

Ultra Lithium Inc.

(the “Company”)

CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2016 and 2015

February 28, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Ultra Lithium Inc.

We have audited the accompanying consolidated financial statements of Ultra Lithium Inc., which comprise the consolidated statements of financial position as at October 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Ultra Lithium Inc. as at October 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Ultra Lithium Inc.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

February 28, 2017

Ultra Lithium Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	<i>Note</i>	October 31, 2016	October 31, 2015
		\$	\$
Assets			
Current assets:			
Cash and cash equivalents		71,720	16,196
Amounts receivable		19,360	2,189
Prepaid expenses and deposits		27,933	1,238
		119,013	19,623
Equipment	5	-	26,196
Exploration and evaluation assets	6	2,190,975	1,245,094
		2,309,988	1,290,913
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities	8	412,106	334,310
Due to related parties	8(c)	-	164,944
		412,106	499,254
Shareholders' equity:			
Share capital	7	11,185,509	9,598,063
Reserves	7	674,108	421,898
Share subscription received	13	40,000	
Deficit	7	(10,001,735)	(9,228,302)
		1,897,882	791,659
		2,309,988	1,290,913

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

"Weiguo Lang" Director
Weiguo Lang

"Jinshui Zhao" Director
Jinshui Zhao

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

Ultra Lithium Inc.

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

Year ended October 31,

	<i>Note</i>	2016	2015
		\$	\$
Expenses:			
Bank charges and interest		5,054	6,712
Consulting fees		5,475	119,321
Depreciation	5	-	295
General exploration		8,781	-
Management fees	8	82,500	109,000
Share based payments	7 & 8	379,691	366
Office, rent and administration	8	83,517	139,148
Professional fees	8	104,593	89,291
Stock exchange and filing fees		26,458	18,056
Transfer agent fees		7,894	5,968
Travel and promotion		35,289	53,551
		(739,252)	(541,708)
Other income (expenses):			
Interest and other income		25	4,543
Loss on settlement of debt	7	(3,639)	-
Impairment of exploration and evaluation assets	6	-	(3,542,640)
Loss on sale of marketable securities	4	-	(28,325)
Loss on disposal of equipment	5	(26,196)	(23,879)
Foreign exchange gain (loss)		(4,371)	(14,978)
		(34,181)	(3,605,279)
Net loss for the year		(773,433)	(4,146,987)
Other comprehensive income (loss):			
Foreign currency translation		(16,558)	107,258
Unrealized loss reversal on marketable securities	4	-	25,000
Comprehensive loss for the year		(789,991)	(4,014,729)
Basic and diluted loss per share		(0.02)	(0.18)
Weighted average number of common shares			
– basic and diluted		43,002,740	23,262,249

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

Ultra Lithium Inc.

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

Year ended October 31, 2016 and 2015

Notes	Share Capital			Reserves				Total	Deficit	Total shareholder's equity
	Common shares	Amount	Share subscriptions received	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 year	-	-	-	-	-	107,258	25,000	132,258	(4,146,987)	(4,014,729)
Warrants expired	-	31,758	-	-	(31,758)	-	-	(31,758)	-	-
Forfeited options	-	-	-	(913,825)	-	-	-	(913,825)	913,825	-
Share-based payments	-	-	-	366	-	-	-	366	-	366
Balance, October 31, 2015	23,262,249	9,598,063	-	20,274	250,214	151,410	-	421,898	(9,228,302)	791,659
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 year	-	-	-	-	-	(16,558)	-	(16,558)	(773,433)	(789,991)
Private placements	22,570,000	1,400,000	-	-	-	-	-	-	-	1,400,000
Share issue costs	-	(9,077)	-	-	-	-	-	-	-	(9,077)
Shares for debt	100,000	8,000	-	-	-	-	-	-	-	8,000
Warrant exercised	750,000	75,000	-	-	-	-	-	-	-	75,000
Warrants expired	-	108,325	-	-	(108,325)	-	-	(108,325)	-	-
Options exercised	20,000	5,198	-	(2,598)	-	-	-	(2,598)	-	2,600
Share subscriptions	-	-	40,000	-	-	-	-	-	-	40,000
Share-based payments	-	-	-	379,691	-	-	-	379,691	-	379,691
Balance, October 31, 2016	46,702,249	11,185,509	40,000	397,367	141,889	134,852	-	674,108	(10,001,735)	1,897,882

