



Ultra Lithium Inc.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2019

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

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 30, 2019

Ultra Lithium Inc.

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

		Unaudited July 31, 2019	Audited October 31, 2018
	<i>Note</i>	\$	\$
Assets			
Current assets:			
Cash and cash equivalents		1,308,005	870,877
Amounts receivable		10,245	8,216
Prepaid expenses and deposits		14,000	10,350
Marketable securities	4	32,845	401,500
		1,365,095	1,290,943
Noncurrent assets:			
Exploration advance	5	83,800	82,717
Exploration and evaluation assets	5	2,415,794	1,996,184
		3,864,689	3,369,844
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities	7	55,610	132,107
		55,610	132,107
Shareholders' equity:			
Share capital	6	16,066,379	14,701,651
Reserves	6	1,025,500	1,019,619
Deficit		(13,282,800)	(12,483,533)
		3,809,079	3,237,737
		3,864,689	3,369,844

Nature and continuance of operations (Note 1)
Subsequent events (Note 11)

"Weiguo Lang" Director
Weiguo Lang

"Cao Shao Guo" Director
Cao Shao Guo

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

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian Dollars)

		Three months ended July 31,		Nine months ended July 31,	
	Note	2019	2018	2019	2018
		\$	\$	\$	\$
Expenses:					
Bank charges and interest		1,356	850	3,730	8,741
Consulting fees		37,705	-	52,884	21,965
General exploration		9,150	-	17,650	35,246
Management fees	7	27,500	22,500	72,500	67,500
Share based payments		-	-	-	204,460
Office, rent and administration		34,198	19,463	101,757	63,621
Professional fees	7	24,956	20,881	74,322	62,981
Stock exchange and filing fees		2,717	49,720	11,234	52,869
Transfer agent fees		1,718	623	3,767	8,944
Travel and promotion		24,680	20,488	59,598	56,353
		(163,980)	(134,525)	(397,442)	(582,680)
Other income (expenses):					
Interest income		6	3,029	4,547	5,040
Remeasurement gain (loss) on marketable securities	4	(8,500)	1,000	(387,500)	137,000
Reversal of accounts payable		-	-	-	20,164
Foreign exchange gain (loss)		(21,115)	(243)	(18,872)	2,814
		(29,609)	3,786	(401,825)	165,018
Loss for the period		(193,589)	(130,739)	(799,267)	(417,662)
Other comprehensive income (loss):					
Foreign currency translation		(8,314)	11,571	5,881	6,704
Comprehensive loss for the period		(201,903)	(119,168)	(793,386)	(410,958)
Basic and diluted loss per share		(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares					
- basic and diluted		91,737,922	70,573,443	77,815,768	69,660,114

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

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(Expressed in Canadian Dollars)

	Share Capital			Reserves			Total shareholder's equity	
	Note	Common shares	Amount	Stock options	Foreign currency translation	Total		Deficit
		#	\$	\$	\$	\$		\$
Balance, October 31, 2017		64,722,249	13,187,148	789,526	74,282	863,808	(11,964,500)	2,086,456
Private placement		4,833,000	1,208,250	-	-	-	-	1,208,250
Share issue cost		-	(6,791)	-	-	-	-	(6,791)
Warrants exercised		533,333	160,000	-	-	-	-	160,000
Options exercised		510,000	128,044	(63,245)	-	(63,245)	-	64,799
Share based payments		-	-	204,460	-	204,460	-	204,460
Comprehensive loss for the period		-	-	-	6,704	6,704	(417,662)	(410,958)
Balance, July 31, 2018		70,598,582	14,676,651	930,741	80,986	1,011,727	(12,382,162)	3,306,216
Balance, October 31, 2018		70,739,314	14,701,651	930,741	88,878	1,019,619	(12,483,533)	3,237,737
Private placement		22,883,413	1,373,005	-	-	-	-	1,373,005
Share issue cost		2,205,833	(8,277)	-	-	-	-	(8,277)
Comprehensive loss for the period		-	-	-	5,881	5,881	(799,267)	(793,386)
Balance, July 31, 2019		95,828,560	16,066,379	930,741	94,759	1,025,500	(13,282,800)	3,809,079

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

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)
Nine months ended July 31,

