

Ultra Lithium Inc.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

THREE AND SIX MONTHS ENDED APRIL 30, 2014 AND 2013

(Expressed in Canadian Dollars)

Ultra Lithium Inc.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended April 30, 2014 and 2013

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The management of Ultra Lithium Inc. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim consolidated financial statements and are in accordance with IAS 34 - Interim Financial Reporting.

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

June 23, 2014

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

| | April 30, 2014 | October 31, 2013 |
|---|-------------------|---------------------|
| | \$ | \$ |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 1,374,294 | 2,888,401 |
| Amounts receivable | 13,240 | 24,901 |
| Marketable securities (Note 3) | 15,625 | 18,750 |
| Prepaid expenses and deposits (Note 7) | 23,453 | 11,962 |
| | 1,426,612 | 2,944,014 |
| Equipment (Note 4) | 124,251 | 76,732 |
| Exploration and evaluation assets (Note 5) | 3,835,223 | 2,935,827 |
| | 5,386,086 | 5,956,573 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Trade payables and accrued liabilities (Note 7) | 26,723 | 432,251 |
| Advances payable (Note 5(c)) | - | 511,586 |
| | 26,723 | 943,837 |
| Shareholders' equity: | | |
| Share capital (Note 6) | 8,714,165 | 8,714,165 |
| Reserves (Note 6) | 1,405,744 | 841,094 |
| Deficit | (4,760,546) | (4,542,523) |
| | 5,359,363 | 5,012,736 |
| | 5,386,086 | 5,956,573 |

Nature of operations (Note 1)
Commitments (Notes 5 and 8)

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

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

| | Three months ended April 30, | | Six months ended April 30, | |
|--|------------------------------|-------------|----------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Expenses: | | | | |
| Consulting fees | 15,269 | 117,545 | 22,546 | 135,531 |
| Depreciation | 228 | 2,651 | 456 | 2,895 |
| Management fees (Note 7) | 36,000 | 24,500 | 72,000 | 43,250 |
| Office, rent and administration (Note 7) | 66,704 | 44,483 | 122,646 | 87,136 |
| Professional fees (Note 7) | 3,662 | 7,751 | 6,145 | 8,274 |
| Share-based payments (Note 6) | 21,975 | 183,333 | 53,544 | 192,253 |
| Stock exchange and filing fees | 8,523 | 7,699 | 8,523 | 9,612 |
| Transfer agent fees | 834 | 1,206 | 2,041 | 2,203 |
| Travel and promotion | 14,820 | 32,449 | 34,986 | 73,397 |
| Loss before other items | (168,015) | (421,617) | (322,887) | (554,551) |
| Other items: | | | | |
| Interest income | 3,338 | 3,125 | 8,720 | 3,125 |
| Finance and other costs | (2,340) | (1,750) | (6,600) | (2,217) |
| Foreign exchange gain (loss) | 23,163 | (5,048) | 87,156 | 14,019 |
| Recovery of exploration and evaluation assets (Note 5(a)) | - | 66,250 | - | 66,250 |
| | 24,161 | 62,577 | 89,276 | 81,177 |
| Net loss for the period | (143,854) | (359,040) | (233,611) | (473,374) |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation differences for foreign operations | (9,292) | 7 | 23,249 | (2,595) |
| Change in fair value of available- for-sale financial assets | (3,125) | (2,500) | (3,125) | (2,500) |
| Comprehensive loss for the period | (156,271) | (361,533) | (213,487) | (478,469) |
| Loss per common share - basic and diluted | - | - | - | - |
| Weighted average number of common shares outstanding - basic and diluted | 212,622,505 | 145,403,595 | 212,622,505 | 130,394,842 |

