



ULTRA RESOURCES INC.

(the “Company”)

(Formerly Ultra Lithium Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2020

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The management of Ultra Resources Inc. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim consolidated financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company’s auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

September 29, 2020

Ultra Resources Inc.

(Formerly Ultra Lithium Inc.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	<i>Note</i>	Unaudited July 31, 2020 \$	Audited October 31, 2019 \$
Assets			
Current assets:			
Cash and cash equivalents		286,798	927,528
Amounts receivable		8,982	13,481
Prepaid expenses and deposits		30,252	24,200
Marketable securities	3	29,658	11,000
		355,690	976,209
Noncurrent assets:			
Exploration advance	5	990	5,024
Exploration and evaluation assets	5	2,099,812	1,814,795
		2,456,492	2,796,028
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities	8	80,033	81,002
		80,033	81,002
Shareholders' equity:			
Share capital	7	16,027,519	16,027,519
Reserves	7	1,082,622	1,082,599
Deficit		(14,733,682)	(14,395,092)
		2,376,459	2,715,026
		2,456,492	2,796,028

Nature and continuance of operations (Note 1)

"Weiguo Lang" Director
Weiguo Lang

"Andrew Lee Smith" Director
Andrew Lee Smith

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

Ultra Resources Inc.

(Formerly 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	2020	2019	2020	2019
		\$	\$	\$	\$
Expenses:					
Bank charges and interest		1,253	1,356	4,301	3,730
Consulting fees		22,500	37,705	67,500	52,884
Depreciation		-	-	3,249	-
General exploration	8	14,300	9,150	35,923	17,650
Management fees	8	30,000	27,500	90,000	72,500
Office, rent and administration		22,917	34,198	66,786	101,757
Professional fees	8	22,502	24,956	71,877	74,322
Stock exchange and filing fees		5,912	2,717	19,817	11,234
Transfer agent fees		1,541	1,718	5,422	3,767
Travel and promotion		-	24,680	7,741	59,598
		(120,925)	(163,980)	(372,616)	(397,442)
Other income (expenses):					
Interest income		-	6	1,866	4,547
Remeasurement gain (loss) on marketable securities	3	12,706	(8,500)	19,252	(387,500)
Foreign exchange gain (loss)		(13,331)	(21,115)	12,908	(18,872)
		(625)	(29,609)	34,026	(401,825)
Loss for the period		(121,550)	(193,589)	(338,590)	(799,267)
Other comprehensive income (loss):					
Foreign currency translation		4	(8,314)	23	5,881
Comprehensive loss for the period		(121,546)	(201,903)	(338,567)	(793,386)
Basic and diluted loss per share		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of common shares – basic and diluted					
		95,828,560	91,737,922	95,828,560	77,815,768

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

Ultra Resources Inc.

(Formerly Ultra Lithium Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

	<i>Note</i>	Share Capital		Reserves			Total shareholder's equity	
		Common shares	Amount	Equity reserve	Foreign currency translation	Total		Deficit
		#	\$	\$	\$	\$	\$	
Balance, October 31, 2018		70,739,314	14,701,651	930,741	88,878	1,019,619	(12,483,533)	3,237,737
Shares issued for cash		22,883,413	1,373,005	-	-	-	-	1,373,005
Shares issue cost		2,205,833	(8,277)	-	-	-	-	(8,277)
Comprehensive loss for the period		-	-	-	5,881	5881	(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
Balance, October 31, 2019		95,828,560	16,027,519	969,601	112,998	1,082,599	(14,395,092)	2,715,026
Comprehensive loss for the period		-	-	-	23	23	(338,590)	(338,567)
Balance, July 31, 2020		95,828,560	16,027,519	969,601	113,021	1,082,622	(14,733,682)	2,376,459

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

Ultra Resources Inc.

(Formerly Ultra Lithium Inc.)