	2019	2018
	\$	\$
Operations:		
Loss for the period	(799,267)	(417,662)
Items not involving cash:		
Share based payments	-	204,460
Remeasurement loss (gain) on marketable securities	387,500	(137,000)
Reversal of accounts payable	-	(20,164)
Changes in non-cash working capital items:		
Amounts receivable	(2,029)	6,228
Prepaid expenses and deposits	(22,495)	(122,332)
Trade payables and accrued liabilities	(35,388)	29,069
	(471,679)	(457,401)
Financing:		
Share issued for cash	1,373,005	1,433,049
Share issuance costs	(8,277)	(6,791)
	1,364,728	1,426,258
Investing:		
Exploration and evaluation assets	(456,019)	(817,629)
Proceeds from property option agreements	-	30,000
	(456,019)	(787,629)
Change in cash and cash equivalents	437,030	181,228
Effects of foreign exchange translation on cash	98	195
Cash and cash equivalents, beginning of period	870,877	921,833
Cash and cash equivalents, end of period	1,308,005	1,103,256
Supplementary information:		
Exploration and evaluation assets in trade payables and accrued liabilities	-	73,672
Exploration advance allocated to expenditure of exploration assets	4,144	-
Marketable securities received pursuant to property option agreements	-	20,000
Exercised options	-	63,245
Cash and cash equivalents consist of:		
Cash	447,085	432,841
Guaranteed investment certificates	860,920	670,415
	1,308,005	1,103,256

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

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 1 – NATURE AND CONTINUANCE 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 condensed interim 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 of \$1,309,485 as at July 31, 2019 (October 31, 2018 - \$1,158,836) and accumulated deficit of \$13,282,800 (October 31, 2018 - \$12,483,533) and expects to incur further losses in the development of its business. The Company requires additional financing in order to fund working capital requirements and operations for the upcoming fiscal year. 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 may cast significant doubt on the entity’s ability to continue as a going concern.

These condensed interim 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

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, 2018, which have been prepared in accordance with IFRS.

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.

The consolidated financial statements were authorized for issue on September 30, 2019 by the Directors of the Company. The accounting policies have been applied consistently to all years presented in these consolidated financial statements.

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting policies recently adopted

(a) Financial Instruments

Effective November 1, 2018, the Company adopted IFRS 9 Financial instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 has been applied retrospectively and did not result in a change to measurement of financial instruments, in either the current or prior periods.

Financial assets

The classification of financial assets depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Company classifies its financial assets into one of the following categories as follows:

(i) Amortized cost

The Company classifies its financial assets at amortized cost only if both of the following conditions are met:

- the financial asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets are measured at fair value plus directly attributable transaction costs at initial recognition and are subsequently measured at amortized costs using effective interest method less any provisions for impairment.

(ii) Fair value through other comprehensive income ("FVOCI")

The Company classifies its equity investments at FVOCI for which are not held for trading and the Company has made an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments. Upon disposal of these equity investments, any balance within the other comprehensive income reserve for these equity investments is reclassified to retained earnings/deficit and is not reclassified to profit or loss. In addition, the other comprehensive income reserve for an impaired equity investment is not reclassified to profit or loss.

(iii) Fair value through profit or loss ("FVPL")

The Company classifies the following financial assets at FVPL:

- equity investments that are held for trading;
- equity investments for which the Company has not elected to recognize fair value gains and losses through other comprehensive income;
- debt investments that do not qualify for measurement at either amortized cost or at FVOCI; and
- derivative financial instruments.

The Company has classified its cash and marketable securities as fair value through profit or loss, receivables as amortized cost. The company has no assets classified as fair value through other comprehensive income.

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Liabilities

The Company classifies its financial liabilities as subsequently measured at amortized cost or FVPL. Financial liabilities are subsequently measured at amortized cost, except for those at FVPL such as derivative financial instruments and contingent consideration payables. The FVPL option can be elected for financial liabilities if:

- it eliminates or significantly reduces an accounting mismatch;
- the financial liability is part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract.

This irrevocable election is made at initial recognition and these financial liabilities cannot be reclassified out of the category while they are held or issued. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at FVPL will recognize changes in fair value attributable to the Company's own credit risk in other comprehensive income instead of profit or loss, unless this would create an accounting mismatch.