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

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Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
(Expressed in Canadian Dollars)

| | Share Capital | | | | Reserves | | | | Deficit | Total shareholder's equity | |
|-----------------------------------|---------------|---------------|-----------|---------------|----------|------------------------------|------------|----------------------------|-----------|----------------------------|-----------|
| | Notes | Common shares | Amount | Stock options | Warrants | Foreign currency translation | Fair value | Obligation to issue shares | | | 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 period | | - | - | - | - | (2,595) | (2,500) | - | (5,095) | (473,374) | (478,469) |
| Private placements | 6 | 90,000,000 | 4,500,000 | - | - | - | - | - | - | - | 4,500,000 |
| Share issuance costs | 6 | - | (464,128) | - | - | - | - | - | - | - | (464,128) |
| Agent's finder's fees | 6 | 6,750,000 | 371,250 | - | - | - | - | - | - | - | 371,250 |
| Modification to warrants | 6 | - | (122,287) | - | 122,287 | - | - | - | 122,287 | - | - |
| Forfeited options | 6 | - | - | (44,214) | - | - | - | - | (44,214) | 44,214 | - |
| Expired warrants | 6 | - | 3,078 | - | (3,078) | - | - | - | (3,078) | - | - |
| Share-based payments | | - | - | 192,253 | - | - | - | - | 192,253 | - | 192,253 |
| Balance, April 30, 2013 | | 212,622,505 | 8,698,853 | 521,778 | 154,044 | (5,669) | (2,500) | - | 667,653 | (4,050,081) | 5,316,425 |
| Comprehensive loss for the period | | - | - | - | - | (5,953) | (10,000) | - | (15,953) | (506,480) | (522,433) |
| Share issuance costs | 6 | - | 1,350 | - | - | - | - | - | - | - | 1,350 |
| Modification to warrants | 6 | - | 13,962 | - | (13,962) | - | - | - | (13,962) | - | - |
| Forfeited options | 6 | - | - | (14,038) | - | - | - | - | (14,038) | 14,038 | - |
| Share-based payments | | - | - | 217,394 | - | - | - | - | 217,394 | - | 217,394 |
| 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 period | | - | - | - | - | 23,249 | (3,125) | - | 20,124 | (233,611) | (213,487) |
| Obligation to issue shares | 5(c) | - | - | - | - | - | - | 506,570 | 506,570 | - | 506,570 |
| Forfeited options | 6 | - | - | (15,588) | - | - | - | - | (15,588) | 15,588 | - |
| Share-based payments | | - | - | 53,544 | - | - | - | - | 53,544 | - | 53,544 |
| Balance, April 30, 2014 | | 212,622,505 | 8,714,165 | 763,090 | 140,082 | 11,627 | (15,625) | 506,570 | 1,405,744 | (4,760,546) | 5,359,363 |

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

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

| | Six months ended April 30, | |
|---|----------------------------|------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Operations: | | |
| Net loss for the period | (233,611) | (473,374) |
| Items not involving cash: | | |
| Depreciation | 456 | 2,895 |
| Share-based payments | 53,544 | 192,253 |
| Recovery of exploration and evaluation assets | - | (66,250) |
| Changes in non-cash working capital items: | | |
| Amounts receivable | 11,661 | (3,480) |
| Prepaid expenses, deposits and advances | (11,491) | (426) |
| Trade payables and accrued liabilities | (27,195) | 27,227 |
| | <u>(206,636)</u> | <u>(321,155)</u> |
| Financing: | | |
| Share issued for cash | - | 4,500,000 |
| Share issuance costs | - | (92,878) |
| Repayment of advances payable | (5,016) | - |
| | <u>(5,016)</u> | <u>4,407,122</u> |
| Investing: | | |
| Purchase of equipment | (60,948) | (28,890) |
| Property option payment received | - | 50,000 |
| Exploration and evaluation assets | (1,262,103) | (445,671) |
| | <u>(1,323,051)</u> | <u>(424,561)</u> |
| Effect of foreign exchange on cash flows | 20,596 | (18,445) |
| Increase (decrease) in cash and cash equivalents | (1,514,107) | 3,642,961 |
| Cash and cash equivalents, beginning of period | 2,888,401 | 205,074 |
| Cash and cash equivalents, end of period | <u>1,374,294</u> | <u>3,848,035</u> |
| Supplementary information: | | |
| Marketable securities received for exploration and evaluation assets (Note 5) | - | 16,250 |
| Exploration and evaluation asset expenditures in trade payables and accrued liabilities | 5,085 | 860 |
| Depreciation in exploration and evaluation assets | 15,764 | 6,134 |
| Forfeited warrants and options | 15,588 | 47,292 |
| Warrants modification | - | 122,287 |
| Cash and cash equivalents consist of: | | |
| Cash | 584,294 | 348,035 |
| Guaranteed investment certificates | 790,000 | 3,500,000 |

