



ULTRA RESOURCES INC.

(the “Company”)

(Formerly Ultra Lithium Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2021

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.

Ultra Resources Inc.

(Formerly Ultra Lithium Inc.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	<i>Note</i>	Unaudited July 31, 2021 \$	Audited October 31, 2020 \$
Assets			
Current assets:			
Cash and cash equivalents		477,528	88,169
Amounts receivable		10,161	1,666
Prepaid expenses and deposits		45,003	31,072
Marketable securities	3	-	41,887
		532,692	162,794
Noncurrent assets:			
Exploration advance	5	18,671	2,104
Exploration and evaluation assets	5	2,557,674	2,214,590
		3,109,037	2,379,488
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities	8	113,761	98,143
		113,761	98,143
Shareholders' equity:			
Share capital	7	17,152,536	16,065,019
Reserves	7	1,239,616	1,080,450
Deficit		(15,396,876)	(14,864,124)
		2,995,276	2,281,345
		3,109,037	2,379,488

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

"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,	
	<i>Note</i>	2021	2020	2021	2020
		\$	\$	\$	\$
Expenses:					
Bank charges and interest		1,483	1,253	4,010	4,301
Consulting fees		63,500	22,500	108,500	67,500
Depreciation	4	-	-	-	3,249
General exploration	8	14,910	14,300	28,560	35,923
Management fees	8	30,000	30,000	90,000	90,000
Office, rent and administration		19,877	22,917	63,644	66,786
Professional fees	8	23,043	22,502	72,915	71,877
Share-based payments		101,129	-	101,129	-
Stock exchange and filing fees		4,732	5,912	32,566	19,817
Transfer agent fees		1,792	1,541	6,494	5,422
Travel and promotion		-	-	3,371	7,741
		(260,466)	(120,925)	(511,189)	(372,616)
Other income (expenses):					
Interest income		-	-	-	1,866
Remeasurement loss (gain) on marketable securities	3	-	12,706	5,832	19,252
Foreign exchange gain (loss)		4,674	(13,331)	(27,395)	12,908
		4,674	(625)	(21,563)	34,026
Loss for the period		(255,792)	(121,550)	(532,752)	(338,590)
Other comprehensive income (loss):					
Foreign currency translation		(657)	4	149	23
Comprehensive loss for the period		(256,449)	(121,546)	(532,603)	(338,567)
Basic and diluted loss per share		(0.00)	(0.00)	(0.01)	(0.00)
Weighted average number of common shares – basic and diluted					
		107,236,584	95,828,560	100,916,384	95,828,560

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)

	Share Capital		Reserves				Total shareholder's equity	
	Note	Common shares	Amount	Equity reserve	Foreign currency translation	Total		Deficit
		#	\$	\$	\$	\$		\$
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
Balance, October 31, 2020		96,322,528	16,065,019	969,601	110,849	1,080,450	(14,864,124)	2,281,345
Private placement		10,892,900	1,198,219	-	-	-	-	1,198,219
Share issuance cost		-	(154,390)	70,876	-	70,876	-	(83,514)
Warrants exercised		147,500	17,700	-	-	-	-	17,700
Stock options exercised		100,000	25,988	(12,988)	-	(12,988)	-	13,000
Share-based payments		-	-	101,129	-	101,129	-	101,129
Comprehensive loss for the period		-	-	-	149	149	(532,752)	(532,603)
Balance, July 31, 2021		107,462,928	17,152,536	1,128,618	110,998	1,239,616	(15,396,876)	2,995,276

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,

	2021	2020
	\$	\$
Operations:		
Loss for the period	(532,752)	(338,590)
Items not involving cash:		
Depreciation	-	3,249
Interest Expense	-	610
Share-based payments	101,129	-
Remeasurement loss (gain) on marketable securities	21,887	(19,252)
Gain on sale of marketable securities	(27,719)	-
Changes in non-cash working capital items:		
Amounts receivable	(8,495)	4,499
Prepaid expenses and deposits	(13,931)	(5,458)
Trade payables and accrued liabilities	15,618	(5,735)
	(444,263)	(360,677)
Financing:		
Shares issued for cash	1,228,919	-
Share issuance cost	(83,514)	-
Lease payments	47,719	(3,859)
	1,193,124	(3,859)
Investing:		
Exploration and evaluation assets	(359,565)	(276,217)
	(359,565)	(276,217)
Change in cash and cash equivalents	389,296	(640,753)
Effects of foreign exchange translation on cash	63	23
Cash and cash equivalents, beginning of period	88,169	927,528
Cash and cash equivalents, end of period	477,528	286,798
Supplementary information:		
Exploration and evaluation assets in trade payables and accrued liabilities	4,766	4,766
Exploration advance allocated to expenditure of exploration assets	16,567	(4,034)
Right-to-use asset recognized	-	12,252
Modification to right-to-use asset and lease liability	-	(9,003)
Cash and cash equivalents consist of:		
Cash	467,528	8,718
Guaranteed investment certificates	10,000	278,080
	477,528	286,798

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, 2021

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 3500 - 1055 Dunsmuir Street, PO Box 49114, Vancouver, British Columbia, Canada, V7X 1H7.