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

Impairment of Financial Assets

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9 (5.5.15), which requires expected lifetime losses to be recognized from initial recognition of the financial assets.

The criteria used to determine risk of default and to estimate expected credit losses include:

- delinquencies in payments;
- significant financial difficulty of the debtor;
- it becomes probable that the debtor will enter bankruptcy; or
- significant changes in macroeconomic factors that indicate future defaults will vary and measurable changes in estimated future cash flows will result, provided that such information is observable and available without undue cost or effort.

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.

(b) IFRS 16 – Leases:

On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is evaluating the effect of this standard on the Company's consolidated financial statements.

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 4 – MARKETABLE SECURITIES

As at July 31, 2019, marketable securities are comprised of:

	Original Cost \$	Remeasurement gain (loss) \$	July 31, 2019 Fair value \$
Common shares in public companies received pursuant to option agreements	20,000	(6,000)	14,000

See note 5(a)

As at October 31, 2018, marketable securities are comprised of:

	Original Cost \$	Remeasurement gain (loss) \$	October 31, 2018 Fair value \$
Common shares in public companies received pursuant to option agreements	20,000	381,500	401,500

See note 5(a)

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 5 – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised of:

	South Big Smoky Valley, Nevada	Georgia Lake Ontario	Forgan Lake, Ontario	La Borita, Argentina	Antofagasta, Argentina	La Rioja, Argentina	Archivarca, Argentina	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, October 31, 2017	1,050,919	154,806	-	-	-	-	-	1,205,725
Acquisition costs	-	-	50,000	70,345	213,856	4,186	3,586	341,973
Exploration and evaluation expenditures	19,726	52,840	-	48,752	577,232	8,201	718	707,469
Option payments	(40,000)	-	-	-	-	-	-	(40,000)
Impairment	(114,186)	-	-	(119,097)	-	-	-	(233,283)
Foreign exchange	14,300	-	-	-	-	-	-	14,300
Subtotal	(120,160)	52,840	50,000	-	791,088	12,387	4,304	790,459
Balance, October 31, 2018	930,759	207,646	50,000	-	791,088	12,387	4,304	1,996,184
Acquisition costs	-	-	-	-	32,718	34,906	-	67,624
Exploration and evaluation expenditures	9,357	97,818	-	-	183,927	54,484	-	345,586
Option payments	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Foreign exchange	6,400	-	-	-	-	-	-	6,400
Subtotal	15,757	97,818	-	-	216,645	89,390	-	419,610
Balance, July 31, 2019	946,516	305,464	50,000	-	1,007,733	101,777	4,304	2,415,794

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

Exploration and evaluation costs were as follows:

	South Big Smoky Valley, Nevada	Georgia Lake Ontario	La Borita, Argentina	Antofagasta, Argentina	La Rioja, Argentina	Archivarca, Argentina	Total
	(a)	(b)	(d)	(e)	(f)	(g)	
	\$	\$	\$	\$	\$	\$	\$
For the period ended July 31, 2019							
Assays	-	113	-	14,100	12,741	-	26,954
Drilling	5,214	40,247	-	-	-	-	45,461
Exploration expense	-	17,480	-	50,028	11,066	-	78,574
Geology and geophysics	-	35,923	-	13,971	1,677	-	51,571
Licenses, permits, claim fees and taxes	4,143	-	-	-	6,307	-	10,450
Local office and administration	-	-	-	59,008	8,820	-	67,828
Travel	-	4,055	-	46,820	13,873	-	64,748
Total	9,357	97,818	-	183,927	54,484	-	345,586
For the year ended October 31, 2018							
Assays	-	-	1,703	44,704	-	-	46,407
Drilling	8,357	26,549	-	-	-	-	34,906
Exploration expense	-	-	7,168	66,205	3,698	698	77,769
Geology and geophysics	500	21,000	15,200	353,946	-	-	390,646
Licenses, permits, claim fees and taxes	10,869	2,925	-	-	1,439	-	15,233
Local office and administration	-	-	12,477	49,053	32	20	61,582
Travel	-	2,366	12,204	63,324	3,032	-	80,926
Total	19,726	52,840	48,752	577,232	8,201	718	707,469

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

(a) 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, 2016, the Company staked additional claims in the South Big Smoky Valley area for \$60,270. During the year ended October 31, 2018, the Company relinquished its rights to certain claims in the South Big Smoky Valley and recognized an impairment of \$114,186 (2017 - \$960,360) thereof.