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

Ultra Lithium Inc.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and Six Months Ended April 30, 2014 and 2013
(Unaudited)

NOTE 1 – NATURE 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 material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

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 April 30, 2014 of \$1,399,889 (October 31, 2013 – \$2,000,177) and accumulated deficit of \$4,760,546. Management expects that it has sufficient liquidity to meet its obligations for the next twelve months.

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

(a) Basis of presentation

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, “Interim Financial Reporting” (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended October 31, 2013.

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended October 31, 2013.

Ultra Lithium Inc.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and Six Months Ended April 30, 2014 and 2013
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(a) Basis of presentation (Continued)

These condensed interim financial statements were approved and authorized for issue by the Board of Directors of the Company on June 23, 2014.

(b) Basis of consolidation

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.

(c) Use of estimates and judgments

The preparation of the Company’s condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported and disclosed in the interim consolidated financial statements and related notes. There has been no significant change to the Company’s accounting estimates from those disclosed in note 2 of the audited consolidated financial statements for the year ended October 31, 2013.

NOTE 3 – MARKETABLE SECURITIES

| | April 30, 2014 | | | October 31, 2013 | | |
|--|----------------|--------|--------------------|------------------|--------|--------------------|
| | 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 5 (a)) | 15,625 | 31,250 | (15,625) | 18,750 | 31,250 | (12,500) |

NOTE 4 –EQUIPMENT

| | Computer hardware | Other equipment | Motor Vehicle | 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 | 6,775 | 6,228 | 47,945 | 60,948 |
| Foreign exchange | 208 | 1,190 | 2,867 | 4,265 |
| Balance, April 30, 2014 | 48,164 | 28,050 | 101,760 | 177,974 |

Ultra Lithium Inc.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and Six Months Ended April 30, 2014 and 2013
(Unaudited)

NOTE 4 –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 | 6,927 | 2,219 | 7,074 | 16,220 |
| Foreign exchange | 40 | 147 | 1,287 | 1,474 |
| Balance, April 30, 2014 | 20,299 | 4,429 | 28,995 | 53,723 |
| Net Book Value: | | | | |
| October 31, 2013 | 27,849 | 18,569 | 30,314 | 76,732 |
| April 30, 2014 | 27,865 | 23,621 | 72,765 | 124,251 |

NOTE 5 – 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 |

Ultra Lithium Inc.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and Six Months Ended April 30, 2014 and 2013
(Unaudited)

NOTE 5 – 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 | - | - | 15,764 | 15,764 |
| Drilling | - | - | 249,444 | 249,444 |
| Geology and geophysics | - | 10,800 | 155,421 | 166,221 |
| Licenses, permits, claim fees and taxes | - | - | 83,785 | 83,785 |
| Office, rent and administration | - | - | 112,039 | 112,039 |
| Professional fees | - | 4,123 | 19,824 | 23,947 |
| Wages and contract labor | - | - | 163,769 | 163,769 |
| | - | 14,923 | 800,046 | 814,969 |
| Foreign exchange | - | 27,405 | 57,022 | 84,427 |
| Balance, April 30, 2014 | - | 713,516 | 3,121,707 | 3,835,223 |

