

# **Ultra Lithium Inc.**

**(the “Company”)**

## **CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2016 AND 2015**

**UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

**UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS’  
(DEFICIT)/EQUITY**

**UNAUDITED CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

### **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 29, 2016

# Ultra Lithium Inc.

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

	July 31, 2016	October 31, 2015
	\$	\$
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	369,660	16,196
Amounts receivable	9,177	2,189
Prepaid expenses and deposits (Note 8)	12,770	1,238
	391,607	19,623
Equipment (Note 5)	26,196	26,196
Exploration and evaluation assets (Note 6)	1,710,867	1,245,094
	2,128,670	1,290,913
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Trade payables and accrued liabilities (Note 8)	125,604	334,310
Due to related parties (Note 8 (c))	-	164,944
	125,604	499,254
Shareholders' equity:		
Share capital (Note 7)	11,185,509	9,598,063
Reserves	690,666	421,898
Deficit	(9,873,109)	(9,228,302)
	2,003,066	791,659
	2,128,670	1,290,913

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

"Weiguo Lang" Director  
Weiguo Lang

"Jiancheng Peng" Director  
Jiancheng Peng

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

# Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

Three and nine months ended July 31,

	Three months ended July 31,		Nine months ended July 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Expenses:</b>				
Bank charges and interest	1,247	746	5,199	2,211
Consulting fees	-	6,600	4,225	100,273
Consulting fees – share based	-	-	171,600	-
Depreciation (Note 4)	-	-	-	295
General exploration	-	-	5,538	-
Management fees (Note 7)	22,500	22,000	60,000	94,000
Management fees – share based (Note 7)	-	--	208,091	-
Office, rent and administration (Note 7)	19,217	14,889	62,812	119,871
Professional fees (Note 7)	16,129	19,879	63,911	48,575
Share-based payments (Note 6)	-	-	-	366
Stock exchange and filing fees	2,697	5,065	11,452	14,846
Transfer agent fees	1,763	1,027	6,519	2,581
Travel and promotion	12,112	-	23,824	49,908
	(75,665)	(70,206)	(623,171)	(432,926)
<b>Other income (expenses):</b>				
Interest and other income	-	4,477	-	4,527
Loss on settlement of debt	-	-	(3,639)	-
Loss on sale of available for sale securities	-	-	-	(28,325)
Loss on disposal of equipment	-	(18,484)	-	(23,879)
Foreign exchange gain (loss)	15,382	225,139	(17,997)	178,552
	15,382	211,133	(21,636)	130,875
Net loss for the period	(60,283)	140,927	(644,807)	(302,051)
<b>Other comprehensive income (loss):</b>				
Foreign currency translation	-	71,589	(1,028)	180,231
Unrealized loss on available-for-sale marketable securities (Note 4)	-	-	-	-
Comprehensive loss for the period	(60,283)	212,516	(645,835)	(121,820)
Basic and diluted loss per share	(0.001)	(0.01)	(0.016)	(0.01)
<b>Weighted average number of common shares – basic and diluted</b>				
	46,691,814	23,262,249	41,500,059	23,262,249