In December 2016, the Company entered into an option agreement with Metron Capital Corp. ("MCC") granting MCC the right to acquire certain mineral claims in the South Big Smoky Property. For acquiring these claims MCC must in the first year make a cash payment of \$15,000 (received), issue 100,000 common shares of MCC, and incur not less than \$20,000 in the exploration expenditures on or before May 31, 2017 (January 31, 2019 as per the amendment agreement dated May 31, 2018). In the second year, MCC must make cash payment of \$30,000 (received), issue 500,000 common shares of MCC (on or before June 30, 2019 as per the amendment agreement dated May 31, 2018), and incur not less than \$150,000 in the exploration expenditures on or before May 31, 2018 (June 30, 2019 as per the amendment agreement dated May 31, 2018). In the third year, MCC must make cash payment of \$60,000 (on or before January 1, 2020 as per the amendment agreement dated May 31, 2018), issue 1,000,000 common shares of MCC (on or before January 1, 2020 as per the amendment agreement dated May 31, 2018), and incur not less than \$250,000 in the exploration expenditures on or before May 31, 2019 (on or before January 1, 2020 as per the amendment agreement dated May 31, 2018). As at July 31, 2019, the Company has received in total \$45,000 cash (October 31, 2018: \$45,000) and 100,000 common shares with a value of \$5,000 (October 31, 2018: 100,000 common shares with a value of \$5,000) from MCC as part of its consideration under the option agreement.

On May 15, 2017, the Company entered into an option agreement with United Battery Metals Corp. (formerly, United Lithium Corp) ("UBM") granting UBM the right to acquire certain mineral claims in the South Big Smoky Property. During the year ended October 31, 2018, UBM served the notice of termination of the option agreement to the Company. As at October 31, 2018, the Company has received in total \$15,000 cash and 300,000 common shares with a value of \$15,000 from UBM.

(b) Georgia Lake Property, Ontario

The Company holds certain claims staked in Ontario.

(c) Forgan Lake, Ontario

On September 4, 2018, the Company entered into a purchase agreement with International Lithium Corp. ("ILC") to acquire 100% interest in the Forgan Lake Lithium property for a consideration of \$200,000 in cash and shares over the period of two years: \$25,000 in cash and \$25,000 in shares on signing, \$37,500 in cash and \$37,500 in shares on the first anniversary, and \$37,500 in cash and \$37,500 in shares on the second anniversary of the agreement date. The property is located in the Thunder Bay Mining District in Northwestern Ontario, Canada, and is subject to 1.5% NSR with an option for the Company to purchase 1% NSR for \$1,000,000. During the year ended October 31, 2018, the Company paid \$25,000 cash and issued 140,732 shares with value of \$25,000 as the purchase consideration.

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

(d) La Borita, Argentina

On June 20, 2017, the Company entered into an option agreement to acquire 100% interest in La Borita lithium brine property located in the Antofagasta region, province of Catamarca in Argentina. Under the terms of agreement, the Company will pay \$408,320 Argentinian Pesos (approximately \$25,520 USD) to the Mining Secretariat of Catamarca to settle outstanding canon fees. Thirty days after completion of verification sampling and due diligence the Company will pay \$30,000 USD. Commencing one year thereafter, the Company will pay \$1,000,000 USD in four equal quarterly payments to acquire 100% rights to the property. The property is subject to 2.5 % royalty. During November 2017, the Company settled \$408,320 Argentinian Pesos canon fees. In December 2017, the Company paid \$30,000 USD as per the terms of option agreement. During the year ended October 31, 2018, the Company after due diligence decided not to pursue the acquisition of the property and realized an impairment loss of \$119,097 thereof.

