

Ultra Lithium Inc.

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

THREE AND NINE MONTHS ENDED JULY 31, 2014 AND 2013

(Expressed in Canadian Dollars)

Ultra Lithium Inc.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended July 31, 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.

September 17, 2014

Ultra Lithium Inc.

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

	July 31, 2014	October 31, 2013
	\$	\$
Assets		
Current assets:		
Cash and cash equivalents	664,699	2,888,401
Amounts receivable	11,878	24,901
Marketable securities (Note 3)	9,375	18,750
Prepaid expenses and deposits (Note 7)	36,426	11,962
	<u>722,378</u>	<u>2,944,014</u>
Equipment (Note 4)	111,222	76,732
Exploration and evaluation assets (Note 5)	<u>4,295,284</u>	<u>2,935,827</u>
	<u>5,128,884</u>	<u>5,956,573</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities (Note 7)	76,834	432,251
Advances payable (Note 5(c))	-	511,586
	<u>76,834</u>	<u>943,837</u>
Shareholders' equity:		
Share capital (Note 6)	8,572,275	8,714,165
Reserves (Note 6)	1,637,442	841,094
Deficit	<u>(5,157,667)</u>	<u>(4,542,523)</u>
	<u>5,052,050</u>	<u>5,012,736</u>
	<u>5,128,884</u>	<u>5,956,573</u>

Nature of operations (Note 1)
Commitments (Notes 5 and 8)
Subsequent events (Notes 5, 6(e) and 10)

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 July 31,		Nine months ended July 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Expenses:				
Consulting fees	14,871	21,660	37,417	157,191
Depreciation	227	2,718	683	5,613
Management fees (Note 7)	36,000	36,000	108,000	79,250
Office, rent and administration (Note 7)	70,482	48,786	193,128	135,922
Professional fees (Note 7)	7,359	3,985	13,504	12,259
Share-based payments (Note 6)	94,468	130,533	148,012	322,786
Stock exchange and filing fees	1,249	3	9,772	9,615
Transfer agent fees	989	1,385	3,030	3,588
Travel and promotion	45,329	36,126	80,315	109,523
Loss before other items	(270,974)	(281,196)	(593,861)	(835,747)
Other items:				
Interest income	1,106	11,570	9,826	14,695
Finance and other costs	(2,900)	(2,466)	(9,500)	(4,683)
Foreign exchange gain (loss)	(124,353)	6,888	(37,197)	20,907
Recovery of exploration and evaluation assets (Note 5(a))	-	(24,135)	-	42,115
	(126,147)	(8,143)	(36,871)	73,034
Net loss for the period	(397,121)	(289,339)	(630,732)	(762,713)
Other comprehensive income (loss):				
Foreign currency translation differences for foreign operations	1,662	(2,400)	24,911	(4,995)
Change in fair value of available- for-sale financial assets	(6,250)	(8,750)	(9,375)	(11,250)
Comprehensive loss for the period	(401,709)	(300,489)	(615,196)	(778,958)
Loss per common share - basic and diluted	-	-	-	-
Weighted average number of common shares outstanding - basic and diluted	212,622,505	212,625,505	212,622,505	158,106,274

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

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
		#	\$	\$	\$	\$	\$	\$	\$	
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		-	-	-	-	(4,995)	(11,250)	(16,245)	(762,713)	(778,958)
Private placements	6	90,000,000	4,500,000	-	-	-	-	-	-	4,500,000
Share issuance costs	6	-	(462,778)	-	-	-	-	-	-	(462,778)
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		-	-	322,786	-	-	-	322,786	-	322,786
Balance, July 31, 2013		212,622,505	8,700,203	652,311	154,044	(8,069)	(11,250)	787,036	(4,339,420)	5,147,819
Comprehensive loss for the period		-	-	-	-	(3,553)	(1,250)	(4,803)	(217,141)	(221,944)
Share issuance costs	6	-	-	-	-	-	-	-	-	-
Modification to warrants	6	-	13,962	-	(13,962)	-	-	(13,962)	-	-
Forfeited options	6	-	-	(14,038)	-	-	-	(14,038)	14,038	-
Share-based payments		-	-	86,861	-	-	-	86,861	-	86,861
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		-	-	-	-	24,911	(9,375)	15,536	(630,732)	(615,196)
Obligation to issue shares	5(c)	-	-	-	-	-	-	506,498	-	506,498
Modification to warrants	6	-	(141,890)	-	141,890	-	-	141,890	-	-
Forfeited options	6	-	-	(15,588)	-	-	-	(15,588)	15,588	-
Share-based payments		-	-	148,012	-	-	-	148,012	-	148,012
Balance, July 31, 2014		212,622,505	8,572,275	857,558	281,972	13,289	(21,875)	1,637,442	(5,157,667)	5,052,050

