

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)

FINANCIAL STATEMENTS

September 30, 2005 and 2004

AUDITORS' REPORT

BALANCE SHEETS

STATEMENTS OF LOSS AND DEFICIT

STATEMENTS OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

MOEN AND COMPANY

CHARTERED ACCOUNTANTS

Member:

Canadian Institute of Chartered Accountants
Institute of Chartered Accountants of British Columbia
Institute of Management Accountants (USA) (From 1965)

Registered with:

Public Company Accounting Oversight Board (USA) (PCAOB)
Canadian Public Accountability Board (CPAB)
Canada - British Columbia Public Practice Licence

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AUDITORS' REPORT

To the Shareholders of
Universal Uranium Ltd.

We have audited the Balance Sheets of Universal Uranium Ltd. (formerly Blue Lightning Ventures Inc.) as at September 30, 2005 and September 30, 2004, and the Statements of Income and Retained Earnings (Deficit), and Cash Flows for the years ended September 30, 2005 and September 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and September 30, 2004, and the results of its operations and its cash flows for the years ended September 30, 2005 and September 30, 2004 in accordance with Canadian generally accepted accounting principles.

“Moen and Company”

Chartered Accountants

Vancouver, British Columbia, Canada
January 27, 2006

“Independent Accountants and Auditors”

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
BALANCE SHEETS
September 30, 2005
(With Comparative Figures at September 30, 2004)
(In Canadian Dollars)

| ASSETS | <u>2005</u> | <u>2004</u> |
|------------------------------------------------------------|-------------------------|-----------------------|
| Current Assets | | |
| Cash | \$ 293,529 | \$ 44,455 |
| GST receivables | 26,361 | 12,623 |
| Security Deposits | 23,000 | 5,750 |
| Due from related party (Note 7) | 12,729 | - |
| Prepaid expense (Note 3) | <u>2,504</u> | <u>108,300</u> |
| | <u>358,123</u> | <u>171,128</u> |
| Fixed Assets (Note 4) | 29,508 | 3,277 |
| Mineral Properties (Note 5) | <u>1,989,781</u> | <u>272,500</u> |
| TOTAL ASSETS | <u>\$ 2,377,412</u> | <u>\$ 446,905</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 40,108 | \$ 6,011 |
| Loans from related parties (Note 7) | <u>-</u> | <u>194,928</u> |
| | <u>40,108</u> | <u>200,939</u> |
| Shareholders' Equity | | |
| Share capital (Note 6) | 7,027,925 | 4,246,525 |
| Contributed surplus (Note 9) | 665,500 | - |
| Deficit, accumulated during the development stage (Note 1) | <u>(5,356,121)</u> | <u>(4,000,559)</u> |
| | <u>2,337,304</u> | <u>245,966</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 2,377,412</u> | <u>\$ 446,905</u> |

Going concern: Note 1
Subsequent Events: Note 10

APPROVED ON BEHALF OF THE BOARD:

Clive Massey (Signed)

Steven Chan (Signed)

The accompanying notes are an integral part of these financial statements

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
STATEMENTS OF INCOME (LOSS) AND DEFICIT
For the Year Ended September 30, 2005
(With Comparative Figures for the Year Ended September 30, 2004)
(In Canadian Dollars)

| | Year Ended September 30 | |
|------------------------------------------------|--------------------------------|--------------------|
| | <u>2005</u> | <u>2004</u> |
| General and Administration Expenses | | |
| Amortization | \$ 9,366 | \$ 900 |
| Bank charges | 1,069 | 456 |
| Consulting fees (Note 7) | 74,311 | 11,000 |
| Corporate and administration fees | 8,427 | - |
| Filing and transfer agent fees | 39,345 | 10,059 |
| Legal, accounting and audit fees | 62,448 | 4,393 |
| Management fees (Note 7) | 80,000 | 60,000 |
| Office rent, services and supplies | 27,289 | 34,537 |
| Property investigation | 1,979 | - |
| Salaries and Benefits | 16,414 | - |
| Shareholders communication, travel & promotion | 97,064 | 13,534 |
| | <u>(417,712)</u> | <u>(134,879)</u> |
| Other (expenses) income | | |
| Interest income | 734 | 646 |
| Foreign exchange gain (loss) | (584) | - |
| | <u>(417,562)</u> | <u>(134,233)</u> |
| Loss before other items | (417,562) | (134,233) |
| Other items | | |
| Stock-based compensation (Note 6c) | 665,500 | - |
| Write-off of mineral property | 272,500 | - |
| | <u>(938,000)</u> | <u>-</u> |
| Net loss for the year | (1,355,562) | (134,233) |
| Deficit, beginning of the year | (4,000,559) | (3,866,326) |
| Deficit, end of the year | <u>(5,356,121)</u> | <u>(4,000,559)</u> |
| Loss per share – Basic and diluted | <u>(0.09)</u> | <u>(0.01)</u> |
| Weighted Average Number of Shares Outstanding | 15,179,726 | 11,687,218 |
| - Basic and diluted | | |