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 \$418,931 as at July 31, 2021 (October 31, 2020 - \$64,651) and accumulated deficit of \$15,396,876 (October 31, 2020 - \$14,864,124) 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 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

The condensed interim consolidated financial statements were authorized for issue on September 29, 2021 by the Directors of the Company. The accounting policies have been applied consistently to all years presented in 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, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation and consolidation

These condensed interim consolidated 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, 2020, 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.

NOTE 3 – MARKETABLE SECURITIES

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

	July 31, 2021	October 31, 2020
	\$	\$
Opening fair value	41,887	11,000
Unrealized gain (loss)	(21,887)	30,887
Sale of marketable securities	(47,719)	-
Realized gain	27,719	-
Ending fair value	-	41,887

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, 2021

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
	\$	\$
<hr/>		
Cost		
<hr/>		
Balance October 31, 2019	-	-
Recognized on adoption of IFRS 16	12,252	12,252
Modification	(9,003)	(9,003)
Balance, October 31, 2020 and July 31, 2021	3,249	3,249
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Accumulated Depreciation		
<hr/>		
Balance October 31, 2019	-	-
Additions	3,249	3,249
Balance, October 31, 2020 and July 31, 2021	3,249	3,249
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Carrying Value		
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October 31, 2020	-	-
July 31, 2021	-	-

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, 2021

NOTE 5 – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised of:

	Georgia Lake Ontario	Forgan Lake, Ontario	Antofagasta, Argentina	La Rioja, Argentina	Archivarca, Argentina	Big Smoky Valley, Nevada	Total
	(a)	(b)	(c)	(d)	(e)	(f)	
	\$	\$	\$	\$	\$	\$	\$
Balance, October 31, 2019	208,182	217,180	1,202,359	182,770	4,304	-	1,814,795
Acquisition costs	-	75,000	132,330	-	-	-	207,330
Exploration and evaluation expenditures	3,535	17,735	79,586	91,609	-	-	192,465
Subtotal	3,535	92,735	211,916	91,609	-	-	399,795
Balance, October 31, 2020	211,717	309,915	1,414,275	274,379	4,304	-	2,214,590
Acquisition costs	-	-	125,710	-	-	22,486	148,196
Exploration and evaluation expenditures	2,327	41,272	49,891	101,312	-	-	194,802
Foreign exchange	-	-	-	-	-	86	86
Subtotal	2,327	41,272	175,601	101,312	-	22,572	343,084
Balance, July 31, 2021	214,044	351,187	1,589,876	375,691	4,304	22,572	2,557,674

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, 2021

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation costs were as follows:

	Georgia Lake Ontario	Forgan Lake, Ontario	Antofagasta, Argentina	La Rioja, Argentina	Total
	(a)	(b)	(c)	(d)	
	\$	\$	\$	\$	\$
For the year ended October 31, 2020					
Assays	-	-	-	20,258	20,258
Drilling	-	-	-	-	-
Exploration expense	-	-	9,661	3,613	13,274
Geology and geophysics	-	14,950	26,432	27,782	69,164
Licenses, permits, claim fees and taxes	750	-	465	276	1,491
Local office and administration	2,785	2,785	28,929	25,635	60,134
Travel	-	-	14,099	14,045	28,144
Total	3,535	17,735	79,586	91,609	192,465
For the period ended July 31, 2021					
Assays	-	1,125	-	3,897	5,022
Drilling	-	-	-	-	-
Exploration expense	-	4,025	9,126	30,033	43,184
Geology and geophysics	-	27,050	18,220	12,761	58,031
Licenses, permits, claim fees and taxes	-	4,875	7,758	2,059	14,692
Local office and administration	2,327	4,197	9,072	30,443	46,039
Travel	-	-	5,715	22,119	27,834
Total	2,327	41,272	49,891	101,312	194,802

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, 2021

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (continued)

(a) Georgia Lake Property, Ontario

The Company holds certain claims staked in Ontario.

(b) 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 (paid and issued). 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 of July 31, 2021, the Company has paid \$191,000 (\$128,500 cash and issued 634,700 shares with value of \$62,500) as the purchase consideration. (Note 7)

(c) 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 of July 31, 2021, the Company has paid \$300,000 USD in instalments as per the terms of option agreement.

(d) La Rioja, Argentina

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

On June 24, 2019, the Company acquired thirteen gold mining licenses in Chepes Area, La Rioja Province, Argentina (the “Chepes licences”). 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

(e) Archivarca, Argentina

The Company holds certain claims staked in Archivarca, Argentina.

(f) Big Smoky Valley, Nevada

The Company holds certain claims staked in Big Smoky Valley, Nevada.

As at July 31, 2021, the Company had made advance payments towards future exploration work of \$18,671 (October 31, 2020 - \$2,104).

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, 2021

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, October 31, 2020 and July 31, 2021	-
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NOTE 7 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At July 31, 2021, there were 107,462,928 issued and fully paid common shares (October 31, 2020 – 96,322,528).