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)

	Nine months ended July 31,	
	2014	2013
	\$	\$
Operations:		
Net loss for the period	(630,732)	(762,713)
Items not involving cash:		
Depreciation	683	5,613
Share-based payments	148,012	322,786
Recovery of exploration and evaluation assets	-	(66,250)
Changes in non-cash working capital items:		
Amounts receivable	13,023	(2,282)
Prepaid expenses, deposits and advances	(24,464)	(7,134)
Trade payables and accrued liabilities	(25,577)	3,362
	<u>(519,055)</u>	<u>(506,618)</u>
Financing:		
Share issued for cash	-	4,500,000
Share issuance costs	-	(92,878)
Repayment of advances payable	(5,088)	511,586
	<u>(5,088)</u>	<u>4,920,058</u>
Investing:		
Purchase of equipment	(59,940)	(46,448)
Property option payment received	-	50,000
Exploration and evaluation assets	(1,664,072)	(980,162)
	<u>(1,724,012)</u>	<u>(976,610)</u>
Effect of foreign exchange on cash flows	24,453	2,838
Increase (decrease) in cash and cash equivalents	(2,223,702)	3,439,668
Cash and cash equivalents, beginning of period	2,888,401	205,074
Cash and cash equivalents, end of period	<u>664,699</u>	<u>3,644,742</u>
Supplementary information:		
Reclassification of advances payable to obligation to issue shares (Note 5(c))	506,498	-
Marketable securities received for exploration and evaluation assets (Note 5)	-	16,250
Exploration and evaluation asset expenditures in trade payables and accrued liabilities	53,578	7,220
Depreciation in exploration and evaluation assets	25,225	10,172
Forfeited warrants and options	15,588	47,292
Warrants modification	141,890	122,287
Cash and cash equivalents consist of:		
Cash	626,699	604,742

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

Guaranteed investment certificates

35,000

3,040,000

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 Nine Months Ended July 31, 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 July 31, 2014 of \$645,544 (October 31, 2013 – \$2,000,177) and accumulated deficit of \$5,157,667. 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 Nine Months Ended July 31, 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 September 17, 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

	July 31, 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))	9,375	31,250	(21,875)	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	8,201	6,202	45,537	59,940
Foreign exchange	12	(89)	163	86
Balance, July 31, 2014	49,394	26,745	96,648	172,787

Ultra Lithium Inc.

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

Three and Nine Months Ended July 31, 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	10,847	3,329	11,732	25,908
Foreign exchange	(19)	(83)	(270)	(372)
Balance, July 31, 2014	24,160	5,309	32,096	61,565
Net Book Value:				
October 31, 2013	27,849	18,569	30,314	76,732
July 31, 2014	25,234	21,436	64,552	111,222

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 Nine Months Ended July 31, 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	-	-	25,225	25,225
Drilling	-	-	548,475	548,475
Geology and geophysics	-	18,000	196,113	214,113
Licenses, permits, claim fees and taxes	-	-	83,915	83,915
Office, rent and administration	-	-	151,639	151,639
Professional fees	-	4,291	29,317	33,608
Wages and contract labor	-	-	318,152	318,152
	-	22,291	1,352,836	1,375,127
Foreign exchange	-	23,920	(39,590)	(15,670)
Balance, July 31, 2014	-	717,399	3,577,885	4,295,284

(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 Nine Months Ended July 31, 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.

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.

Ultra Lithium Inc.

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

Three and Nine Months Ended July 31, 2014 and 2013
(Unaudited)

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

(c) Mining Concessions, Serbia (Continued)

During the year ended October 31, 2013, the Company received the initial contribution from BZMI of \$511,586 (US\$500,000) (“Contribution”) and recorded the amount as advances payable. During the nine months ended July 31, 2014, the Company repaid \$5,088 to BZMI and reclassified \$506,498 from advances payable to reserves as obligation to issue shares.

Subsequent to July 31, 2014, the Company terminated the option agreement with BZMI and BZMI agreed to subscribe and place its Contribution in the Company’s private placement financing (Note 10).

NOTE 6 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At July 31, 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 July 31, 2014	76,690,000	0.10

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

Ultra Lithium Inc.