(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. Pursuant to an agreement dated August 10, 2009 between the Company and an arm's length party, 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 has 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 has earned its 80% interest in the Zigzag property by completing its three-year staged payments of \$100,000 (of which \$50,000 was paid during fiscal 2013 and \$25,000 was paid during fiscal 2012) and 650,000 common shares (of which 125,000 common shares at a fair value of \$16,250 were issued during fiscal 2013 and 150,000 common shares at a fair value of \$36,000 were issued during fiscal 2012) of Orebodies to the Company and required exploration expenditures of \$350,000. As of October 31, 2013, Orebodies incurred aggregate exploration expenditures of \$470,675. During the year ended October 31, 2013, the Company reimbursed \$24,135 to Orebodies, which was the Company's 20% share of exploration expenses in excess of the \$350,000 incurred by Orebodies.

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.

Ultra Lithium Inc.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and Six Months Ended April 30, 2014 and 2013
(Unaudited)

NOTE 5 – 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 an additional 300 claims in the South Big Smokey 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.

(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.

Ultra Lithium Inc.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and Six Months Ended April 30, 2014 and 2013
(Unaudited)

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

(c) Mining Concessions, Serbia (Continued)

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. As of this date, BZMI has not exercised its option under the agreement.

During the year ended October 31, 2013, the Company received the initial contribution from BZMI of \$511,586 (US\$500,000) and recorded the amount as advances payable. During the six months ended April 30, 2014, the Company repaid \$5,016 to BZMI and reclassified \$506,570 from advances payable to reserves as obligation to issue shares.

NOTE 6 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At April 30, 2014, there were 212,622,505 issued and fully paid common shares (October 31, 2013 – 212,622,505).

(c) Share Issuances

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, 2013 and April 30, 2014 | 76,690,000 | 0.10 |

Ultra Lithium Inc.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and Six Months Ended April 30, 2014 and 2013
(Unaudited)

Ultra Lithium Inc.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and Six Months Ended April 30, 2014 and 2013
(Unaudited)

NOTE 6 – SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants (Continued)

- ⁽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.

| Warrants | Exercise Price | Expiry Date |
|--------------------------|----------------|-----------------------------------|
| # | \$ | |
| 10,000,000 | 0.10 | July 9, 2014 ⁽³⁾ |
| 10,000,000 | 0.10 | September 10, 2014 ⁽³⁾ |
| 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⁾ Subsequent to the six months ended April 30, 2014, the term of these warrants were extended for another 3 years expiring July 9, 2017 and September 10, 2017, respectively.

(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.

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NOTE 6 – 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 | 0.10 |
| Granted | 11,700,000 | 0.10 |
| Forfeited/Expired | (1,521,000) ⁽¹⁾ | 0.10 |
| Balance, October 31, 2013 | 16,820,000 | 0.10 |
| Forfeited | (400,000) ⁽²⁾ | 0.10 |
| Balance, April 30, 2014 | 16,420,000 | 0.10 |

⁽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 six months ended April 30, 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 April 30, 2014:

| Shares # | Exercise Price | | Expiry Date | Exercisable # |
|-------------|---------------------|--|-------------------|------------------|
| | Per Share \$ | | | |
| 600,000 | 0.10 ⁽¹⁾ | | November 1, 2017 | 525,000 |
| 10,150,000 | 0.10 ⁽¹⁾ | | April 19, 2018 | 10,150,000 |
| 660,000 | 0.10 ⁽¹⁾ | | May 12, 2018 | 660,000 |
| 200,000 | 0.10 ⁽¹⁾ | | May 28, 2018 | 150,000 |
| 250,000 | 0.10 ⁽¹⁾ | | October 11, 2018 | 125,000 |
| 1,160,000 | 0.10 ⁽¹⁾ | | February 5, 2019 | 1,160,000 |
| 200,000 | 0.10 ⁽¹⁾ | | June 3, 2019 | 200,000 |
| 50,000 | 0.10 ⁽¹⁾ | | August 14, 2019 | 50,000 |
| 300,000 | 0.10 ⁽¹⁾ | | January 14, 2020 | 300,000 |
| 300,000 | 0.10 ⁽¹⁾ | | June 23, 2020 | 300,000 |
| 200,000 | 0.10 ⁽¹⁾ | | September 1, 2020 | 200,000 |
| 670,000 | 0.10 ⁽¹⁾ | | October 13, 2020 | 670,000 |
| 1,530,000 | 0.11 ⁽¹⁾ | | January 24, 2021 | 1,530,000 |
| 150,000 | 0.11 ⁽¹⁾ | | February 14, 2021 | 150,000 |
| 16,420,000 | | | | 16,170,000 |