(e) Antofagasta, Argentina

On August 4, 2017, the Company entered into an option agreement to acquire 100% interest in three lithium brine properties located in the Antofagasta region, Province of Catamarca in Argentina. Under the terms of agreement, the Company will pay \$2,486,040 Argentinian Pesos (approximately \$155,378 USD) to the Mining Secretariat of Catamarca for outstanding canon fees. Thirty days after completion of verification sampling and due diligence the Company will pay \$30,000 USD. Commencing 270 days thereafter, the Company will pay \$1,960,000 USD in eight equal quarterly payments to acquire 100% rights to the property. The property is subject to 2.5 % royalty. During November 2017, the Company settled \$1,611,520 Argentinian Pesos canon fees for certain concessions. In December 2017, the Company paid \$30,000 USD as per the terms of option agreement.

On June 28, 2019, the Company entered into an option agreement to acquire 100% interest in one lithium brine property located in the Antofagasta region, Province of Catamarca in Argentina. Under the terms of agreement, the Company will pay \$500,000 USD in five equal bi-annual payments to acquire 100% rights to the property. The property is subject to 2.5 % royalty. In June 2019, the Company paid \$30,000 USD as per the terms of option agreement.

(f) La Rioja, Argentina

The Company holds certain claims (the “ULTRA” claims) staked in La Rioja, Argentina.

On June 24, 2019, the Company signed an agreement to acquire thirteen gold mining licenses in Chepes Area, La Rioja Province, Argentina (the “Chepes licences”). The Chepes licences are located on past producing historical gold mines. Under the agreement, a total of thirteen gold mining licenses were acquired by making cash payments of USD \$2,000 per license. The Company will pay the vendor 10% of the profit from any future production from the Chepes licences. The Company also agreed to pay the vendor 5% of the profit from any future production from its ULTRA claims which are in the vicinity of the newly acquired Chepes licences

(g) Archivarca, Argentina

The Company holds certain claims staked in Archivarca, Argentina.

As at July 31, 2019, the Company had made advance payments towards future exploration work of \$83,800 (October 31, 2018 - \$82,717).

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 6 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At July 31, 2019, there were 95,828,560 issued and fully paid common shares (October 31, 2018 – 70,739,314).

(c) Share Issuances

The Company completed a private placement of 22,883,413 units for gross proceeds of \$1,373,005. Each unit is comprised of one common share and one half common share purchase warrant exercisable at \$0.12 for a period of two years from the date of issuance. The Company paid finders fees of 2,205,833 units for this placement.

On October 31, 2018, the Company issued 140,732 common shares with a value of \$25,000 for the Forgan Lake property acquisition.

On May 2, 2018, the Company issued 50,000 common shares at \$0.10 pursuant to the exercise of options.

On January 25, 2018, the Company issued 533,333 common shares at \$0.30 per share pursuant to the exercise of warrants for proceeds of \$160,000.

On December 15, 2017, the Company completed a private placement of 4,833,000 units for gross proceeds of \$1,208,250. Each unit is comprised of one common share and one half common share purchase warrant exercisable at \$0.40 for a period of one year from the date of issuance.

On November 15, 2017, the Company issued 460,000 common shares at \$0.13 per share pursuant to the exercise of options for proceeds of \$59,800.

(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, 2017	1,200,000	0.30
Issued	2,416,500	0.40
Exercised	(533,333)	0.30
Expired	(666,667) ⁽¹⁾	0.30
Balance, October 31, 2018	2,416,500	0.40
Issued	12,544,623	0.12
Exercised	-	-
Expired	(2,416,500) ⁽²⁾	0.40
Balance, July 31, 2019	12,544,623	0.12

⁽¹⁾ 666,667 warrants exercisable at \$0.30 each expired unexercised.

⁽²⁾ 2,416,500 warrants exercisable at \$0.40 each expired unexercised.

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

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NOTE 6 – SHARE CAPITAL AND RESERVES (Continued)

The following table summarizes the warrants outstanding as at July 31, 2019:

Warrants	Exercise Price	Expiry Date
#	\$	
12,544,623	0.12	May 15, 2021
12,544,623		

(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 April 4, 2018, the Company granted 1,010,000 stock options to certain directors, officers and consultants pursuant to the Company's Stock Option Plan. The options have an exercise price of \$0.205 per share and an expiry date of April 4, 2023. The options were valued at \$204,460, calculated using the Black-Scholes option pricing model with an expected volatility of 222%, expected dividend yield of 0%, expected term of 5 years, and a risk-free interest rate of 2.00%.