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

Ultra Lithium Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Year ended October 31,

	2016	2015
	\$	\$
Operations:		
Net loss for the year	(773,433)	\$ (4,146,987)
Items not involving cash:		
Depreciation	-	295
Share-based payments	379,691	366
Accrued interest	-	3,021
Impairment of exploration and evaluation assets	-	3,542,640
Loss on sale of marketable securities	-	28,325
Loss on sale of equipment	26,196	23,879
Unrealized foreign exchange	(47,879)	-
Changes in non-cash working capital items:		
Amounts receivable	(17,171)	7,886
Prepaid expenses and deposits	(26,695)	17,195
Trade payables and accrued liabilities	(129,178)	113,956
	(588,469)	(409,424)
Financing:		
Share issued for cash	1,477,600	-
Share issuance costs	(9,077)	-
Share subscription received	40,000	-
Advances from related parties	(164,944)	161,923
	1,343,579	161,923
Investing:		
Sale of equipment	-	19,445
Sale of marketable securities	-	2,925
Exploration and evaluation assets	(699,586)	(234,514)
	(699,586)	(212,144)
Effect of foreign exchange on cash flows	-	2,351
Increase / (decrease) in cash and cash equivalents	55,524	(457,294)
Cash and cash equivalents, beginning of year	16,196	473,490
Cash and cash equivalents, end of year	71,720	16,196
Supplementary information:		
Exploration and evaluation asset expenditures in trade payables and accrued liabilities	381,781	174,412
Depreciation in exploration and evaluation assets	-	17,395
Forfeited warrants and options	-	945,583
Shares issued for debt	8,000	-
Exercised options	2,598	-
Expired warrants	108,325	-
Cash and cash equivalents consist of:		
Cash	61,695	11,196
Guaranteed investment certificates	10,025	5,000
	71,720	16,196

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

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

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 deficit at October 31, 2016 of \$293,093 (October 31, 2015 - \$479,631) and accumulated deficit of \$10,001,735 (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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were authorized for issue on February 28, 2017, 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.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(a) Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Ultra Lithium (USA) Inc. (“ULI USA”), Ultra Balkans D.O.O. Beograd (“ULI Balkans”) and Ultra Dragon Holdings Inc. (“Ultra Dragon”). All intercompany balances and transactions are eliminated on consolidation.

(b) Use of estimates and judgments

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management 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 year in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting years 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.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company’s consolidated entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company. The functional currency of ULI USA is the US dollar; the functional currency of ULI Balkans is the Serbian Dinar; and the functional currency of Ultra Dragon is the Canadian dollar.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit and loss.

(iii) Consolidated entities

The results and financial position of consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Shareholder's equity is translated at historical rates of exchange at the reporting date;
- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the year; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

(d) Cash and Cash Equivalents

Cash and cash equivalents consists of cash balances and short-term highly liquid investments which are readily convertible into cash and that are subject to an insignificant risk of changes in value.

(e) Equipment

Equipment is carried at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a declining-balance basis to write off the cost of the assets to their residual values over their estimated useful lives, except in the year of acquisition, when half of the rate is used. The annual rate used to compute depreciation is as follows:

Computer equipment	30% - 50%
Other equipment	20%
Motor vehicle	30%

The depreciation expense for each period is recognized in the statement of comprehensive loss except for certain items of equipment related to exploration and evaluation activities where the depreciation expense is included in the carrying amount of the exploration and evaluation asset.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(f) Exploration and Evaluation Assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage.

