

**ULTRA LITHIUM INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended April 30, 2014 and 2013

# ULTRA LITHIUM INC.

Management's Discussion and Analysis  
Three and six months ended April 30, 2014 and 2013

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

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the six months ended April 30, 2014 and 2013 and is prepared as of June 23, 2014. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes thereto for the six months ended April 30, 2014 and audited consolidated financial statements for the years ended October 31, 2013 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

## **Cautionary Note Regarding Forward-Looking Information**

This document may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its planned exploration activities, the adequacy of its financial resources and statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **Description of Business**

Ultra Lithium Inc. is an exploration stage company engaged in the acquisition, exploration and development of resource properties. As at April 30, 2014, the Company has interests in the following resource properties:

### 1. Mineral Concessions, Serbia

The Company holds the following seven (7) lithium/boron exploration licenses ("ELs") in the Republic of Serbia through its wholly-owned subsidiary, Ultra Balkans DOO Beograd, which cover an area of approximately 643 square km in total.

	<u>Expiration date</u>
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, Ultra Balkans and BZMI executed an option agreement dated January 3, 2014, 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.

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During the year ended October 31, 2014, 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.

### About the Property:

The Trnava mineral prospect covers an area of approximately 100 square km and is located in the central part of Serbia, approximately 120 km south of Belgrade and less than 5 km south-east of the town of Cacak in the Moravica District. This mineral prospect is adjacent to Rio Tinto's Janok mineral prospect.

The Trnava mineral prospect will be explored primarily for its lithium and boron potential, as it has several features that warrant further investigation according to Ultra's exploration and target criteria:

- It is part of the NW-SE trending Morava depression (more than 1,000 square km in size) that hosts a promising basin system;
- Favourable lithologies have been identified by past exploration efforts of the Yugoslavian Geological Survey. The geology includes fine-grained, well-layered lacustrine sediments of Tertiary Age along with tuffs/tuffaceous sediments and intrusive rocks of a similar age;
- The basin has an interesting tectonic signature; and
- Gravity lows have been identified during Ultra's desktop studies.

The Kragujevac mineral prospect covers an area of approximately 100 square km and is located approximately 70 km south of Belgrade and less than 10 km north of the town of Kragujevac in the Sumadija District, Central Serbia.

Valjevo East mineral prospect which covers an area of approximately 78 square km is located approximately 60 km south of Belgrade, in the Municipalities of Ljig and Lazarevac, Central Serbia. It is situated adjacent to Pan Global Resources' Valjevo and Ljig mineral prospects.

The Koceljeva mineral prospect is situated approximately 60 km southwest of Belgrade in the Municipalities of Vladimirci and Sabac. It covers an area of almost 99 square km and is situated approximately 20 km east of Rio Tinto's Jadar Li-B deposit (114Mt @ 1.8% Li<sub>2</sub>O & 13.1% B<sub>2</sub>O<sub>3</sub>). The Koceljeva property hosts a distinct sedimentary sequence which the Company believes to be geologically correlated to Rio Tinto's Jadar deposit.

The Ladevci and Preljina mineral prospects cover an area of approximately 100 square km each and are located in the central part of Serbia, in the Municipalities of Cacak, Kraljevo and Gornji Milanovac, approximately 100 km south of Belgrade. The tenements comprise the northern part of the NW-SE trending Morava depression (more than 1,000 square km in size) that hosts a promising basin system. Preljina and Ladevci properties are situated to the north of Trnava tenement and north of Rio Tinto's Janok mineral prospect.

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The Republic of Serbia hosts high quality targets for Lithium-Boron mineralization within its Miocene-aged sedimentary basins. Rio Tinto's discovery of Jadar Li-B deposit is situated at the western part of the country and production is estimated to commence within the next 5 years.

The Company is the 100% owner and operator of these seven exploration licenses.

On March 3, 2014 the Company reported that it has completed nine (9) holes, totaling 5390.70 meters of diamond drilling on the Company's Valjevo East and Blace exploration claims.

The current drilling program tested several targets that were identified by previous Audio Magneto-Telluric (AMT) and gravity geophysical surveys.