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

# Ultra Lithium Inc.

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

Nine months ended July 31, 2016 and, 2015

	Notes	Share Capital		Reserves			Total	Deficit	Total shareholder's equity	
		Common shares	Amount	Stock options	Warrants	Foreign currency translation				Fair value
Balance, October 31, 2014		23,262,249	9,566,305	933,733	281,972	44,152	(25,000)	1,234,857	(5,995,140)	4,806,022
Comprehensive loss for the period		-	-	-	-	(85,477)	-	(85,477)	(302,051)	(387,528)
Sale of available for sale securities		-	-	-	-	-	25,000	25,000	-	25,000
Warrants expired	7(d)	-	31,758	-	(31,758)	-	-	(31,758)	-	-
Forfeited options				(381,621)				(381,621)	381,621	
Share-based payments		-	-	365	-	-	-	365	-	365
<b>Balance, July 31, 2015</b>		<b>23,262,249</b>	<b>9,598,063</b>	<b>552,477</b>	<b>250,214</b>	<b>(41,325)</b>	<b>-</b>	<b>761,366</b>	<b>(5,915,570)</b>	<b>4,443,859</b>
Balance, October 31, 2015		23,262,249	9,598,063	20,274	250,214	151,410	-	421,898	(9,228,302)	791,659
Comprehensive loss for the period		-	-	-	-	-	-	-	(644,807)	(644,807)
Warrants expired		-	108,325	-	(108,325)	-	-	(108,325)	-	-
Shares issued for cash net of share issue costs	(6)	17,570,000	894,173	-	-	-	-	-	-	894,173
Shares issued for cash net of share issue costs	(6)	5,000,000	496,750	-	-	-	-	-	-	496,750
Shares issued for warrant exercise	(6)	750,000	75,000	-	-	-	-	-	-	75,000
Shares issued for option exercise	(6)	20,000	5,198	(2,598)	-	-	-	(2,598)	-	2,600
Shares issued for debt	(6)	100,000	8,000	-	-	-	-	-	-	8,000
Share based payments	(6)	-	-	379,691	-	-	-	379,691	-	379,691
<b>Balance, July 31, 2016</b>		<b>46,682,249</b>	<b>11,180,311</b>	<b>397,367</b>	<b>141,889</b>	<b>151,410</b>	<b>-</b>	<b>693,264</b>	<b>(9,873,109)</b>	<b>2,003,066</b>

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

# Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Three and nine months ended July 31,

	Three months ended July 31,		Nine months ended July 31,	
	2016	2015	2016	2015
<b>Operations:</b>				
Net loss for the period	\$ (60,283)	140,927	\$ (644,807)	(302,051)
Items not involving cash:				
Accrued management fees		25,000		25,000
Depreciation	-	-	-	295
Share-based payments	-	-	379,691	365
Loss on sale of securities	-	-	-	28,325
		23,879		23,879
Changes in non-cash working capital items:				
Amounts receivable	(3,121)	(105)	(6,988)	
Prepaid expenses and deposits	(12,116)	4,076	(11,532)	(321)
Trade payables and accrued liabilities	15,926	11,534	(200,705)	16,388
	(59,594)	205,311	(484,341)	136,137
<b>Financing:</b>				
Share issued for cash	2,600	-	1,477,600	-
Share issuance costs	-	-	(9,077)	-
Repayments to related parties	-	6,631	(164,944)	(572)
	2,600	6,631	1,303,579	(572)
<b>Investing:</b>				
Sale (purchase) of equipment	-	19,468	-	19,468
Sale of available for sale securities	-	-	-	2,925
Exploration and evaluation assets	(229,122)	(221,612)	(465,773)	(333,209)
	(229,122)	(202,144)	(465,773)	(310,816)
Effect of foreign exchange on cash flows	-	(13,888)	-	(85,477)
Increase (decrease) in cash and cash equivalents	(286,116)	(4,089)	353,464	(468,848)
Cash and cash equivalents, beginning of period	655,776	8,731	16,196	473,490
Cash and cash equivalents, end of period	\$ 369,660	4,642	\$ 369,660	4,642
<b>Supplementary information:</b>				
Exploration and evaluation asset expenditures in trade payables and accrued liabilities	-	86,084	-	86,084
Depreciation in exploration and evaluation assets	-	13,816	-	27,954
Cash and cash equivalents consist of:				
Cash	\$ 359,660	\$4,642	\$ 359,660	\$4,642
Guaranteed investment certificates	10,000	-	10,000	-
	\$ 369,660	\$4,642	\$ 369,660	\$4,642

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

# Ultra Lithium Inc.

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

Three and nine months ended July 31, 2016 and 2015

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## NOTE 1 – NATURE AND CONTINANCE 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 evaluation 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 2735 Carolina Street, Vancouver, BC, Canada, V5T 3T3. 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 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 a working capital at July 31, 2016 of \$266,002 (October 31, 2015 - working capital deficit \$479,631) and accumulated deficit of \$9,873,109 (October 31, 2015 - \$9,228,302) and expects to incur further losses in the development of its business. 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. These material uncertainties cast significant doubt on the entity’s ability to continue as a going concern.

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.

### Share Consolidation

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.

# Ultra Lithium Inc.

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

Three and nine months ended July 31, 2016 and 2015

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## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These Financial Statements are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These interim financial statements should be read in conjunction with the audited financial statements for the year ended October 31, 2015, which have been prepared in accordance with IFRS.