The accompanying notes are an integral part of these financial statements

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2005
(With Comparative Figures for the Year Ended September 30, 2004)
(In Canadian Dollars)

| | Year Ended September 30 | |
|-----------------------------------------------|--------------------------------|----------------------|
| | <u>2005</u> | <u>2004</u> |
| Operating Activities | | |
| Net loss for the year | (1,355,562) | (134,233) |
| Items not involving cash: | | |
| Amortization | 9,366 | 900 |
| Stock based compensation | 665,500 | - |
| Write-off of mineral property | 272,500 | - |
| | <u>(408,196)</u> | <u>(133,333)</u> |
| Changes in non-cash working capital balances: | | |
| GST receivable | (13,738) | (2,491) |
| Security deposits | (17,250) | - |
| Prepaid expense | 105,796 | - |
| Accounts payable and accrued liabilities | 34,097 | (63,455) |
| | <u>108,905</u> | <u>(65,946)</u> |
| Cash (used for) operations | <u>(299,291)</u> | <u>(199,279)</u> |
| Financing Activities | | |
| Issue of share capital | 1,171,400 | - |
| Loans from related parties | (207,657) | 130,429 |
| Cash provided by financing activities | <u>963,743</u> | <u>130,429</u> |
| Investing Activities | | |
| Investment in mineral properties | (379,781) | - |
| Purchase of capital assets | (35,597) | - |
| Cash (used for) investing activities | <u>(415,378)</u> | <u>-</u> |
| Increase (Decrease) in cash | <u>249,074</u> | <u>(68,850)</u> |
| Cash, beginning of the year | <u>44,455</u> | <u>113,305</u> |
| Cash, end of the year | <u><u>293,529</u></u> | <u><u>44,455</u></u> |
| Supplemental disclosure: | | |
| Significant non-cash transactions | | |
| - Shares issued for property (Note 5) | \$ 1,610,000 | |

The accompanying notes are an integral part of these financial statements

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

Note 1. NATURE AND CONTINUANCE OF OPERATIONS

Universal Uranium Ltd.. (the "Company") was incorporated on February 6, 1986, in the name of Atlas Resources Ltd. and had further name changes on March 13, 1987 to Tatlar Resources Ltd., to Opact Resources Ltd. on July 22, 1991, to Blue Lightning Ventures Inc. on July 21, 1999, and to Universal Uranium Ltd on April 29, 2005. The Company is in the development stage relating to exploration and development of mineral properties and has not generated any revenues from its planned operations. The deficit has been accumulated during this development stage.

These financial statement have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since inception of \$5,356,5921 and has working capital at September 30, 2005 of \$318,015. These factors create substantial doubt as to the ability of the Company to continue as a going concern unless sufficient funds are raised for the payment of its current liabilities and for ongoing operations. The Company proposes to raise funds by private placements (see Note 10). Realization values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

Note 2. SIGNIFICANT ACCOUNTING POLICIES

a) Fixed assets and amortization

Fixed assets are recorded at cost and amortized over their estimated useful lives. Amortization is provided on a declining balance method at the following rates:

| | |
|--------------------|-----|
| Office equipment | 20% |
| Computer equipment | 30% |

b) General and administration expenses

General and administration expenses are written off to operations as incurred.

c) Financial Instruments

The Company's financial instruments consist of cash, GST receivable and current liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

d) Translation of Foreign Currency

The accounts of the Company are translated into Canadian dollars on the following basis:

- * monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date;
- * non-monetary assets and liabilities are translated at the rate prevailing when the transaction occurred;
- * revenue, general & administration expenses, and gains and losses are translated at the average exchange rate in effect during the period;
- * exchange gains or losses from conversion are included in the current net income;
- * depreciation or amortization of assets translated at historical exchange rates are translated at the same exchange rates as the assets to which they relate.