Core samples have been dispatched to SGS in Bor, Serbia for multi-element assays including Lithium and Boron. The Company has received and reviewed all geochemical analyses for the recent drill program, reviewed geological drill logs, held discussions with the geological team and met with external borate deposit and lithofacies experts. Results and conclusions are as follows:

### Valjevo East concession:

This property is located within an East-West belt of Tertiary sedimentary basins known to host borate mineralization. Subsequent to collecting surface geochemical rock samples and geophysical (Gravity and Audio Magneto Telluric (AMT)) data collection / interpretation, the property was tested by three drill holes totaling 931.0 meters. Lithium values ranged from 7 ppm to 203 ppm. Boron values ranged from 10 ppm to 172 ppm. The sedimentary environment within the concession was determined to be primarily open drainage (vs. closed basin) and it was filled with coarser material (including sandstone) than typically required for borate or lithium-borate mineralization to develop. Upon filing of a closing report to the Serbian government, this license will be relinquished.

### Blace concession:

This property is a Tertiary sedimentary basin with mildly anomalous lithium and boron values (+100ppm) noted from previous surface geochemical rock sampling. Subsequent to collecting surface geophysical (Gravity and Audio Magneto Telluric (AMT)) data and interpretation, this property was tested by six drill holes totaling 4459.7 meters. Lithium values ranged from 6 ppm to 212 ppm. Boron values ranged from 10 ppm to 451 ppm. The sedimentary environment in the northwest quadrant of the concession was determined to be primarily 'closed basin' with a reducing environment and hosting fine-grained sediments. Drill holes BL-4, 6, and 7 tested the edges of a large gravity low. A statistical review of each of these drill holes displayed a bimodal distribution of Boron, suggesting local enrichment. Drillhole BL-7 encountered a broad interval (from 20-200m) of mildly anomalous Boron near surface and select deeper intervals of exposed core are developing a salty crust. Upon review of a pending lithofacies report by Professor Nebojsa Vasic of the University of Belgrade, Serbia, the Company intends to conduct further exploration and drill down dip (East) of the BL-7 interval noted.

Samples were processed by SGS laboratory in Bor, Serbia. Samples were run for 53 element geochemical analysis by ICP-MS. One meter core samples were sawn in half, with samples collected approximately every 10 meters, or when encountering a change in lithology.

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On April 30, 2014, the Company announced that it intends to drill a minimum of 6,000 meters on its Kragujevic, Tnarva, Koceljeva, Preljina and Ladveci prospecting licenses. In conjunction with the drilling, further geophysics will be performed. Follow up exploration of the Blace concession is also planned.

Beijing Explo-Tech Engineering Co. has been engaged to conduct geophysical surveys over the concessions.

The drilling program was supervised by Igor Sikic, P.Geo., a non-independent Qualified Person as defined by National Instrument 43-101.

### 2. South Big Smokey Valley, Nevada

On February 22, 2010, the Company entered into a mineral property acquisition agreement, through its wholly-owned subsidiary, Ultra Lithium (USA) Inc., to acquire a 100% interest in and up to 364 placer claims (7,280 acres) located in the South Big Smokey Valley, Esmeralda County, Nevada. As consideration, the Company paid US\$150,000 and issued an aggregate of 1,500,000 common shares to the vendor. In addition, the Company issued an aggregate of 300,000 common shares 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.

### **Risk Factors**

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's business and the present stage of exploration of its resource properties (which are primarily early stage exploration properties with no known resources or reserves that have not been explored by modern methods), the following risk factors, among others, will apply:

***Mining Industry is Intensely Competitive:*** The Company's business will be the acquisition, exploration and development of resource properties. The mining industry is intensely competitive and the Company will compete with other companies that have far greater resources.

***Resource Exploration and Development is Generally a Speculative Business:*** Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the

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proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The great majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

***Fluctuation of Metal Prices:*** Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any mineral deposit will be such that any of its resource properties could be mined at a profit.