The consolidated financial statements were authorized for issue on September 29, 2016, by the Directors of the Company. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

## NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The following IFRS standards have been recently issued by the IASB or IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

### (a) 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 the nature of the Company’s operations and the types of financial instruments that it currently holds.

# Ultra Lithium Inc.

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

Three and nine months ended July 31, 2016 and 2015

## NOTE 4 –EQUIPMENT

	Computer equipment	Other equipment	Motor vehicles	Total
<b>Costs:</b>	\$	\$	\$	\$
Balance, October 31, 2014	49,215	25,559	92,002	166,776
Additions	1,070	2,495	-	3,565
Dispositions	(11,513)	(5,044)	(95,366)	(111,923)
Foreign exchange	1,681	285	3,364	5,330
Balance, October 31, 2015 and July 31, 2016	40,453	23,295	-	63,748

  

	Computer equipment	Other equipment	Motor Vehicle	Total
<b>Depreciation:</b>	\$	\$	\$	\$
Balance, October 31, 2014	28,003	6,112	34,892	69,007
Depreciation	6,856	2,092	8,880	17,828
Dispositions	(5,088)	(482)	(45,048)	(50,618)
Foreign exchange	52	7	1,276	1,335
Balance, October 31, 2015 and July 31, 2016	29,823	7,729	-	37,552
<b>Net Book Value:</b>				
October 31, 2015 and July 31, 2016	10,630	15,566	-	26,196

## NOTE 5 – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised of:

	October 31, 2015	Expenditures	July 31, 2016
<b>South Big Smoky Valley, Nevada</b>			
Acquisition	\$ 353,390	\$ 60,270	\$ 413,660
Deferred exploration costs	875,686	388,004	1,263,690
	1,229,076	448,274	1,677,350
<b>Georgia Lake Ontario</b>			
Acquisition	\$ 16,018	\$ -	\$ 16,018
Deferred exploration costs	-	17,499	17,499
	16,018	17,499	35,517
<b>Total</b>	<b>\$ 1,245,094</b>	<b>\$ 465,773</b>	<b>\$ 1,710,867</b>



# Ultra Lithium Inc.

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

Three and nine months ended July 31, 2016 and 2015

## NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

Deferred exploration costs were as follows:

	Georgia Lake Ontario	South Big Smoky Valley, Nevada	Mineral Concessions, Serbia	Total
	(a)	(b)	(c)	
	\$	\$	\$	\$
Balance, October 31, 2015	16,018	875,686	-	891,704
Exploration:				
Assays		13,377		13,377
Drilling		271,179		271,179
General Exploration	17,317	17,904		35,221
Geology and geophysics	-	54,310	-	54,310
Licenses, permits, claim fees and taxes	182	1,764	-	1,946
Travel	-	29,470	-	29,470
	-	388,004	-	405,503
Balance, July 31, 2016	17,499	1,263,690	-	1,297,207
	Georgia Lake Ontario	South Big Smoky Valley, Nevada	Mineral Concessions, Serbia	Total
	(a)	(b)	(c)	
	\$	\$	\$	\$
Balance, October 31, 2014	-	516,280	3,383,687	3,899,967
Exploration:				
Depreciation	-	-	17,395	17,395
Drilling	-	-	-	-
Geology and geophysics	-	121,942	(13,022)	108,920
Licenses, permits, claim fees and taxes	16,018	143,946	-	159,964
Office, rent and administration	-	-	33,574	33,574
Professional fees	-	-	41,963	41,963
Wages and contract labor	-	-	57,095	57,095
	16,018	265,888	137,005	418,911
Impairment	-	-	(3,542,640)	(3,542,640)
Foreign exchange	-	93,518	21,948	115,466
Balance, October 31, 2015	16,018	875,686	-	891,704

# Ultra Lithium Inc.

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

Three and nine months ended July 31, 2016 and 2015

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## NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

### (a) Georgia Lake Property, Ontario

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

During the three and nine months ended July 31, 2016 the Company incurred exploration costs totalling \$17,499 and \$17,499(2015- \$nil and nil) on the Georgia Lake Property.

### (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 nine months ended July 31, 2016 the Company incurred exploration costs totalling \$211,623 and \$388,004 (2015- \$nil and nil) and staked additional claims in the South Big Smoky Valley area for \$nil 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 2016.