Exploration and evaluation activity begins when the Company obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties, and the costs of the Company's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(g) Decommissioning Obligations

A liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with decommissioning as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning costs will be amortized to expense over the life of the related assets using the units-of-production method. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at October 31, 2016 and 2015, the Company does not have material decommissioning obligations.

(h) Impairment of Non-Financial Assets

The carrying amount of the Company's non-financial assets (which include equipment and exploration and evaluation assets) is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(i) Share Capital

Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting period are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value of the shares on the date of issue.

(j) Share-Based Payments

The Company has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized to expense over the vesting periods.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are transferred to deficit in the year of forfeiture or expiry.

Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(k) Loss Per Share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

All potential dilutive common shares are anti-dilutive for the years presented.

(l) Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

(i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(m) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Financial instruments are initially measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale, and other financial liabilities.

Financial assets

(i) Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss are either ‘held-for-trading’ or classified at fair value through profit or loss. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

The Company does not have any financial assets and liabilities at fair value through profit or loss.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Company has designated its cash and cash equivalents and amounts receivable as loans and receivables.

(iii) Held-to-Maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost, using the effective interest method, less any impairment losses.

The Company does not have any held-to-maturity financial assets.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(m) Financial Instruments (continued)

(iii) Available-For-Sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses, are recognized in other comprehensive income (loss) and presented in the investment revaluation reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, the cumulative gains or losses in the fair value reserve recognized in shareholders' equity are included in the statement of comprehensive loss.

The Company's marketable securities are classified as available-for-sale.

Financial Liabilities

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

The Company's non-derivative financial liabilities include its trades payable and accrued liabilities and amounts due to related parties, which are designated as other liabilities.

Impairment of Financial Assets

A financial asset not carried at fair value through profit or loss is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

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.

NOTE 4 – MARKETABLE SECURITIES

	October 31, 2016			October 31, 2015		
	Cost	Proceeds	Realized	Cost	Proceeds	Realized
	\$	of Disposition	Loss	\$	of Disposition	Loss
	\$	\$	\$	\$	\$	\$
Common shares in a public company received pursuant to an option agreement, representing less than a 5% ownership interest	-	-	-	31,250	2,925	(28,325)

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 5 –EQUIPMENT

	Computer equipment	Other equipment	Motor vehicles	Total
Costs:	\$	\$	\$	\$
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	40,453	23,295	-	63,748
Dispositions	(40,453)	(23,295)	-	(63,748)
Balance, October 31, 2016	-	-	-	-
Depreciation:				
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	29,823	7,729	-	37,552
Disposition	(29,823)	(7,729)	-	(37,552)
Balance, October 31, 2016	-	-	-	-
Net Book Value:				
October 31, 2015	10,630	15,566	-	26,196
October 31, 2016	-	-	-	-

NOTE 6 – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised of:

	October 31, 2014	Expenditures (Impairment)	October 31, 2015	Expenditures	October 31, 2016
	\$	\$	\$	\$	\$
South Big Smoky Valley, Nevada					
Acquisition	353,390	-	353,390	60,270	413,660
Deferred exploration costs	516,280	359,406	875,686	798,311	1,673,997
	869,670	359,406	1,229,076	858,581	2,087,657
Georgia Lake Ontario					
Acquisition	-	16,018	16,018	182	16,200
Deferred exploration costs	-	-	-	87,118	87,118
	-	16,018	16,018	87,300	103,318
Mineral Concessions, Serbia					
Acquisition & deferred exploration	3,383,687	159,153	3,542,840	-	3,542,840
Impairment	-	(3,542,840)	(3,542,840)	-	(3,542,840)
	3,383,687	(3,383,687)	-	-	-
Total	4,253,357	(3,008,263)	1,245,094	945,881	2,190,975