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

e) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect certain reported amounts and disclosures. Estimates are used for, but are not limited to, the accounting for doubtful accounts, amortization, income taxes, and the recoverability of non-producing mining property capitalized costs and deferred exploration expenditures. Actual results may differ from those estimates.

f) Stock-based compensation plan

Effective January 1, 2002 the Company adopted, on a prospective basis, CICA HB 3870 stock-based compensation and other stock-based payments, which established standards for the recognition, measurement, and disclosure of stock-based payments made in exchange for goods and services. Stock-based compensation and other stock-based payments require that stock-based payments to non-employees be accounted for using a fair value based method of accounting.

Effective January 1, 2004, pro forma disclosure was no longer permitted and the fair value of all stock options granted must be accounted for. The Company has voluntarily adopted the new policy for this fiscal year ended September 2005.

The stock-based compensation expense is recorded as one total amount and classified as "Stock-based compensation" in the Statement of Income (Loss). The allocation to the applicable expenditure classification is disclosed in Note 6c.

g) Cash

Cash as at September 30, 2005 consists of \$293,529 cash deposit in bank and \$23,000 as a security deposit for credit card purchases.

h) Mineral Properties and Deferred Exploration Costs

Acquisition costs of mineral properties and deferred exploration costs are capitalized by the Company. Mineral property sale proceeds or option payments received for exploration rights are credited firstly to mineral property costs, secondly, as a recovery of deferred exploration costs, and thereafter, recognized as a gain or loss in current operations.

i) Values

The amounts for deferred exploration costs and mineral properties represent costs incurred to date and are not intended to reflect present or future values. The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent on the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development, including compliance with the requirements of lenders who may provide this financing from time to time, and upon future profitable operations.

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

j) Asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

k) Income taxes

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed on a regular basis and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

l) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the stock options and warrants that are used to purchase common shares at the average market price during the year. During the years ended September 30, 2005 and 2004, all of the outstanding stock options and warrants were antidilutive.

m) Accounting estimates

Generally accepted accounting principles require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the expected economic lives of and the estimated future operating results and net cash flows from mineral properties, plant and equipment, the anticipated costs of assets retirement obligations including the reclamation of mine sites and the computation of stock-based compensation.

Note 3. PREPAID EXPENSE

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

In the previous year ended September 30, 2004, the Company reported prepaid expense of \$108,300 as an advance for exploration work to be undertaken for the Company. During the first quarter ended December 31, 2004, the funds were refunded to the Company.

The current balance in prepaid expenses (\$2,504.20) is one month's rent deposit. There is no lease as rent is paid on a month to month basis.

Note 4. FIXED ASSETS

| | September 30, 2005 | | |
|--------------------|--------------------|------------------|------------------|
| | Accumulated | | |
| | Cost | Amortization | Net |
| Computer equipment | \$ 17,795 | \$ 6,649 | 11,146 |
| Office equipment | 23,682 | 5,320 | 18,362 |
| | <u>\$ 41,477</u> | <u>\$ 11,969</u> | <u>\$ 29,508</u> |

| | September 30, 2004 | | |
|--------------------|--------------------|-----------------|-----------------|
| | Accumulated | | |
| | Cost | Amortization | Net |
| Computer equipment | \$ 4,680 | \$ 1,872 | 2,808 |
| Office equipment | 1,199 | 730 | 469 |
| | <u>\$ 5,879</u> | <u>\$ 2,602</u> | <u>\$ 3,277</u> |

Note 5. MINERAL PROPERTIES

MT Spencer Property, British Columbia

By agreement dated January 11, 2000 and amended May 24, 2000, the Company acquired a 97% undivided interest in six mineral claims known as MT Spencer Property, located in the Port Alberni-Nitinat River area of Vancouver Island for the amount of \$204,500.

During the year ended September 30, 2005, there had been no exploration activity on the MT Spencer Property and accordingly, by directors' resolution dated September 29, 2005, the Company wrote-off \$272,500, composed of the acquisition cost of \$204,500 and deferred exploration costs of \$68,000 during the current year.