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

For the nine months ended July 31,

	2020	2019
	\$	\$
Operations:		
Loss for the period	(338,590)	(799,267)
Items not involving cash:		
Depreciation	3,249	-
Interest expense	610	-
Remeasurement (gain) loss on marketable securities	(19,252)	387,500
Changes in non-cash working capital items:		
Amounts receivable	4,499	(2,029)
Prepaid expenses and deposits	(5,458)	(22,495)
Trade payables and accrued liabilities	(5,735)	(35,388)
	<u>(360,677)</u>	<u>(471,679)</u>
Financing:		
Shares issued for cash	-	1,373,005
Share issue cost	-	(8,277)
Lease payments	(3,859)	-
	<u>(3,859)</u>	<u>1,364,728</u>
Investing:		
Exploration and evaluation assets	(276,217)	(456,019)
	<u>(276,217)</u>	<u>(456,019)</u>
Change in cash and cash equivalents	(640,753)	437,030
Effects of foreign exchange translation on cash	23	98
Cash and cash equivalents, beginning of period	927,528	870,877
Cash and cash equivalents, end of period	286,798	1,308,005
Supplementary information:		
Exploration and evaluation assets in trade payables and accrued liabilities	4,766	-
Exploration advance allocated to expenditure of exploration assets	(4,034)	4,144
Right-to-use assets recognized	12,252	-
Modification to right-of-use asset and lease liability	(9,003)	-
Cash and cash equivalents consist of:		
Cash	8,718	447,085
Guaranteed investment certificates	278,080	860,920
	<u>286,798</u>	<u>1,308,005</u>

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

Ultra Resources Inc. (Formerly 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, 2020

NOTE 1 – NATURE AND CONTINANCE OF OPERATIONS

Ultra Resources Inc. (the “Company”; formerly Ultra Lithium Inc.) 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. On December 2, 2019, the Company changes its name to Ultra Resources Inc. The Company’s common shares are listed for trading on Tier 2 of the TSX Venture Exchange (the “Exchange”) under the symbol “ULT”.

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 interm 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 \$275,657 as at July 31, 2020 (October 31, 2019 - \$895,207) and accumulated deficit of \$14,733,682 (October 31, 2019 - \$14,395,092) 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The future impact on the Company’s ability to carry out its business operations is not currently determinable but management continues to monitor the situation.

These condensed interm 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

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, 2019, which have been prepared in accordance with IFRS.

Ultra Resources Inc. (Formerly 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, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 29, 2020 by the Directors of the Company. The accounting policies have been applied consistently to all years presented in these consolidated financial statements.

New accounting policies recently adopted.

Effective November 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

On adoption of IFRS 16, the Company recognized lease liabilities of \$12,252 in relation to lease arrangements measured at the present value of the remaining lease payments, adjusted by commitments in relation to arrangements not containing leases, short-term and low-value leases, and discounted using the Company’s incremental borrowing rate as of November 1, 2019. The incremental borrowing rate used to determine the lease liabilities at adoption was 12 percent. The associated right-of-use assets were measured at the amount equal to the lease liabilities on November 1, 2019, with no impact on retained earnings. See Note 4 – “Right-of-Use Assets” and Note 6 – “Lease Liabilities” for additional information regarding the Company’s leases.

In applying IFRS 16 for the first time, the Company has used the following practical expedient permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at November 1, 2019 as short-term leases.

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policy effective November 1, 2019:

a) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Ultra Resources Inc. (Formerly 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, 2020

NOTE 3 – MARKETABLE SECURITIES

Marketable securities are comprised of common shares in public companies received pursuant to option agreements.

	July 31, 2020	October 31, 2019
	\$	\$
Opening fairvalue	11,000	401,500
Unrealized gain (loss)	19,252	(390,500)
Ending fairvalue	30,252	11,000

See note 5(a)

NOTE 4 – RIGHT-TO-USE ASSET

The Company recognizes right-of-use assets and corresponding lease liabilities related to certain office facilities. See Note 6 – "Lease Liabilities" for additional information regarding the Company's leases.

	Offices	Total
	\$	\$
Cost		
Balance October 31, 2019	-	-
Recognized on adoption of IFRS 16	12,252	12,252
Modification	(9,003)	(9,003)
Balance, July 31, 2020	3,249	3,249
Accumulated Depreciation		
Balance October 31, 2019	-	-
Additions	3,249	3,249
Balance, July 31, 2020	3,249	3,249
Carrying Value		
October 31, 2019	-	-
July 31, 2020	-	-

Ultra Resources Inc. (Formerly 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, 2020

NOTE 5 – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised of:

	South Big Smoky Valley, Nevada	Georgia Lake Ontario	Forgan Lake, Ontario	Antofagasta, Argentina	La Rioja, Argentina	Archivarcá, Argentina	Total
	(a)	(b)	(c)	(d)	(e)	(f)	
	\$	\$	\$	\$	\$	\$	\$
Balance, October 31, 2018	930,759	207,646	50,000	791,088	12,387	4,304	1,996,184
Acquisition costs	-	-	66,000	131,253	34,906	-	232,159
Exploration and evaluation expenditures	9,357	536	101,180	280,018	135,477	-	526,568
Option payments	(10,000)	-	-	-	-	-	(10,000)
Impairment	(954,158)	-	-	-	-	-	(954,158)
Foreign exchange	24,042	-	-	-	-	-	24,042
Subtotal	(930,759)	536	167,180	411,271	170,383	-	(181,389)
Balance, October 31, 2019	-	208,182	217,180	1,202,359	182,770	4,304	1,814,795
Acquisition costs	-	-	-	132,330	-	-	132,330
Exploration and evaluation expenditures	-	2,723	13,023	71,044	65,897	-	152,687
Subtotal	-	2,723	13,023	203,374	65,897	-	285,017
Balance, July 31, 2020	-	210,905	230,203	1,405,733	248,667	4,304	2,099,812

Ultra Resources Inc. (Formerly 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, 2020

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

Exploration and evaluation costs were as follows:

	South Big Smoky Valley, Nevada	Georgia Lake Ontario	Forgan Lake, Ontario	Antofagasta, Argentina	La Rioja, Argentina	Archivarca, Argentina	Total
	(a)	(b)	(c)	(d)	(e)	(f)	
	\$	\$	\$	\$	\$	\$	\$
For the year ended October 31, 2019							
Assays	-	-	113	14,100	12,740	-	26,953
Drilling	5,214	-	40,247	-	-	-	45,461
Exploration expense	-	-	17,207	86,852	48,903	-	152,962
Geology and geophysics	-	-	39,823	25,806	23,265	-	88,894
Licenses, permits, claim fees and taxes	4,143	-	-	14,580	11,725	-	30,448
Local office and administration	-	-	-	80,126	12,218	-	92,344
Travel	-	536	3,790	58,554	26,626	-	89,506
Total	9,357	536	101,180	280,018	135,477	-	526,568
For the period ended July 31, 2020							
Assays	-	-	-	-	12,258	-	12,258
Drilling	-	-	-	-	-	-	-
Exploration expense	-	-	-	8,251	2,179	-	10,430
Geology and geophysics	-	-	11,050	22,498	19,847	-	53,395
Licenses, permits, claim fees and taxes	-	750	-	465	276	-	1,491
Local office and administration	-	1,973	1,973	26,616	16,699	-	47,261
Travel	-	-	-	13,214	14,638	-	27,852
Total	-	2,723	13,023	71,044	65,897	-	152,687

Ultra Resources Inc. (Formerly 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, 2020

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.

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. During the year ended October 31, 2019, MCC served the notice of termination of the option agreement to the Company. As at October 31, 2019, the Company has received in total \$55,000 cash and 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.

During the year ended October 31, 2019, the Company relinquished its rights to the South Big Smoky Valley and recognized an impairment of \$954,158 thereof.

(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 (\$191,000 as per the amendment agreement dated October 17, 2019) in cash and shares over the period of two years: \$25,000 in cash (paid) and \$25,000 in shares on signing (issued), \$37,500 in cash and \$37,500 in shares on the first anniversary (\$66,000 in cash paid on the first anniversary as per the amendment agreement dated October 17, 2019), 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. As at July 31, 2020, the Company has paid \$91,000 cash and issued 140,732 shares with value of \$25,000 as the purchase consideration. Note 12.

Ultra Resources Inc. (Formerly 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, 2020

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

(d) 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. As at July 31, 2020, the Company has paid \$200,000 USD in instalments as per the terms of option agreement.

(e) 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”). Under the agreement, 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

(f) Archivarca, Argentina

The Company holds certain claims staked in Archivarca, Argentina.

As at July 31, 2020, the Company had made advance payments towards future exploration work of \$990 (October 31, 2019 - \$5,024).

NOTE 6 – LEASE LIABILITIES

	Total
	\$
Balance, October 31, 2019	-
Recognition upon adoption of IFRS 16	12,252
Interest expense	610
Payments	(3,859)
Modification	(9,003)
Balance, July 31, 2020	-

Ultra Resources Inc. (Formerly 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, 2020

NOTE 7 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At July 31, 2020, there were 95,828,560 issued and fully paid common shares (October 31, 2019 – 95,828,560).