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 6 – 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	-	875,686	-	875,686
Exploration:				
Assays	988	10,162	-	11,150
Drilling	-	481,462	-	481,462
General exploration	70,354	16,846	-	87,200
Geology and geophysics	10,200	56,584	-	66,784
Licenses, permits, claim fees and taxes	182	166,795	-	166,977
Travel	5,394	27,536	-	32,930
	87,118	759,385	-	846,503
Foreign exchange	-	38,926	-	38,926
Balance, October 31, 2016	87,118	1,673,997	-	1,761,115
	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	-	143,946	-	143,946
Office, rent and administration	-	-	33,574	33,574
Professional fees	-	-	41,963	41,963
Wages and contract labor	-	-	57,095	57,095
	-	265,888	137,005	402,893
Impairment	-	-	(3,542,640)	(3,542,640)
Foreign exchange	-	93,518	21,948	115,466
Balance, October 31, 2015	-	875,686	-	875,686

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Georgia Lake Property, Ontario

The Company holds certain claims staked in Ontario.

(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.

(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.

As at October 31, 2015, the Company determined that it would no longer pursue exploration work on the property. Accordingly, the Company recorded an impairment of \$3,542,640 related to this property.

NOTE 7 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At October 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 per share for a period of one year from the date of issuance. The Company incurred share issue costs of \$5,827.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

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NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

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 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.

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

On June 17, 2016, the Company issued 20,000 common shares at \$0.13 pursuant to the exercise of options.

(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	7,669,000	1.10
Issued	-	-
Expired	(4,700,000) ⁽¹⁾	1.00
Balance, October 31, 2015	2,969,000	1.00
Issued	22,570,000	0.12
Exercised	(750,000)	0.10
Expired	(969,000) ⁽²⁾	1.19
Balance, October 31, 2016	23,820,000	0.20

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

⁽²⁾ During the year ended October 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 of \$108,325 was reclassified from reserves to share capital.

Warrants #	Exercise Price \$	Expiry Date
1,000,000	1.00	July 09, 2017
1,000,000	1.00	September 10, 2017
16,820,000	0.10	November 27, 2016
5,000,000	0.20	March 31, 2017
23,820,000		

Subsequent to October 31, 2016, 16,820,000 warrants were exercised at \$0.10 per share for proceeds of \$1,682,000.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(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 of 415,000 stock options to certain directors, officers and consultants was amended from \$0.50 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%.

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. The Company recorded a share-based management fee expense of \$207,806 and a share-based consulting fee expenses of \$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%.

During the year ended October 31, 2015, the Company recorded \$366 in share-based payments for stock options vesting during the period.

A summary of the status of the options outstanding follows:

	Options #	Weighted Average Exercise Price \$
Balance, October 31, 2015	415,000	0.50
Granted	2,920,000	0.13
Exercised	(20,000) ⁽¹⁾	0.13
Balance, October 31, 2016	3,315,000	0.13

- ⁽¹⁾ During the year ended October 31, 2016, 20,000 options were exercised at \$0.13 per share, 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) ⁽²⁾	0.50
Balance, October 31, 2015	415,000	0.50

- ⁽²⁾ 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.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

Year ended October 31, 2016 and 2015

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

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

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

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the years ended October 31, 2016 and 2015, the Company incurred the following transactions with (i) a 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, (iv) with a company controlled by the VP exploration:

	2016	2015
	\$	\$
Legal fees (i)	2,401	341
Accounting fees (ii)	60,000	37,500
Office, rent and administration ⁽¹⁾ (iii)	-	29,800
Geological fees (iv)	15,000	-
	62,401	67,641

⁽¹⁾ Of these fees, \$10,500 was allocated to the former CFO of the Company.

(b) Compensation of key management personnel

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

	2016	2015
	\$	\$
Short-term benefits ⁽¹⁾	82,500	109,000
Share-based payments ⁽²⁾	338,056	-
	420,556	109,366

⁽¹⁾ Short-term benefits include management fees paid directly to key management.