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

Note 5. MINERAL PROPERTIES (continued)

Lisbon Valley Property, Utah

On April 19, 2005, in an arms length transaction the Company agreed, subject to regulatory approval, to acquire 100 per cent leasehold interest in over 7300 acres in a Lisbon Valley Uranium Property located in San Juan County, southeastern Utah. The property consists of two contiguous claim blocks encompassing 302 unpatented lode mining claims. These claims cover the downthrown side of the Lisbon Valley anticline. The claims are located on the northeastern side of the main Lisbon fault, and extend from the southern edge of the former Lisbon Mine for a distance of more than six miles to the southeast.

The Company's objective is to commence geological work on the property with a view to identifying high potential drill targets.

The Company will acquire its interest in this property by way of two mining lease agreements each with initial terms of 5 years, which may be extended at the Company's election for unlimited further periods of 10 years each. Under the terms of the lease agreements, the Company has reimbursed the costs of staking and related transaction costs of \$156,735 (US\$126,171), and will issue to Mayan Minerals Ltd. of Vancouver, B.C. a total of 3,500,000 common shares upon acceptance for filing of the lease agreements by the TSX Venture Exchange. The Company is also required to maintain and keep the leases in good standing and the Company must pay the required annual Bureau of Land Management maintenance fees and state land fees (approximately US\$40,000), and make annual rental payments to Mayan totaling US\$50,000 in each of the first two years of the agreements and thereafter US\$100,000 until the property is placed into production. Once production has commenced, the Company has agreed to pay Mayan a minimum US\$100,000 per year royalty, calculated, for uranium, as a fluctuating percentage of the value of uranium recovered based on the price of uranium and, for other metals, at 3% of the net returns from other metals recovered. Annual rental payments will be credited against any royalty that ultimately becomes due. The lease agreements also permit certain deductions from any royalty amount payable to Mayan if the Company is required to pay U.S. federal or state royalties.

On June 2, 2005, the TSX Venture Exchange accepted for filing: (i) an agreement (the 'MVD Agreement'), dated April 8, 2005, between the Company, Mayan Minerals Ltd. ('Mayan') (a private British Columbia company 100% owned by R. Terry Heard of Vancouver) and Kee Nez Resources LLC ('Kee Nez') (a private Utah company that is wholly-owned by Mayan), pursuant to which the Company has agreed to acquire by lease a 100% interest in the 'MVD Claims'; and (ii) an agreement (the 'CAS Agreement'), dated April 14, 2005, between the Company, Mayan and Kee Nez, pursuant to which the Company has agreed to acquire by lease a 100% interest in the 'CAS Claims'. The MVD Claims and the CAS Claims (collectively, the 'Property') consist of an aggregate of 302 unpatented lode mining claims covering 7,300 acres located San Juan County, Utah. The Property is an exploration stage mineral resource property.

In consideration for the acquisition of its interest in the Property, the Company must: (i) issue an aggregate of 3,500,000 (issued) common shares to Mayan within five days of Exchange acceptance of the transaction; and (ii) make aggregate rental payments to Mayan of US\$400,000 over a three year period. When and if production commences on the Property, the Company has agreed to a sliding scale royalty to Mayan based on the price per pound of uranium. The minimum annual royalty payment will be US\$100,000.

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

Note 5. MINERAL PROPERTIES (continued)

There is no finder's fee payable in respect of the aforementioned transaction.

Lisbon Valley Property, Utah

| | | |
|----------------------------------------------------------------|----|-----------|
| Acquisition Costs | | |
| - Costs of staking and related transaction costs (US\$126,171) | \$ | 156,735 |
| - Due upon signing of agreement (US\$50,000) | | 62,757 |
| - Shares (3,500,000 shares @ \$0.46) | | 1,610,000 |
| <hr/> | | |
| Total acquisition cost | \$ | 1,829,492 |
| <hr/> | | |
| Deferred exploration costs | | |
| - Claims staking & maintenance | \$ | 46,358 |
| - Consulting fees | | 49,469 |
| - Field work | | 686 |
| - General & admin | | 2,880 |
| - Legal fees | | 37,345 |
| - Maps & reports | | 6,730 |
| - Site visits | | 9,422 |
| - Vehicle rental | | 7,399 |
| Total deferred exploration costs | | 160,289 |
| <hr/> | | |
| Total acquisition and deferred exploration costs | \$ | 1,989,781 |

Note 6. SHARE CAPITAL

- a) Authorized: No maximum common shares without par value (On April 29, 2005, the Company filed a "Notice of Alteration" increasing the authorized common shares from 100,000,000 to no maximum.