⁽¹⁾ On April 24, 2014, the exercise price of these stock options was amended to \$0.05 per share. Subsequent to April 30, 2014, the Exchange approved the amendment to the exercise price of the stock options, however, the repricing of stock options held by insiders is subject to further approval by the disinterested shareholders of the Company.

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NOTE 6 – SHARE CAPITAL AND RESERVES (Continued)

(e) Stock Options (Continued)

During the six months ended April 30, 2014, under the fair-value-based method, \$53,544 (2013 – \$192,253) in share-based payments was recorded for stock options granted and 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 | - | 1.06% |
| Expected life of options | - | 4.14 years |
| Expected dividend yield | - | 0.00% |
| Expected stock price volatility | - | 107.73% |

The weighted average fair value of options granted during the six months ended April 30, 2014 was \$Nil (2013 - \$0.05) per option.

NOTE 7 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the six months ended April 30, 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:

| | Three months ended April 30, | | Six months ended April 30, | |
|---|------------------------------|--------|----------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Legal fees (i) | 697 | 1,825 | 2,733 | 2,075 |
| Office, rent and administration ⁽¹⁾ (ii) | 41,200 | 25,100 | 75,000 | 47,700 |
| | 41,897 | 26,925 | 77,733 | 49,775 |

⁽¹⁾ Of these fees, \$21,000 (six months ended April 30, 2013 - \$17,600) was allocated to the CFO of the Company (Note 7(b)).

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

| | Three months ended April 30, | | Six months ended April 30, | |
|---------------------------------|------------------------------|--------|----------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Office, rent and administration | - | 11,100 | - | 22,100 |

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NOTE 7 – RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the six months ended April 30, 2014 and 2013 were as follows:

| | Three months ended April 30, | | Six months ended April 30, | |
|-------------------------------------|------------------------------|--------|----------------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Short-term benefits ⁽¹⁾ | 46,500 | 34,300 | 93,000 | 60,850 |
| Share-based payments ⁽²⁾ | 11,038 | 47,868 | 35,231 | 48,251 |
| | 57,538 | 82,168 | 128,231 | 109,101 |

⁽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 6(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:

| | April 30, 2014 | October 31, 2013 |
|---|----------------|------------------|
| | \$ | \$ |
| A director and officer of the Company (i) | 650 | 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 |

NOTE 8 – COMMITMENTS

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

| | |
|------|--------|
| | \$ |
| 2014 | 39,635 |
| 2015 | 19,817 |
| | 59,452 |

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NOTE 9 – SEGMENTED INFORMATION

The Company operated in the following geographic segments at April 30, 2014 and October 31, 2013:

| April 30, 2014 | Canada | United States | Serbia | Total |
|-----------------------------------|-----------|---------------|-----------|-----------|
| | \$ | \$ | \$ | \$ |
| Current assets | 1,347,826 | 183 | 78,603 | 1,426,612 |
| Equipment | 26,861 | - | 97,390 | 124,251 |
| Exploration and evaluation assets | - | 713,516 | 3,121,707 | 3,835,223 |
| | 1,374,687 | 713,699 | 3,297,700 | 5,386,086 |

| 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 |