A summary of the status of the options outstanding follows:

	Options	Weighted Average Exercise Price
	#	\$
Balance, October 31, 2017	5,465,000	0.15
Granted	1,010,000	0.205
Exercised	(510,000) ⁽¹⁾	0.13
Expired	(230,000) ⁽²⁾	0.10
Balance, October 31, 2018	5,735,000	0.16
Balance, July 31, 2019	5,735,000	0.16

⁽¹⁾ 460,000 options were exercised at \$0.13 per share and 50,000 options were exercised at \$0.10 per share, the fair value of \$63,245 was reclassified from reserves to share capital.

⁽²⁾ 230,000 options exercisable at \$0.10 per share expired unexercised.

The following table summarizes the options outstanding and exercisable as at July 31, 2019:

Shares	Exercise Price	Expiry Date	Exercisable
#	Per Share		#
	\$		
125,000	0.10	April 19, 2023	125,000
10,000	0.10	February 14, 2021	10,000
2,440,000	0.13	March 8, 2026	2,440,000
2,150,000	0.19	September 08, 2022	2,150,000
1,010,000	0.205	April 4, 2023	1,010,000
5,735,000			5,735,000

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

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NOTE 7 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the three and nine months ended July 31, 2019, 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 controlled by the VP exploration:

	Three months ended July 31,		Nine months ended July 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Legal fees (i)	1,620	-	11,171	4,872
Accounting fees (ii)	20,000	15,000	50,000	45,000
Geological fees (iii)	18,000	15,000	48,000	45,000
	39,620	30,000	109,171	94,872

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	Three months ended July 31,		Nine months ended July 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term benefits ⁽¹⁾	27,500	22,500	72,500	67,500
Share-based payments ⁽²⁾	-	-	-	113,363
	27,500	22,500	72,500	180,863

⁽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)).

(c) Related party balances

Included in accounts payable are \$3,405 owed to the CEO (October 31, 2018 - \$6,456), \$1,638 owed to the VP Exploration (October 31, 2018 - \$1,859), \$nil to the Secretary (October 31, 2018 - \$nil), and \$nil to the CFO (October 31, 2018 - \$4,981) for fees and expenses.

Included in prepaid expenses is \$409 (October 31, 2018: \$nil) advanced to the VP Exploration for expenses.

NOTE 8 – SEGMENTED INFORMATION

The Company operated in the following geographic segments as at:

	Canada	United States	Argentina	Total
	\$	\$	\$	\$
Exploration and evaluation assets				
July 31, 2019	355,464	946,516	1,113,814	2,415,794
October 31, 2018	257,646	930,759	807,779	1,996,184

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 9 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, amounts receivable and trade payables 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.

The fair value of the marketable securities is disclosed in Note 4 of the financial statements and is based on inputs other than quoted market prices that are observable for the asset or liability either directly or indirectly – Level 1.

(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, 2019, 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, 2019, the Company had a cash and cash equivalents balance of \$1,308,005 to settle current liabilities of \$55,610 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 2019.

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 9 - 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:

	July 31, 2019	October 31, 2018
	\$	\$
US dollar:		
Cash	853,154	465,508
Prepaid expenses and deposits	658	198,430
Exploration advance	83,800	82,717
Trade payable and accrued liabilities	(3,439)	(242,807)
Net US dollar	934,174	503,848
Serbian Dinar:		
Amounts receivable	644	636
Trade payable and accrued liabilities	(44,859)	(44,242)
Net Serbian Dinar	(44,214)	(43,606)

The Company has determined that an effect of a 10% increase or decrease in the US dollar and Serbian Dinar against the Canadian dollar on financial assets and liabilities, as at July 31, 2019, including cash and trade payable and accrued liabilities denominated in US dollars and Serbian Dinar, would result in an increase or decrease of approximately \$88,996 to the net loss and comprehensive loss for the period ended July 31, 2019. At July 31, 2019, 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.

Ultra Lithium Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2019

NOTE 9 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (continued)

(iii) Market Risk (Continued)

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 the audited consolidated financial statements for the year ended October 31, 2018 of which production is not expected in the near future.

During the period ended July 31, 2019, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

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 period ended July 31, 2019.

NOTE 11 – SUBSEQUENT EVENTS

The Company agreed to and paid in advance the reduced second installment of \$36,000 for the Forgan Lake property.
Note 5(f)