(c) Share Issuances

On May 15, 2019, 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. The 2,205,833 finders fee shares have a value of \$132,350. The 1,102,917 finders fee warrants have a value of \$38,860 calculated using the Black-Scholes option pricing model with an expected volatility of 122%, expected dividend yield of 0%, expected term of 2 years, and a risk-free interest rate of 1.26%.

(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, 2018	2,416,500	0.40
Issued	12,544,623	0.12
Exercised	-	-
Expired	(2,416,500) ⁽¹⁾	0.40
Balance, October 31, 2019	12,544,623	0.12
Issued	-	-
Exercised	-	-
Expired	-	-
Balance, July 31, 2020	12,544,623	0.12

⁽¹⁾ 2,416,500 warrants exercisable at \$0.40 each expired unexercised.

The following table summarizes the warrants outstanding as at July 31, 2020:

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

Ultra Resources Inc. (Formerly 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, 2020

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.

A summary of the status of the options outstanding follows:

	Options	Weighted Average Exercise Price
	#	\$
Balance, October 31, 2018 & 2019	5,735,000	0.16
Granted	-	-
Exercised	-	-
Expired	-	-
Balance, July 31, 2020	5,735,000	0.16

The following table summarizes the options outstanding and exercisable as at July 31, 2020:

Shares	Exercise Price		Expiry Date	Exercisable
	Per Share			
#	\$		#	
130,000	0.10	April 19, 2023	130,000	
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	
1,005,000	0.205	April 4, 2023	1,005,000	
5,735,000			5,735,000	

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the three and nine months ended July 31, 2020, 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,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Legal fees (i)	-	1,620	1,433	11,171
Accounting fees (ii)	22,500	20,000	67,500	50,000
Geological fees (iii)	19,500	18,000	58,500	48,000
	42,000	39,620	127,433	109,171

Ultra Resources Inc. (Formerly 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, 2020

NOTE 8 – RELATED PARTY TRANSACTIONS (continued)

(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,	
	2020	2019	2020	2019
Short-term benefits ⁽¹⁾	\$ 30,000	\$ 27,500	\$ 90,000	\$ 72,500
Share-based payments ⁽²⁾	-	-	-	-
	30,000	27,500	90,000	72,500

⁽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 7(e)).

(c) Related party balances

Included in accounts payable are \$790 owed to the CEO (October 31, 2019 - \$776), \$750 owed to the VP Exploration (October 31, 2019 - \$nil), and \$nil to the CFO (October 31, 2019 - \$263) for fees and expenses.

Included in prepaid expenses is \$417 (October 31, 2019: \$409) advanced to the VP Exploration for expenses and \$500 (October 31, 2019: \$nil) advanced to the CFO for expenses.

NOTE 9 – SEGMENTED INFORMATION

The Company operated in the following geographic segments as at:

	Canada	Argentina	Total
	\$	\$	\$
Exploration and evaluation assets			
July 31, 2020	441,108	1,658,704	2,099,812
October 31, 2019	425,362	1,389,433	1,814,795

NOTE 10 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The carrying values of 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 cash and cash equivalents and marketable securities is Level 1 inputs.

Ultra Resources Inc. (Formerly Ultra Lithium Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

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For the three and nine months ended July 31, 2020

NOTE 10 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (continued)

(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, 2020, 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, 2020, the Company had a cash and cash equivalents balance of \$286,798 to settle current liabilities of \$80,033 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 2020.

(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, 2020	October 31, 2019
	\$	\$
US dollar:		
Cash	273,459	665,601
Trade payable and accrued liabilities	(17,217)	(4,488)
Net US dollar	256,242	661,113
Serbian Dinar:		
Amounts receivable	636	630
Trade payable and accrued liabilities	(44,242)	(43,881)
Net Serbian Dinar	(43,606)	(43,251)

Ultra Resources Inc. (Formerly Ultra Lithium Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

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For the three and nine months ended July 31, 2020

NOTE 10 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (continued)

(iii) Market Risk (Continued)

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, 2020, denominated in US dollars and Serbian Dinar, would result in an increase or decrease of approximately \$21,263 to the net loss for the period ended July 31, 2020. At July 31, 2020, 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 cash equivalents 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 which production is not expected in the near future.

During the period ended July 31, 2020, 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 period ended July 31, 2020.

NOTE 12 – SUBSEQUENT EVENT

Subsequent to July 31, 2020 the Company paid \$37,500 in cash and issued 493,968 shares with a value of \$37,500 to International Lithium Corp. in accordance with the Forgan Lake purchase agreement.