ULTRA LITHIUM INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended April 30, 2016 and 2015

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Three and six months ended April 30, 2016 and 2015
July 4, 2016

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 three and six months ended April 30, 2016 and 2015 and is prepared as of July 4, 2016. The MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended April 30, 2016 and 2015 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.

On September 18, 2015 the Company completed a 10:1 share consolidation. All share and per share amounts are stated on a post-consolidation basis.

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. 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, 2016, the Company has interests in the following resource properties:

(a) Georgia Lake Property, Ontario

During the year ended October 31, 2015, the Company staked certain claims in Ontario for $16,018.

(b) South Big Smoky 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 Smoky 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 additional claims in the South Big Smoky Valley area for $90,701.

During the year ended October 31, 2015 the Company paid $143,946 in annual licence fees for the property.

During the three and six months ended April 30, 2016 the Company incurred exploration costs totalling $161,184 and $176,381(2015- $nil and nil) and staked additional claims in the South Big Smoky Valley area for $60,270 and $60,270 (2015 - $nil and $nil).

(c) Mining Concessions, Serbia

The Company held mineral exploration licenses ("ELs") for the following mineral prospects in the Republic of Serbia through Ultra Balkans DOO. The Company has not renewed the licences which expired in June 2015, September 2015 and April 1, 2016.

	Expiration date
Blace	April 1, 2016
Trnava	September 12, 2015
Kragujevac	September 12, 2015
Preljina	June 25, 2015
Ladevci	June 25, 2015
Valjevo	June 20, 2015
Koceljeva	June 25, 2015

As at October 31, 2015, the Company determined that it will no longer pursue exploration work on the property. Accordingly, the Company recorded an impairment of $3,542,640 related to this property (2014 - $492,333).

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 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, 2016 the Company had working capital of $552,807 (October 31, 2015 - working capital deficit $479,631) and an accumulated deficit of $9,812,826 (October 31, 2015 - $9,228,302). On November 26, 2015 the Company completed a private placement of 17,570,000 units for gross proceeds of $900,000. On March 30, 2016 the Company completed a private placement of 5,000,000 units for gross proceeds of $500,000. 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 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 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 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.

Selected Annual Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited financial statements of the Company for the years ended October 31, 2015, 2014 and 2013 prepared in accordance with IFRS. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

	2015	2014	2013
Interest income	$4,543	$9,869	$23,464
Net Loss	$4,146,987	$1,468,205	$979,854
Loss per share	$0.18	$0.07	$0.01
Total assets	$1,290,913	$4,859,374	$5,956,573
Total long term liabilities	$Nil	$Nil	$Nil
Cash dividends declared per share for each class of share	$Nil	$Nil	$Nil

Results of Operations

During the three and six months ended April 30, 2016, the Company incurred a net loss of $515,697 and 584524 (2015 - $230,044 and 442,978). Consulting fees decreased to $4,225 and $4,225 (2015 - $40,062 and $93,676) due to reduced services in relation to evaluation of a potential exploration projects. Management fees decreased to $15,000 and $30,000 (2015 - $36,000 and $75,000). Share-based consulting fees increased to $171,600 and $171,600 (2015 - $118 and $366) due to the grant of options to certain directors and consultants during the period. The decrease was due to the resignation of the former CEO. Professional fees increased to $24,586 and $47,782 (2015 - $18,053) primarily due to accounting fees charged by the new CFO. Travel and promotion decreased to $7,807 (2015 - $10,643 and $28,696). Office, rent and administration decreased to $20,846 and $43,595 (2015 - $38,901 and $104,982) as a result of the termination of the office lease and reduction in related costs and the termination of services by the former CFO. Share-based management fees increased to $208,091 and $208,091 (2015 - $nil and $nil) due to the grant of options to certain officers during the period.

