-owned subsidiary, ULI Balkans

An Exploration License, in the Republic of Serbia, is granted by decision of the Ministry of Mines and Energy ("MoME") for a one year period and may be extended by filing an application for extension prior to the expiry of the EL. The obligations of the EL holder are to complete the submitted and approved work program, provide quarterly exploration activity reports to the MoME and to "advance the geological knowledge" of the property. An EL can continue to be renewed, providing that the EL holder completes its obligations.

At October 31, 2011, the Company holds ELs for the following mineral prospects:

	Expiration date
Trnava	May 1, 2012
Kragujevac	May 1, 2012
Preljina	December 31, 2011 *
Ladevci	December 31, 2011 *
Valjevo	December 31, 2011 *
Koceljeva	December 31, 2011 *

* Subsequent to October 31, 2011, the Company has submitted proposals to the Serbian government to extend the exploration period for these licenses. According to the Siberian Law on Mining and Geological Explorations, the ELs may be extended up to two times, each time for a maximum of 2 years.

Further, subsequent to October 31, 2011, the Company has been granted one additional EL for the Blace mineral prospect.

8. RELATED PARTY TRANSACTIONS

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

	2011 $	2010 $
Management fees	30,000	33,400
Office, rent and administration	66,600	56,700
Consulting fees	-	10,925
Professional fees	6,289	12,734
	102,889	113,759

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, 2011 is a rent deposit of $2,000 (2010 - $2,000) to a company having a director and officer in common.

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS – continued

Included in accounts payable and accrued liabilities is $8,774 (2010 - $8,691) payable to a former director and an officer of the Company. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issued and Outstanding

	Shares #	Amount $	Contributed Surplus $
Balance, October 31, 2009	74,400,005	1,922,694	702,392
Share issued for properties (Notes 7(b) and 7(c))	1,920,000	109,750	-
Private placement	3,000,000	150,000	-
Share issuance costs	-	(16,595)	-
Stock-based compensation	-	-	28,023
Balance, October 31, 2010	79,320,005	2,165,849	730,415
Private placements	13,440,000	1,047,000	-
Agents' finder's fees	112,500	12,937	3,078
Share issuance costs	-	(116,859)	-
Exercise of options	580,000	58,000	-
Exercise of warrants	1,000,000	100,000	-
Non-cash compensation charges on options exercised	-	26,546	(26,546)
Stock-based compensation	-	-	224,443
Modification to warrants	-	(13,728)	13,728
Share issued for properties (Note 7(b))	110,000	4,975	-
Balance, October 31, 2011	94,562,505	3,284,720	945,118

On April 6, 2010, the Company closed a non-brokered private placement of 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.10 per share until April 6, 2012. Share issue costs with respect to the private placement totalled $16,595, which included finder's fees of $15,000 and cash issue costs of $1,595.

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

(Expressed in Canadian dollars)

9. SHARE CAPITAL – continued

(b) Issued and Outstanding – continued

On February 17, 2011, the Company closed a non-brokered private placement of 7,500,000 units at a price of $0.10 per unit for gross proceeds of $750,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.15 per share expiring February 17, 2013. Share issue costs with respect to the private placement totalled $84,824 which included cash issue costs of $5,559 and finders' fees of $79,265. The finders' fees were comprised of cash payments of $63,250 and 112,500 units being, 112,500 common shares at a fair value of $12,937 and 56,250 finders' warrants at a fair value of $3,078.

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

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

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

(c) Warrants

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

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

* These warrants were repriced from $0.30 per share to $0.20 per share and the expiry date was extended from July 7, 2009 to July 7, 2011.

During the year ended October 31, 2011, the expiry date of these warrants was further extended to July 7, 2012. The Company calculated the incremental increase in the fair value of the warrant extension to be $13,728 using the Black-Scholes valuation model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 93.64%; risk-free interest rate – 1.40%; expected life – 1 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, 2011, the Company's common shares have not met the criteria for forced provision exercise.

(Expressed in Canadian dollars)

9. SHARE CAPITAL – continued

(c) Warrants - continued

Summary details of warrants outstanding are as follows:

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

(d) Stock Options

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

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

	Options #	Weighted Average Exercise Price $
Balance, October 31, 2009	4,285,000	0.10
Granted	2,220,000	0.10
Cancelled	(100,000)	0.10
Balance, October 31, 2010	6,405,000	0.10
Exercised	(580,000)	0.10
Cancelled	(1,245,000)	0.10
Granted	2,471,000	0.11
Balance, October 31, 2011	7,051,000	0.10

(Expressed in Canadian dollars)

9. SHARE CAPITAL – continued

(d) Stock Options - continued

As of October 31, 2011, the following stock options were outstanding and exercisable:

Shares #	Exercise Price Per Share $	Expiry Date	Exercisable #
725,000	0.10	May 12, 2018	725,000
1,160,000	0.10	February 5, 2019	1,160,000
400,000	0.10	June 3, 2019	400,000
50,000	0.10	August 14, 2019	50,000
250,000	0.10	September 22, 2019	250,000
300,000	0.10	January 14, 2020	300,000
125,000	0.10	May 3, 2020	109,375
400,000	0.10	June 23, 2020	350,000
200,000	0.10	September 1, 2020	150,000
970,000	0.10	October 13, 2020	970,000
2,050,000	0.11	January 24, 2021	1,750,000
150,000	0.11	February 14, 2021	125,000
261,000	0.11	February 14, 2013	130,500
10,000	0.10	August 23, 2021	2,500
7,051,000			6,472,375