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

Note 6. SHARE CAPITAL (continued)

b) Issued and outstanding:

| | Year Ended September 30 | | | |
|-----------------------------------------------------------------------|-------------------------|---------------------|-------------------|---------------------|
| | 2005 | | 2004 | |
| | Shares | \$ | Shares | \$ |
| | Number | Amount | Number | Amount |
| Unchanged balance from September 30, 2002 to September 30, 2004 | 11,687,218 | \$ 4,246,525 | 11,687,218 | \$ 4,246,525 |
| Issued during the year ended September 30, 2005: | | | | |
| Private placement @ \$0.20 | 3,000,000 | 600,000 | | |
| Private placement @ \$0.56 | 350,714 | 196,400 | | |
| Warrants exercised @ \$0.25 | 1,500,000 | 375,000 | | |
| Property agreement @ \$0.46 | 3,500,000 | 1,610,000 | | |
| | <u>8,350,714</u> | <u>2,781,400</u> | | |
| Balance, September 30, 2005 and 2004 | <u>20,037,932</u> | <u>\$ 7,027,925</u> | <u>11,687,218</u> | <u>\$ 4,246,525</u> |

c) Stock options:

Stock options are granted at an exercise price set in accordance with regulatory policies, and may not be granted at an exercise price of less than \$0.10 per share. Stock options have a maximum term of five years.

A summary of the Company's outstanding stock options as at September 30, 2005 and the changes during the period is presented below:

| | Expiry date | Number | Weighted average |
|-----------------------------------|--------------------|------------------|------------------|
| Outstanding at September 30, 2004 | | - | - |
| Granted | December 21, 2009 | 1,100,000 | \$0.20 |
| Granted | June 21, 2010 | 900,000 | \$0.52 |
| Granted | September 11, 2010 | 3,500 | \$0.52 |
| Outstanding at September 30, 2005 | | <u>2,003,500</u> | <u>\$0.34</u> |

As disclosed in Note 2, effective the fiscal year ending September 30, 2005, the Company has adopted the new policy to record the fair value of compensation expense on the granting of stock options using the Black-Scholes model. On December 21, 2004, the Company recorded a compensation charge of \$352,000 as the fair value of the 1,100,000 stock options granted. On June 22, 2005, the Company recorded an additional compensation charge of \$313,500 as the fair value of the 900,000 stock options granted, for a total stock-based compensation of \$665,500 for the year ended September 30, 2005.

The fair values of the options granted are estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating fair value are as follows:

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

Note 6. SHARE CAPITAL (continued)

c) Stock options:

| | | |
|------------------------------------------------|-----------|---------|
| Number of Options granted | 1,100,000 | 900,000 |
| Weighted average fair value of options granted | \$0.32 | \$0.37 |
| Expected dividend yield | 0.0% | 0.0% |
| Expected volatility | 197% | 89.47% |
| Risk-free interest rate | 4.5% | 4.5% |
| Expected term in years | 5 | 5 |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Stock-based compensation charges are expensed for stock options granted with a corresponding increase to contributed surplus. Upon exercise of stock options, consideration paid on the exercise of stock options for the purchase of stock, together with the amount previously recognized in contributed surplus, is credited to share capital.

The allocation of stock-based compensation expense is as follows:

| | | |
|-----------------------------------------------|-----------|----------------|
| Consulting fees | \$ | 424,750 |
| Corporate and administration | | 16,650 |
| Legal and accounting | | 7,400 |
| Management fees | | 216,700 |
| <u>Total stock-based compensation expense</u> | <u>\$</u> | <u>665,500</u> |

d) Private Placements

On February 3, 2005, the Company closed the previously announced private placement of up to 3,000,000 units at \$0.20 each. Each unit consisted of one common share and one half of a six-month non-transferable share purchase warrant. Each full warrant entitles the holder to acquire an additional common share of the Company for \$0.25. The proceeds of the private placement will be used for mineral property investigation and acquisition costs and general working capital.

On April 4, 2005, the Company closed the previously announced private placement of 350,714 units at \$0.56 each. Each unit consisted of one common share and one six-month non-transferable share purchase warrant. Each full warrant entitles the holder to acquire an additional common share of the Company at \$0.70. The proceeds of the private placement will be used for mineral property investigation and acquisition costs and general working capital.