Foreign exchange loss was $41,158 and $33,379 (2015 - $50,663 and $46,588). The change was a result of the strengthening of the Canadian dollar compared to the US dollar, and strengthening of the Canadian dollar compared to the Euro and Serbian dinar over the period. 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, 2016	Nil	(515,697)	(0.01)	2,170,427	Nil	Nil
January 31, 2016	Nil	(68,827)	(0.00)	1,721,881	Nil	Nil
October 31, 2015	Nil	(3,787,607)	(0.17)	1,290,913	Nil	Nil
July 31, 2015	Nil	140,927	0.01	4,657,776	Nil	Nil
April 30, 2015	Nil	(230,044)	(0.01)	4,487,571	Nil	Nil
April 30, 2015	Nil	(270,263)	(0.01)	4,813,295	Nil	Nil
October 31, 2014	Nil	(837,473)	(0.04)	4,859,374	Nil	Nil
July 31, 2014	Nil	(397,121)	(0.02)	5,128,884	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 properties 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 options due to the resulting stock-based compensation charges which may be significant when they arise. 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. 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 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, 2016 were held for working capital purposes and were held with major Canadian chartered banks. 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, 2016, the Company had working capital of $552,807 and cash and cash equivalents of $655,776 compared to a working capital deficit of $479,631 and cash and cash equivalents of $16,196 at October 31, 2015. Cash and cash equivalents increased by $410,572.

Net cash flows utilized for operations for the three and six months ended April 30, 2016 were $122,315 and

$424,747 (2015 - $188,255 and $277,295), net of changes in non-cash working capital.

For the three and six months ended April 30, 2016, the Company had net cash outflows of $221,454 and $236,651 related to investing activities (2015 - $118,068 and $108,672). The increase in investing activities was primarily attributable to commencement of a drilling program at the Company's South Big Smoky Valley property.

For the three and six months ended April 30, 2016, the Company had net cash inflows of $571.750 and $1,300,979 (2015 - $7,203 and $7,203 outflows) from financing activities. The primary source of cash was the issuance of shares - $500,000 and $1,475,000. The primary use of cash was the repayment of amounts due to related parties - $nil and $164,944.

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 will require additional financing in order to fund working capital requirements. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

The Company currently has interests in several resource properties and is not currently subject to expenditure commitments on its resource properties. As at April 30, 2016, the Company incurred aggregate expenditures of $1,481,745 on the properties which consisted predominantly of exploration costs.

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 three and six months ended April 30, 2016 and 2015, the Company entered into the following transactions with related parties:

Name and Relationship to Company	Transaction	Six months ended April 30, 2016		Six months ended April 30, 2015	
		$		$	
Marc Morin, former CEO of the Company	Management fees	-		72,000	
Kiki Smith, CFO of the Company	Accounting fees	30,000		7,500	
A company controlled by Weiguo Lang, CEO	Management fees	30,000		-	
Max Pinsky Personal Law Corporation, a company controlled by Max Pinsky, Secretary of the Company	Legal fees	2,000		341	
Avarone Metals Inc. (Formerly Remstar Resources Ltd.) ("Avarone"), a company with a common director and a common officer	Office, rent and administration [(1)]	-		29,800	

(1) 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, $10,500 was allocated to the services of Nilda Rivera, CFO of the Company, during the three and six months ended April 30, 2015.

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

The following related party amounts were included in *(i)* trade payable and accrued liabilities, *(ii)* prepaid expenses and deposits and (iii) due to related parties:

	April 30, 2016	October 31, 2015
		$
Kiki Smith, CFO of the Company *(i)*		26,250
Kiki Smith, CFO of the Company *(i)*		475
Weiguo Lang, CEO and a company controlled by the CEO *(i)*	3,	33,187
Andrew Lee Smith, Director*(i)*	1,	
Company controlled by Max Pinsky, Secretary of the Company*(i)*		
Promissory note payable to Weiguo Lang, CEO*(iii)*		18,434
Promissory note payable to a company controlled by Weiguo Lang, CEO*(iii)*		146,510

Amounts owing to related parties bear interest of up to 10% per annum.

During year ended October 31, 2015 the Company issued a promissory note to a Company controlled by the CEO for gross proceeds of $143,946. The note was is payable on demand and bore interest at a rate of 10% per annum. The note was repaid during the three and six months ended April 30, 2016.