***Permits and Licenses:*** The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

***No Assurance of Profitability:*** The Company has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, the sale or optioning of a portion of its interest in its resource properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

***Consolidated financial statements have been prepared assuming the Company will continue on a going concern basis:*** The Company's consolidated financial statements have been prepared on the basis that it will continue as a going concern. At April 30, 2014, the Company had working capital of \$1,399,889 as compared to working capital of \$2,000,177 as at October 31, 2013. During the year ended October 31, 2013, the Company closed the non-brokered private placement and raised \$4,500,000. Management expects that the Company has adequate funds from existing working capital to meet its obligations for the next twelve months. If the Company is unable to obtain adequate additional financing, it may be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would

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require that the Company's assets and liabilities be restated on a liquidation basis which would likely differ significantly from their going concern assumption carrying values.

***Uninsured or Uninsurable Risks:*** The Company may become subject to liability for pollution or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

***Government Regulation:*** Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

***Environmental Matters:*** Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any mining properties will be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

***Financing Risks:*** The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfil its obligations under any applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

***Insufficient Financial Resources:*** The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of all of its planned exploration and development programs. The development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There can be no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its properties. In particular, failure by the Company to raise the funding necessary to maintain in good standing its various option agreements could result in the loss of its rights to such properties.

***Dependence Upon Others and Key Personnel:*** The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to



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design and carry out appropriate exploration programs on its resource properties; (ii) the ability to produce minerals from any resource deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

***Price Fluctuations and Share Price Volatility:*** In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

***Surface Rights and Access:*** Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdictions.

***Title:*** Although the Company has taken steps to verify the title to the resource properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to resource properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

***Acquisition of Mineral Concessions under Agreements:*** The agreement pursuant to which the Company has the right to acquire a number of its properties provide that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. The Company does not presently have the financial resources required to complete all expenditure obligations under its property acquisition agreement over their full term. Failure by the Company to make such payments, issue such

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shares or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, with the result that the Company could forfeit its interest in one or more of its mineral properties.

### **Results of Operations**

#### **Three months ended April 30, 2014 compared with the three months ended April 30, 2013**

During three months ended April 30, 2014, the Company incurred a loss of \$143,854 compared to a loss of \$359,040 during three months ended April 30, 2013. The decrease in loss of \$215,186 was largely attributable to decreases in consulting fees of \$102,276 and share-based payments of \$161,358 offset by a decrease in recovery of exploration and evaluation assets of \$66,250.

Consulting fees decreased during the three months ended April 30, 2014 due to fees paid to a consultant of the Company related to the Balkans project in Serbia during the three months ended April 30, 2013. No such fees were paid during the current period.

During the three months ended April 30, 2013, the Company recorded share-based payments of \$183,333 as compared to \$21,975 during the current period. The decrease in share-based payments was the result of a greater number of options granted and vested during the prior period.

During the three months ended April 30, 2013, the Company recovered exploration and evaluation assets of \$66,250 which consisted of option payments of \$50,000 and 125,000 common shares of Orebodies at a fair value of \$16,250 related to the Zigzag property.

#### **Six months ended April 30, 2014 compared with the six months ended April 30, 2013**

During six months ended April 30, 2014, the Company incurred a loss of \$233,611 compared to a loss of \$473,374 during six months ended April 30, 2013. The decrease in loss of \$239,763 was largely attributable to decreases in consulting fees of \$112,985 and share-based payments of \$138,709 offset by a decrease in recovery of exploration and evaluation assets of \$66,250 and an increase in foreign exchange gain of \$73,137.

Consulting fees decreased during the six months ended April 30, 2014 due to fees paid to a consultant of the Company related to the Balkans project in Serbia during the six months ended April 30, 2013. No such fees were paid during the current period.

During the six months ended April 30, 2013, the Company recorded share-based payments of \$192,253 as compared to \$53,544 during the current period. The decrease in share-based payments was the result of a greater number of options granted and vested during the the prior period.

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During the six months ended April 30, 2013, the Company recovered exploration and evaluation assets of \$66,250 which consisted of option payments of \$50,000 and 125,000 common shares of Orebodies at a fair value of \$16,250 related to the Zigzag property.

The increase in foreign exchange gain by \$73,137 during the six months ended April 30, 2014 was a result of the strengthening of the US dollar and Serbian dinar compared to the Canadian dollar. Foreign exchange gains and losses also arise from the translation of foreign denominated transactions and balances relative to the functional currency of the Company's subsidiaries and the Company's reporting currency.