⁽²⁾ Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan (note 6(e)).

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
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Year ended October 31, 2016 and 2015

NOTE 8 – RELATED PARTY TRANSACTIONS (continued)

(c) Related party balances

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

	October 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
VP Exploration (i)	14,690	-
Promissory note payable to the CEO(ii)	-	18,434
Promissory note payable to a company controlled by the CEO(ii)	-	146,510

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 bore interest at 10% per annum and was repaid during the year ended October 31, 2016.

The Company also issued a promissory note to the CEO for gross proceeds of \$17,977. The note bore interest at 10% per annum and was repaid during the year ended October 31, 2016.

Included in prepaid expenses is \$8,000 advanced to the CEO and \$8,000 advanced to the VP exploration for travel expenses.

NOTE 9 – SEGMENTED INFORMATION

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

October 31, 2016	Canada	United States	Serbia	Total
	\$	\$	\$	\$
Equipment	-	-	-	-
Exploration and evaluation assets	103,318	2,087,657	-	2,190,975
	103,318	2,087,657	-	2,190,975

October 31, 2015	Canada	United States	Serbia	Total
	\$	\$	\$	\$
Equipment	12,021	-	14,175	26,196
Exploration and evaluation assets	16,018	1,229,076	-	1,245,094
	28,039	1,229,076	14,175	1,271,290

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
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NOTE 10 - 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.

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 instruments at fair value as at October 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 October 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 October 31, 2016, the Company had a cash and cash equivalents balance of \$71,720 to settle current liabilities of \$412,106 that are considered short term. Management believes that the Company will be able to obtain financing as required to meet its obligations and commitments for fiscal 2017.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
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NOTE 10 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

(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.

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

	October 31, 2016	October 31, 2015
	\$	\$
US dollar:		
Cash	29,352	627
Trade payable and accrued liabilities	(218,209)	(114,757)
Net US dollar	(188,857)	(114,130)
Euros:		
Cash	-	-
Trade payable and accrued liabilities	-	(12,656)
Net Euro	-	(12,656)
Serbian Dinar:		
Cash	-	3,600
Trade payable and accrued liabilities	(35,696)	(29,774)
Net Serbian Dinar	(35,696)	(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 October 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 \$22,455 to the net loss and comprehensive loss for year ended October 31, 2016. At October 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.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
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NOTE 10 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

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 year ended October 31, 2016, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

NOTE 11 - 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 year ended October 31, 2016.

Ultra Lithium Inc.

Notes to the Consolidated Financial Statements
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NOTE 12 – INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2016	2015
	\$	\$
Net loss	(773,433)	(4,146,987)
Expected income tax recovery at the statutory tax rate	(201,000)	(1,078,000)
Change in statutory, foreign tax, foreign exchange rates and other	89,000	469,000
Permanent differences	69,000	(13,000)
Share issue cost	(2,000)	-
Change in unrecognized deductible temporary differences	45,000	622,000
Income tax recovery	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	2016		2015	
	\$		\$	
Exploration and evaluation assets	4,381,000	No expiry date	4,381,000	No expiry date
Property and equipment	29,000	No expiry date	26,000	No expiry date
Share issue costs	102,000	2037 to 2040	205,000	2036 to 2038
Allowable capital losses	33,000	No expiry date	33,000	No expiry date
Non-capital losses available for future period	5,612,000	2017 to 2036	5,267,000	2016 to 2035

Tax attributes are subject to review, and potential adjustment, by tax authorities.

NOTE 13 – SUBSEQUENT EVENTS

On December 12, 2016, the Company completed a private placement of 1,200,000 units for gross proceeds of \$180,000, of which \$40,000 was received in advance as at October 31, 2016. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.30 for a period of one year from the date of issuance.

Subsequent to the year ending October 31, 2016, 16,820,000 warrants were exercised at \$0.10 per share for proceeds of \$1,682,000.