During year ended October 31, 2015 the Company issued a promissory note to the CEO for gross proceeds of $17,977. The note was payable on demand and bore interest at a rate of 10% per annum. The note was repaid during the three and six months ended April 30, 2016

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, 2015, 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 determination of the element of costs recorded as exploration and evaluation assets and determination of reclamation obligations;
- the classification of financial instruments; and
- 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, amounts receivable 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, 2016.

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.

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.

There were no financial assets at fair value as at April 30, 2016 and October 31, 2015.

There were no financial liabilities at fair value as at April 30, 2016 and October 31, 2015.

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. The credit risk from amounts receivable is also minimal as at April 30, 2016, the amounts receivable consist primarily of GST.

(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, 2016, the Company had a cash and cash equivalents balance of $655,776 to settle current liabilities of $109,679 that are considered short term and settled within 30 days. Management believes that the Company will be able to obtain financing as required to meet its obligations and commitments for fiscal 2016.

(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, 2015.

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

	April 30, 2016	October 31, 2015
	$	$
US dollar:		
Cash	490,016	627
Trade payable and accrued liabilities	(320)	(114,757)
Net US dollar	489,696	(114,130)
Euros:		
Cash	-	-
Trade payable and accrued liabilities	(8,761)	(12,656)
Net Euro	(8,761)	(12,656)
Serbian Dinar:		
Cash	-	3,600
Trade payable and accrued liabilities	(32,901)	(29,774)
Net Serbian Dinar	(32,901)	(26,174)

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, 2016, including cash and trade payable and accrued liabilities denominated in US dollars, Euros and Serbian Dinar, would result in an increase or decrease of approximately $50,924 (2015 - $1,700) to the net loss and comprehensive loss for the three and six months ended April 30, 2016. At April 30, 2016, 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.

(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 consolidated financial statements for the year ended October 31, 2015, of which production is not expected in the near future.

During the three and six months ended April 30, 2016 and 2015, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funds to support the acquisition, exploration and development of exploration and evaluation assets such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to settle liabilities. The Company has no long-term debt and is not subject to externally imposed capital requirements.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities, loans, advances from related parties and interest income.

In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's management of capital during the three and six months ended April 30, 2016.

Outstanding Share Data

On September 18, 2015 the Company completed a 10:1 share consolidation. All share and per share amounts are stated on a post-consolidation basis.

Outstanding share data as of July 4, 2016:

(1) Authorized and Issued Capital Stock

a) Authorized - Unlimited common shares without par value.

b) Issued and outstanding – 46,682,249 common shares

(2) Options and Warrants Outstanding

a) Stock options outstanding are as follows:

Shares	Exercise Price Per Share	Expiry Date	Exercisable
#	$		#
330,000	0.10 [1]	April 19, 2023	330,000
50,000	0.10 [1]	May 12, 2018	50,000
25,000	0.10 [1]	October 11, 2023	25,000
10,000	0.10 [1]	February 14, 2021	10,000
2,900,000[2]	0.13	March 8, 2026	2,920,000
3,315,000			3,335,000

[1] On May 15, 2014, the exercise price of these stock options was amended to $0.05 per share ($0.50 per share post consolidation). On February 10, 2016 the exercise price of these stock options was amended to $0.10 per share.

[2] On March 8, 2016 the Company granted 2,920,000 stock options to certain directors, officers and consultants pursuant to the Company's Stock Option Plan. The options have an exercise price of $0.13 per share and an expiry date of March 8, 2026. On June 17, 2016 20,000 options were exercised for gross proceeds of $2,600.

b) Warrants outstanding are as follows:

Warrants	Exercise Price	Expiry Date
#	$	
1,000,000	1.00	July 9, 2017
1,000,000	1.00	September 10, 2017
15,750,000	0.10	November 27, 2016
5,000,000	0.20	March 30, 2017
22,750,000		

Additional Information

Additional information about the Company is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.ultralithium.com.