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	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

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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).

# Ultra Lithium Inc.

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

Three and nine months ended July 31, 2016 and 2015

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## NOTE 6 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

### Share Consolidation

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.

At July 31 2016, there were 46,702,249 issued and fully paid common shares (October 31, 2015 – 23,262,249).

(c) Share Issuances

On November 26, 2015 the Company completed a private placement of 17,570,000 units for gross proceeds of \$900,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.10 for a period of one year from the date of issuance. The Company incurred share issue costs of \$5,827. The full amount of the proceeds was attributed to the shares, hence the value of the warrants was estimated at nil.

On December 16, 2015 the Company settled an account payable of \$19,361 with a payment of \$15,000 cash and the issuance of 100,000 shares having a fair value \$8,000. The Company recorded a loss on settlement of \$3,639.

On March 30, 2016 the Company completed a private placement of 5,000,000 units for gross proceeds of \$500,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.20 for a period of one year from the date of issuance. The Company incurred share issue costs of \$3,250. The full amount of the proceeds was attributed to the shares, hence the value of the warrants was estimated at nil.

On April 28, 2016 the Company issued 750,000 common shares at \$0.10 pursuant to a warrant exercise.

On June 17, 2016 the Company issued 20000 common shares at \$0.13 pursuant to an option exercise.

# Ultra Lithium Inc.

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

Three and nine months ended July 31, 2016 and 2015

## NOTE 6 – SHARE CAPITAL AND RESERVES (Continued)

### (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, 2014	17,669,000	1.10
Issued	-	-
Expired	(14,700,000) <sup>(1)</sup>	1.00
Balance, October 31, 2015	2,969,000	1.10
Issued	22,570,000	0.10
Exercised	(750,000)	0.10
Expired	(969,000) <sup>(2)</sup>	1.00
Balance, July 31, 2016	23,820,000	0.10

<sup>(1)</sup> During the year ended October 31, 2015 4,700,000 warrants exercisable at \$1.00 expired unexercised. The fair value of the warrants - \$31,758 was reclassified from reserves to share capital.

<sup>(2)</sup> During the three and nine months ended July 31, 2016 594,000 warrants exercisable at \$1.00 and 375,000 warrants exercisable at \$1.50 expired unexercised. The fair value of the warrants - \$46,109 was reclassified from reserves to share capital.

Warrants	Exercise Price	Expiry Date
#	\$	
1,000,000	1.00	July 9, 2017
1,000,000	1.00	September 10, 2017
15,000,000	0.10	November 27, 2016
5,000,000	0.20	March 30, 2017
23,820,000		

### (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.

On February 10, 2016 the exercise price certain stock options to certain directors, officers and consultants was amended to \$0.10 per share. The Company recorded a share-based management fee expense of \$285 and a share-based consulting fee expenses of \$159 calculated using the Black-scholes option pricing model with an expected volatility of 203% and a risk free interest rate of 0.79%.

# Ultra Lithium Inc.

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

Three and nine months ended July 31, 2016 and 2015

## NOTE 6 – SHARE CAPITAL AND RESERVES (Continued)

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. During the three and nine months ended July 31, 2016 the Company recorded a share-based management fee expense of \$nil and \$207,806 and a share-based consulting fee expenses of \$nil and \$171,441 calculated using the Black-scholes option pricing model with an expected volatility of 208% and a risk free interest rate of 1.18%.

A summary of the status of the options outstanding follows:

	Options #	Weighted Average Exercise Price \$
Balance, October 31, 2015	415,000	0.10
Granted	2,920,000	0.13
Exercised	20,000 <sup>(1)</sup>	0.13
Balance, July 31, 2016	3,315,000	0.13

- <sup>(1)</sup> During the three months ended July 31, 2016, 20,000 options were exercised at \$0.13 the fair value of \$2,598 was reclassified from reserves to share capital.

	Options #	Weighted Average Exercise Price \$
Balance, October 31, 2014	1,642,000	0.50
Forfeited	(1,227,000) <sup>(1)</sup>	0.50
Balance, October 31, 2015	415,000	0.50

- <sup>(2)</sup> During the year ended October 31, 2015, the fair value of 1,227,000 forfeited options of \$913,825 was reclassified from reserves to deficit.