### Summary of Quarterly Results

Quarter Ended	Revenue	Operating Income/(Loss)	Diluted Loss per Share	Total Assets	Long Term Liabilities	Cash Dividend
	\$	\$	\$	\$	\$	\$
April 30, 2014	Nil	(143,854)	-	5,386,086	Nil	Nil
January 31, 2014	Nil	(89,757)	-	5,614,951	Nil	Nil
October 31, 2013	Nil	(217,141)	-	5,956,573	Nil	Nil
July 31, 2013	Nil	(289,339)	-	5,713,912	Nil	Nil
April 30, 2013	Nil	(359,040)	(0.01)	5,388,437	Nil	Nil
January 31, 2013	Nil	(114,334)	-	1,134,164	Nil	Nil
October 31, 2012	Nil	(237,682)	(0.01)	1,246,544	Nil	Nil
July 31, 2012	Nil	(155,338)	-	1,006,827	Nil	Nil

The following discussion outlines the reasons for some of the variations in the quarterly numbers but, as with most junior mineral exploration companies, the results of operations (including interest income and net losses) are not the main factors in establishing the financial health of the Company. Of far greater significance are the resource properties in which the Company has, or may earn an interest, its working capital and how many shares it has outstanding. The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation program and the timing and results of the Company's exploration activities on its then current properties, none of which are possible to predict with any accuracy.

There are no general trends regarding the Company's quarterly results and the Company's business of resource exploration is not seasonal, as it can work on its property on a year-round basis (funding permitting). Quarterly results may vary significantly depending mainly on whether the Company has abandoned any properties or granted any stock options and these factors which may account for material variations in the Company's quarterly net income (losses) are not predictable. The major factor which may cause a material variation in net loss on a quarterly basis is the grant of stock option due to the resulting stock-based compensation charges which may be significant when they arise. This may be seen in the quarters ended July 31, 2013 and April 30, 2013. General and administrative costs tend to be quite similar from period to period, except in certain cases when there is an increase in corporate activities as may be seen in the quarters ended October 31, 2012, April 30, 2013 and July 31, 2013. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall

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market conditions, and is therefore difficult to predict.

### **Liquidity and Capital Resources**

The Company has no revenue generating operations from which it can internally generate funds and therefore has been incurring losses since inception. The Company has financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placements and the subsequent exercise of share purchase warrants issued in connection with such private placements and the exercise of stock options. The Company also has raised funds through the sale of interests in its mineral properties. When acquiring interests in resource properties through purchase or option, the Company issues common shares or a combination of cash and shares to the vendors of the property as consideration for the property in order to conserve its cash. The Company expects that it will continue to operate at a loss for the foreseeable future and will require additional financing to fund the exploration of its existing properties and the acquisition of potential resource properties.

The Company's cash and cash equivalents at April 30, 2014 were held for working capital purposes and were invested primarily in Guaranteed Investment Certificates with a major Canadian chartered bank. The Company has no exposure to any asset-backed commercial paper. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, in order to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

As at April 30, 2014, the Company had working capital of \$1,399,889 and cash and cash equivalents of \$1,374,294 compared to working capital of \$2,000,177 and cash and cash equivalents of \$2,888,401 at October 31, 2013. Cash and cash equivalents decreased by \$1,514,107 from fiscal 2013 primarily due to cash used for capitalized exploration and evaluation expenditures of \$1,262,103.

Net cash flows utilized for operations for the six months ended April 30, 2014, net of changes in non-cash working capital were \$206,636 compared to \$321,155 for the six months ended April 30, 2013.

For the six months ended April 30, 2014, the Company had net cash outflows of \$1,323,051 related to investing activities compared to net cash outflows of \$424,561 for investing activities for the six months ended April 30, 2013. The increase in investing activities was primarily attributable to increased capitalized exploration and evaluation expenditures as a result of the Company's current drilling campaign on its Balkans properties in Serbia.

For the six months ended April 30, 2014, the Company had net cash outflows of \$5,016 for financing activities. This consisted of a repayment of the advances from BZMI of \$5,016.