(c) Share Issuances

During the period ended July 31, 2021, the Company issued 147,500 common shares at \$0.12 per share pursuant to exercise of warrants for proceeds of \$17,700.

During the period ended July 31, 2021, the Company issued 100,000 common shares at \$0.13 per share pursuant to exercise of stock options for proceeds of \$13,000.

On April 7, 2021, the Company completed a private placement of 10,892,900 units for gross proceeds of \$1,198,219. Each unit is comprised of one common share and one half common share purchase warrant exercisable at \$0.20 for a period of one year from the date of issuance. The Company's directors and officers participated in the private placement. The Company paid finders fees of \$77,523 cash and 704,753 warrants for this placement. The finders fee warrants have a value of \$70,876 calculated using the Black-Scholes option pricing model with an expected volatility of 154.53%, expected dividend yield of 0%, expected term of 1 year, and a risk-free interest rate of 0.26%.

On September 29, 2020, the Company issued 493,968 common shares with a value of \$37,500 for Forgan Lake Property acquisition. (Note 5c)

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, 2021

NOTE 7 – SHARE CAPITAL AND RESERVES (continued)

(d) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

	Warrants	Weighted Average
	#	Exercise Price
		\$
Balance, October 31, 2019 and 2020	12,544,623	0.12
Issued	6,151,203	0.20
Exercised	(147,500)	0.12
Expired	(12,397,123)	0.12
Balance, July 31, 2021	6,151,203	0.20

The following table summarizes the warrants outstanding as at July 31, 2021:

Warrants	Exercise Price	Expiry Date
#	\$	
6,151,203	0.20	April 7, 2022
6,151,203		

(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 June 4, 2021, the Company granted 810,000 stock options to a consultant pursuant to the Company's Stock Option Plan. The options have an exercise price of \$0.19 per share and an expiry date of June 4, 2024. The options were valued at \$101,129, calculated using the Black-Scholes option pricing model with an expected volatility of 131.88%, expected dividend yield of 0%, expected term of 3 years, and a risk-free interest rate of 0.49%.

A summary of the status of the options outstanding follows:

	Options	Weighted Average
	#	Exercise Price
		\$
Balance, October 31, 2019 & 2020	5,735,000	0.16
Granted	810,000	0.19
Exercised	(100,000)	0.13
Expired	(10,000)	0.10
Balance, July 31, 2021	6,435,000	0.17

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, 2021

NOTE 7 – SHARE CAPITAL AND RESERVES (continued)

(e) Stock Options (continued)

The following table summarizes the options outstanding and exercisable as at July 31, 2021:

Shares #	Exercise Price		Expiry Date	Exercisable #
	Per Share	\$		
2,150,000	0.19		September 08, 2022	2,150,000
1,005,000	0.205		April 4, 2023	1,005,000
130,000	0.10		April 19, 2023	130,000
810,000	0.19		June 4, 2024	810,000
2,340,000	0.13		March 8, 2026	2,340,000
6,435,000				6,435,000

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the three and nine months ended July 31, 2021, the Company incurred the following transactions with (i) a company that is controlled by a former officer of the Company and (ii) with a company controlled by the VP exploration:

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Legal fees (i)	269	-	4,732	1,433
Geological fees (ii)	19,500	19,500	58,500	58,500
	19,769	19,500	63,232	59,933

(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,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Short-term benefits ⁽¹⁾	52,500	52,500	157,500	157,500
	52,500	52,500	157,500	157,500

⁽¹⁾ Short-term benefits include management fees paid directly to key management and accounting fee paid to a company controlled by the CFO.

(c) Related party balances

Included in accounts payable are \$735 owed to the CEO (October 31, 2020 - \$785) and \$368 owed to the VP Exploration (October 31, 2020 - \$750) for expenses.

Included in prepaid expenses is \$nil (October 31, 2020 - \$414) advanced to the VP Exploration for expenses and \$365 (October 31, 2020 - \$500) advanced to the CFO for expenses.

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, 2021

NOTE 9 – SEGMENTED INFORMATION

The Company operated in the following geographic segments as at:

	Canada	Argentina	United States	Total
	\$	\$	\$	\$
Exploration and evaluation assets				
July 31, 2021	565,231	1,969,871	22,572	2,557,674
October 31, 2020	521,632	1,692,958	-	2,214,590

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.

(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, 2021, 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, 2021, the Company had a cash and cash equivalents balance of \$477,528 to settle current liabilities of \$113,761 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 2021.

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, 2021

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:

	July 31, 2021	October 31, 2020
	\$	\$
US dollar:		
Cash	369,810	56,652
Trade payable and accrued liabilities	(972)	(1,125)
Net US dollar	368,838	55,527
Serbian Dinar:		
Amounts receivable	638	667
Trade payable and accrued liabilities	(44,379)	(46,438)
Net Serbian Dinar	(43,741)	(45,771)

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, 2021, denominated in US dollars and Serbian Dinar, would result in an increase or decrease of approximately \$32,510 to the net loss for the period ended July 31, 2021. At July 31, 2021, 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, 2021, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

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, 2021

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, 2021.