During the year ended October 31, 2011, under the fair-value-based method, $224,443 (2010 – $28,023) in compensation expense was recorded for stock options granted and vested during the period and 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:

	2011	2010
Risk free interest rate	1.90%	1.64%
Expected life of options	3.95 years	3.51 years
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	118.59%	121.78%

The weighted average fair value of options granted during the year ended October 31, 2011 was $0.07 (2010 - $0.04) per option.

(Expressed in Canadian dollars)

10. COMMITMENT

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

	$
2012	73,959
2013	74,470
2014	76,001
2015	19,128
	243,558

11. 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, 2011, a mark to market gain(loss) of $(9,625) (2010 – $2,000) for marketable securities designated as available-for-sale has been recognized in comprehensive income. There were no impairment provisions during the year.

12. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

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

(a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances and short-term bank guaranteed investment certificates at the bank and amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The amounts receivable consist of goods and services tax and harmonized sales tax recoverable of $11,355, other receivables of $17,240 and accrued interest receivable of $1,343 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, 2011, the Company had a cash balance of $209,289 and short-term investments of $150,000 to settle accounts payable and accrued liabilities of $49,902 that are considered short term and settled within 30 days. Management expects that the Company has sufficient liquidity and additional financing will be available to meet its requirements for fiscal 2012.

12. 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 subsidiaries in the United States and the Republic of Serbia and holds cash in Canadian, United States, Euros and Serbian Dinar currencies in line with forecasted expenditures. The Company's main risk is associated with fluctuations in the US dollar, Euros and Serbian Dinar and assets and liabilities are translated based on the foreign currency translation policy described in Note 2.

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

	October 31, 2011 $	October 31, 2010 $
US dollar:		
Cash	288	740
Euros:		
Cash	565	-
Serbian Dinar:		
Cash	23,196	-
Accounts payable and accrued liabilities	4,372	-
Net Serbian Dinar	18,824	-

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, 2011, including cash and accounts payable and accrued liabilities denominated in US dollars, Euros and Serbian Dinar, would result in an insignificant change to the net loss and comprehensive loss for the year ended October 31, 2011. At October 31, 2011, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

12. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT - continued

(c) Market Risk - continued

(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 consolidated 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 7 of these consolidated financial statements of which production is not expected in the near future.

13. 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, 2011.

(Expressed in Canadian dollars)

14. SEGMENTED INFORMATION

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

2011	Canada $	United States $	Serbia $	Total $
Resource properties	123,339	307,246	34,877	465,462
Other assets	419,812	288	26,187	446,287
Total assets	543,151	307,534	61,064	911,749

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

The Company operated in the following geographic segments during the years ended October 31, 2011 and 2010:

2011	Canada $	United States $	Serbia $	Total $
Expenses	(851,619)	(31,340)	(41,252)	(924,211)
Interest and other income	1,569	-	753	2,322
Gain on sale of marketable securities	25,155	-	-	25,155
Impairment of resource property	(250,000)	-	-	(250,000)
Loss for the year	(1,074,895)	(31,340)	(40,499)	(1,146,734)
Unrealized loss on available-for-sale marketable securities	(9,625)	-	-	(9,625)
Loss and comprehensive loss for the year	(1,084,520)	(31,340)	(40,499)	(1,156,359)

(Expressed in Canadian dollars)

14. SEGMENTED INFORMATION - continued

2010	Canada $	United States $	Serbia $	Total $
Expenses	(397,809)	(16,236)	-	(414,045)
Interest and other income	1,217	-	-	1,217
Loss for the year	(396,592)	(16,236)	-	(412,828)
Unrealized gain on available-for-sale marketable securities	2,000	-	-	2,000
Loss and comprehensive loss for the year	(394,592)	(16,236)	-	(410,828)

15. 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:

	2011 $	2010 $
Loss before income taxes	(1,146,734)	(412,828)
Corporate tax rate	26.83%	28.50%
Expected income tax recovery	(307,669)	(117,656)
Tax rate changes	18,272	157,710
Non-taxable portion of capital gains	(3,375)	-
Permanent differences	61,973	8,552
Share issuance costs	(28,445)	(4,149)
Change in valuation allowance	259,244	(44,457)
Income tax provision	-	-

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

	2011 $	2010 $
Non-capital losses	607,651	419,357
Share issuance costs	31,833	22,183
Resource properties	97,763	37,750
Reserves	1,203	-
Equipment	913	829
	739,363	480,119
Valuation allowance	(739,363)	(480,119)
Net future tax assets	-	-

15. INCOME TAXES - continued

The Company has non-capital losses of approximately $2,430,000 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 consolidated financial statements as the Company has provided a full valuation allowance for the potential future tax assets resulting from these loss carry-forwards.