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

Three and Nine Months Ended July 31, 2014 and 2013
(Unaudited)

NOTE 6 – SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants (Continued)

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

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

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

⁽³⁾ During the nine months ended July 31, 2014, the expiry date of 20,000,000 warrants was extended for another 3 years expiring July 9, 2017 and September 10, 2017, respectively. The Company calculated the incremental increase in the fair value of the warrant extension to be \$141,890 using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 97.85%; risk-free interest rate – 1.10%; expected life – 2 years. The Company recorded the fair value of the modified warrants as a capital transaction, with a charge to share capital and reserve.

(e) Stock Options

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

Ultra Lithium Inc.

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

Three and Nine Months Ended July 31, 2014 and 2013
(Unaudited)

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	0.05
Granted	11,700,000	0.05
Forfeited/Expired	(1,521,000) ⁽¹⁾	0.05
Balance, October 31, 2013	16,820,000	0.05
Forfeited	(400,000) ⁽²⁾	0.05
Balance, July 31, 2014	16,420,000	0.05

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

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

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

Shares #	Exercise Price Per Share \$	Expiry Date	Exercisable #
600,000	0.05 ⁽¹⁾	November 1, 2017	525,000
10,150,000	0.05 ⁽¹⁾	April 19, 2018	10,150,000
660,000	0.05 ⁽¹⁾	May 12, 2018	660,000
200,000	0.05 ⁽¹⁾	May 28, 2018	200,000
250,000	0.05 ⁽¹⁾	October 11, 2018	156,250
1,160,000	0.05 ⁽¹⁾	February 5, 2019	1,160,000
200,000	0.05 ⁽¹⁾	June 3, 2019	200,000
50,000	0.05 ⁽¹⁾	August 14, 2019	50,000
300,000	0.05 ⁽¹⁾	January 14, 2020	300,000
300,000	0.05 ⁽¹⁾	June 23, 2020	300,000
200,000	0.05 ⁽¹⁾	September 1, 2020	200,000
670,000	0.05 ⁽¹⁾	October 13, 2020	670,000
1,530,000	0.05 ⁽¹⁾	January 24, 2021	1,530,000
150,000	0.05 ⁽¹⁾	February 14, 2021	150,000
16,420,000			16,326,250

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

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NOTE 6 – SHARE CAPITAL AND RESERVES (Continued)

(e) Stock Options (Continued)

During the nine months ended July 31, 2014, the Company amended the terms of an aggregate of 16,420,000 stock options previously granted to employees, directors and consultants of the Company. These options had original exercise prices between \$0.10 and \$0.11 per share with expiry dates between 2017 and 2023 and were amended to have an exercise price of \$0.05 per share. The repricing of non-insider options resulted in the recognition of additional share-based payments of \$93,772 during the nine months ended July 31, 2014. Subsequent to July 31, 2014, the repricing of stock options held by insiders was further approved by the disinterested shareholders of the Company.

During the nine months ended July 31, 2014, under the fair-value-based method, \$54,240 (2013 – \$322,786) 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 nine months ended July 31, 2014 was \$Nil (2013 - \$0.05) per option.

NOTE 7 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

	Three months ended July 31,		Nine months ended July 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Legal fees (i)	4,982	3,379	7,715	5,454
Office, rent and administration ⁽¹⁾ (ii)	30,125	18,750	105,125	66,450
	35,107	22,129	112,840	71,904

⁽¹⁾ Of these fees, \$31,500 (nine months ended July 31, 2013 - \$28,100) was allocated to the CFO of the Company (Note 7(b)).

Ultra Lithium Inc.

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NOTE 7 – RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

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

	Three months ended July 31,		Nine months ended July 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Office, rent and administration	-	2,500	-	24,600

(b) Compensation of key management personnel

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

	Three months ended July 31,		Nine months ended July 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Short-term benefits ⁽¹⁾	46,500	46,500	139,500	107,350
Share-based payments ⁽²⁾	614	44,013	35,845	92,264
	47,114	90,513	175,345	199,614

⁽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:

	July 31, 2014	October 31, 2013
	\$	\$
A director and officer of the Company (i)	411	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

Ultra Lithium Inc.

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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
	<u>59,452</u>

NOTE 9 – SEGMENTED INFORMATION

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

July 31, 2014	Canada	United States	Serbia	Total
	\$	\$	\$	\$
Current assets	567,534	201	154,643	722,378
Equipment	24,526	-	86,696	111,222
Exploration and evaluation assets	-	567,277	3,728,007	4,295,284
	<u>592,060</u>	<u>567,478</u>	<u>3,969,346</u>	<u>5,128,884</u>

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
	<u>2,418,080</u>	<u>672,008</u>	<u>2,866,485</u>	<u>5,956,573</u>

NOTE 10 – SUBSEQUENT EVENT

Subsequent to July 31, 2014, the Company closed a non-brokered private placement of 20,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$1,000,000.