Note 6. SHARE CAPITAL (continued)

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

d) Private Placements (continued)

On September 27, 2005, the Company had arranged a non-brokered private placement consisting of up to 2,275,000 units at \$0.44 per unit, for total proceeds of \$1,001,000. Each unit consists of one common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company at a price per common share of \$0.55 for a period of one year. Proceeds of the financing will be used for the execution of a drilling program on the Company's Lisbon Valley Uranium Property in San Juan County, Utah and for general working capital. A finder's fee will apply in this transaction in accordance with the policies of the TSX Venture Exchange.

As at September 30, 2005, this private placement had not closed (See Subsequent Events – Note 10).

e) Share Purchase Warrants

Share purchase warrant transactions and the number of share purchase warrants outstanding, are summarized as follows:

| | Number | Exercise price per share | Expiry Date |
|------------------------------------------|----------------|-----------------------------|-------------|
| Outstanding at September 30, 2004 | - | - | |
| Granted | 1,500,000 | \$0.25 | 03-Aug-05 |
| Granted | 350,714 | \$0.70 | 04-Oct-05 |
| Exercised | (1,500,000) | \$0.25 | |
| <u>Outstanding at September 30, 2005</u> | <u>350,714</u> | | |

Note 7. RELATED PARTY TRANSACTIONS

- (a) Loans from related parties of \$194,928 were paid during the year ended September 30, 2005.
- (b) During the current year, the president and director received an advance of \$12,500. The advance is due in six months and bears interest at 10% per annum. The accrued interest as at the end of the year was \$229 (See Subsequent Events – Note 10).
- (c) During the current year, the Company was charged the following amounts by directors/officers and former directors/officers and/or by companies controlled by the directors:

| | | <u>Year Ended September 30</u> | |
|-----------------|----|--------------------------------|---------------|
| | | <u>2005</u> | <u>2004</u> |
| Management fees | \$ | 80,000 | 60,000 |
| Consulting fees | | 43,869 | - |
| Office rent | | 6,000 | 18,000 |
| <u>Total</u> | | <u>129,869</u> | <u>78,000</u> |

Note 8. INCOME TAXES

UNIVERSAL URANIUM LTD.
(Formerly Blue Lightning Ventures Inc.)
Notes to Financial Statements
September 30, 2005

Potential benefits of future tax assets have not been recognized in these financial statements as valuation allowances eliminate any future tax assets. The Company cannot be assured, it is more likely than not, it will utilize the net operating losses carried forward to future years.

Note 9. CONTRIBUTED SURPLUS

| | | |
|-------------------------------------------------------------------|-----------|----------------|
| Balance, September 30, 2004 | \$ | Nil |
| Stock based compensation during the year ended September 30, 2005 | | 665,500 |
| <u>Balance, September 30, 2005</u> | <u>\$</u> | <u>665,500</u> |

Note 10. SUBSEQUENT EVENTS

Subsequent to the year-end the following events occurred:

- a) The advance due from a director of \$12,729, which included interest of \$229, was paid in full.
- b) 314,714 share purchase warrants with an exercise price of \$0.70 per share expired.
- c) A non-brokered private placement for 2,274,988 units at \$0.44 per unit, for total proceeds of \$1,000,999, was finalized. Each unit consists of one common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.55 per common share for one year. Proceeds of the financing will be used in the drilling program on the Company's Lisbon Valley Uranium Project, in San Juan County, Utah. A finder's fee of \$42,946 cash plus 5,409 units applied to the transaction.
- d) The Company announced that the Utah Bureau of Land Management had issued all necessary permits required to drill the Company's Lisbon Valley Uranium Property.
- e) The Company paid a reclamation surety of \$99,948 (US\$84,000) to the State of Utah, Department of Natural Resources, Division of Oil Gas and Mining, applicable to exploration activities after September 30, 2005 on the Lisbon Valley Uranium Property.
- f) The Company announced that it had optioned, from Silver Spruce Resources ("Spruce"), the right to earn a majority interest in their 4,963 claim property (approximately 124,000 hectares / 300,000 acres), in the Central Mineral Belt (CMB) of Labrador, Canada. Under the terms of the agreement, Universal can earn a 60-per-cent interest by spending \$2-million on exploration over a three year period with a minimum of \$500,000 the first year and \$750,000 each of the following two years. During the earn-in period, Spruce will be the operator.