During fiscal 2013, the Company received gross proceeds of \$4,500,000 from a private placement financing less share issuance costs of \$91,528. During the year ended October 31, 2013, the Company also received an initial contribution from BZMI of \$511,586 (US\$500,000) for a 5% interest in Ultra Balkans.

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As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of vested stock options and outstanding share purchase warrants (See "*Outstanding Share Data – Options and Warrants outstanding*"). However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the TSX Venture Exchange does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company anticipates that it has sufficient funds to meet its obligations for the next twelve months. However, if the Company's plans change (as, for example, if it determines to carry out additional work, acquire additional properties or accelerate its presently contemplated work programs) or its current assumptions change or prove inaccurate, the Company may be required to seek additional financing.

The Company currently has interests in several resource properties and is subject to resource property commitments as outlined under note 5 to its condensed interim consolidated financial statements for the six months ended April 30, 2014. As at April 30, 2014, the Company incurred aggregate expenditures of \$3,835,223 on the properties which consisted of option payments in cash of \$282,185 and in shares at fair values of \$129,700, exploration costs of \$3,418,561 and other expenses of \$4,777. The Company optioned out one of its properties and received an aggregate of \$100,000 and 650,000 shares at a fair value of \$128,625. During the year ended October 31, 2013, the Company sold its remaining interest in that property for 500,000 shares at a fair value of \$15,000. See "*Description of Business*".

The office has an office lease agreement for approximately \$6,500 per month expiring on January 31, 2015:

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Contractual Obligation	Total	1-3 years	4-5 years	After 5 years
Lease commitments	\$59,452	\$59,452	-	-

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The Company has not had a history of operations or earnings and its overall success will be affected by its current or future business activities. The continued operations of the Company and the recoverability of expenditures incurred to earn an interest in resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties.

### **Related Party Transactions**

During the six months ended April 30, 2014 and 2013, the Company entered into the following transactions with related parties:

Name and Relationship to Company	Transaction	Three months ended April 30,		Six months ended April 30,	
		2014	2013	2014	2013
		\$	\$	\$	\$

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Marc Morin, CEO of the Company	Management fees	36,000	24,500	72,000	43,250
Max Pinsky Personal Law Corporation, a company controlled by Max Pinsky, Secretary of the Company	Legal fees	697	1,825	2,733	2,075
Avarone Metals Inc. (Formerly Remstar Resources Ltd.) ("Avarone"), a company with a common director and a common officer	Office, rent and administration <sup>(1)</sup>	41,200	25,100	75,000	47,700
Metropolitan Energy Corp., a company with common officers	Recoveries for rent <sup>(2)</sup>	-	3,600	-	7,300
Prescient Mining Corp., a company with common directors and officers	Recoveries for rent <sup>(2)</sup>	-	3,000	-	6,000
Sparrow Ventures Corp., a company with common directors and officers	Recoveries for rent <sup>(2)</sup>	-	4,500	-	8,800

<sup>(1)</sup> The Company entered into a month-to-month arrangement with Avarone whereby Avarone provides for office premises and support related to accounting, administration and financial reporting. Of the fees paid to Avarone, \$21,000 (six months ended April 30, 2013 - \$17,600) was allocated to the services of Nilda Rivera, CFO of the Company, during the six months ended April 30, 2014.

<sup>(2)</sup> The Company entered into a month-to-month arrangement with these companies to rent a portion of its office space.

Included in prepaid expenses and deposits was a rent deposit of \$2,000 (October 31, 2013 - \$2,000) to a company having a director and officer in common.

Included in trade payable and accrued liabilities were \$7,203 (October 31, 2013 - \$8,605) payable to a former director, an officer and a director of the Company and \$Nil (October 31, 2013 - \$257,900) payable to a company having a director and/or officer in common. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

### Critical Accounting Estimates

In the application of the Company's accounting policies, which are described in note 2 to the audited consolidated financial statements for the year ended October 31, 2013, management is required 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 assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and

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- 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.

### **Accounting Standards Issued but not yet Adopted:**

#### 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 of the nature of the Company's operations and the types of financial instruments that it currently holds.