The following table summarizes the options outstanding and exercisable as at July 31, 2016:

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

- <sup>(1)</sup> 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.

# Ultra Lithium Inc.

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

Three and nine months ended July 31, 2016 and 2015

## NOTE 7 – RELATED PARTY TRANSACTIONS

### (a) Related party transactions

During the nine months ended July 31, 2016 and 2015, the Company incurred the following transactions with a (i) company that is controlled by an officer of the Company, (ii) a Company controlled by the CFO and (iii) with a company having officers in common, :

	2016	2015
	\$	\$
Legal fees (i)	2,000	341
Accounting fees (ii)	45,000	7,500
Office, rent and administration <sup>(1)</sup> (iii)	-	29,800
	47,000	37,641

<sup>(1)</sup> Of these fees, \$10,500 was allocated to the former CFO of the Company ( Note 8b)

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the nine months ended July 31, 2016 and 2015 were as follows:

	2016	2015
	\$	\$
Short-term benefits <sup>(1)</sup>	60,000	94,000
Share-based payments <sup>(2)</sup>	207,806	-
	267,806	94,000

<sup>(1)</sup> Short-term benefits include management fees paid directly to key management.

<sup>(2)</sup> 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, (ii) prepaid expenses and deposits and (iii) due to related parties:

	July 31, 2016	October 31, 2015
	\$	\$
CFO of the Company (i)	-	26,250
CFO of the Company (i)	-	475
CEO and a company controlled by the CEO (i)	-	33,187
Director (i)	-	-
Officer (i)	-	-
Promissory note payable to the CEO(iii)	-	18,434
Promissory note payable to a company controlled by the CEO(iii)	-	146,510

# Ultra Lithium Inc.

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## NOTE 7 – RELATED PARTY TRANSACTIONS (continued)

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 payable on demand and bore interest at a rate of 10% per annum. The note was repaid during the three and nine months ended July 31, 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 nine months ended July 31, 2016.

## NOTE 8 – SEGMENTED INFORMATION

The Company operated in the following geographic segments at July 31, 2016 and October 31, 2015:

October 31, 2015	Canada	United States	Serbia	Total
	\$	\$	\$	\$
Current assets	15,396	627	3,600	19,623
Equipment	12,021	-	14,175	26,196
Exploration and evaluation assets	16,018	1,229,076	-	1,245,094
	43,434	1,229,703	17,775	1,290,912
July 31, 2016	Canada	United States	Serbia	Total
	\$	\$	\$	\$
Current assets	391,052	555	-	391,607
Equipment	12,021	-	14,175	26,196
Exploration and evaluation assets	33,517	1,677,350	-	1,710,867
	436,590	1,677,905	14,175	2,128,670

## NOTE 9 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

### (a) Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, amounts receivable, trade payables and amounts due to related parties approximate their fair values because of their short term nature. The fair values of marketable securities are based on current bid prices.

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.

# Ultra Lithium Inc.

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## NOTE 9 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

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 July 31, 2016 and October 31, 2015.

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

### (b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related 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 (“GIC”) at the bank and amounts receivable. The risk to the Company managed as its 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 July 31, 2016, the amounts receivable consists 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 July 31, 2016, the Company had a cash and cash equivalents balance of \$369,660 to settle current liabilities of \$125,605 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 dollars, United States dollars, 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.



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## NOTE 9 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

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

	July 31, 2016	October 31, 2015
	\$	\$
US dollar:		
Cash	353,532	627
Trade payable and accrued liabilities	nil	(114,757)
Net US dollar	353,532	(114,130)
Euros:		
Cash	-	-
Trade payable and accrued liabilities	(700)	(12,656)
Net Euro	(700)	(12,656)
Serbian Dinar:		
Cash	-	3,600
Trade payable and accrued liabilities	(32,543)	(29,774)
Net Serbian Dinar	(32,543)	(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 July 31, 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 \$38,540 (2015 - \$1,700) to the net loss and comprehensive loss for nine months ended July 31, 2016. At July 31, 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 Company's 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 of these consolidated financial statements of which production is not expected in the near future.

During the three and nine months ended July 31, 2016, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

# Ultra Lithium Inc.

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## NOTE 10 - 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, and advances from related parties. 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 nine months ended July 31, 2016.