### **Fair Value of Financial Instruments**

#### 1. Fair value of financial instruments

The carrying values of cash and cash equivalents, other receivables and trade payables and accrued liabilities approximate their fair values because of their short term nature. The fair values of marketable securities are based on current bid prices at April 30, 2014.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

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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. 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 April 30, 2014 and October 31, 2013:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b><u>Financial assets</u></b>				
Marketable securities	15,625	-	-	15,625

During the six months ended April 30, 2014, a mark-to-market loss of \$3,125 (2013 - \$2,500) 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 April 30, 2014 and October 31, 2013.

### 2. Financial instrument risk

The Company is exposed in varying degrees to a variety of financial instrument related to 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 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. At April 30, 2014, the amounts receivable consist of HST/GST of \$11,552 and interest receivable of \$1,688.

#### (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 April 30, 2014, the Company had a cash and cash equivalents balance of \$1,374,294 to settle trade payable and



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accrued liabilities and advances payable of \$26,723 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 the next twelve months.

(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, 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 to the consolidated financial statements of the Company for the year ended October 31, 2013.

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

	April 30, 2014	October 31, 2013
	\$	\$
<b>US dollar:</b>		
Cash	183	820
Trade payable and accrued liabilities	-	4,172
Net US dollar	183	(3,352)
<b>Euros:</b>		
Cash	49,456	488,460
<b>Serbian Dinar:</b>		
Cash	9,794	30,272
Trade payable and accrued liabilities	5,085	125,518
Net Serbian Dinar	4,709	(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 April 30, 2014, including cash and trade 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 six months ended April 30, 2014. At April 30, 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.

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(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 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 5 to the condensed interim consolidated financial statements for the six months ended April 30, 2014, of which production is not expected in the near future.

During the six months ended April 30, 2014 and 2013, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

### Outstanding Share Data

(1) Authorized and Issued Capital Stock

a) Authorized - Unlimited common shares without par value.

b) Issued

As at June 23, 2014, there were 212,622,505 common shares issued and outstanding.

(2) Options and Warrants Outstanding

a) Stock options outstanding at June 23, 2014 are as follows:

Number of Outstanding	Exercise Price	Expiry Date	Number Exercisable
600,000 <sup>(1)</sup>	\$0.10	November 1, 2017	525,000
10,150,000 <sup>(1)</sup>	\$0.10	April 19, 2018	10,150,000
660,000 <sup>(1)</sup>	\$0.10	May 12, 2018	660,000
200,000 <sup>(1)</sup>	\$0.10	May 28, 2018	200,000
250,000 <sup>(1)</sup>	\$0.10	October 11, 2018	125,000
1,160,000 <sup>(1)</sup>	\$0.10	February 5, 2019	1,160,000
200,000 <sup>(1)</sup>	\$0.10	June 3, 2019	200,000
50,000 <sup>(1)</sup>	\$0.10	August 14, 2019	50,000
300,000 <sup>(1)</sup>	\$0.10	January 14, 2020	300,000

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300,000 <sup>(1)</sup>	\$0.10	June 23, 2020	300,000
200,000 <sup>(1)</sup>	\$0.10	September 1, 2020	200,000
670,000 <sup>(1)</sup>	\$0.10	October 13, 2020	670,000
1,530,000 <sup>(1)</sup>	\$0.11	January 24, 2021	1,530,000
150,000 <sup>(1)</sup>	\$0.11	February 14, 2021	150,000
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16,420,000			16,295,000

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<sup>(1)</sup> On April 24, 2014, the exercise price of these options was amended to \$0.05 per share. Subsequent to April 24, 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.

b) Warrants outstanding as at June 23, 2014:

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Number of Shares	Exercise Price	Expiry date
2,000,000	\$0.10	April 6, 2015
5,940,000	\$0.10	November 30, 2015
3,750,000	\$0.15	February 17, 2016
10,000,000	\$0.10	July 9, 2014 <sup>(1)</sup>
10,000,000	\$0.10	September 10, 2014 <sup>(1)</sup>
25,000,000	\$0.10	March 20, 2015
20,000,000	\$0.10	April 29, 2015
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76,690,000		

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<sup>(1)</sup> 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, subject to the approval of the Exchange.

### **Additional Information**

Additional information about the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ultralithium.com](http://www.ultralithium.com).