



# **ULTRA LITHIUM INC.**

**(the “Company”)**

**(Formerly Ultra Resources Inc.)**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2022**

### **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 Lithium Inc.

(Formerly Ultra Resources Inc.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	<i>Note</i>	Unaudited July 31, 2022	Audited October 31, 2021
		\$	\$
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		9,644,249	483,881
Amounts receivable		104,891	5,525
Deferred financing costs		-	41,132
Due from related party	6	507,262	-
Prepaid expenses and deposits	6	97,847	26,566
		10,354,249	557,104
Noncurrent assets:			
Exploration advance	4	67,752	2,800
Exploration and evaluation assets	4	5,540,308	2,610,605
Investment in associate	7	479,785	-
		16,442,094	3,170,509
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Trade payables and accrued liabilities	6	334,380	140,318
Flow-through share premium liability		168,377	-
		502,757	140,318
Shareholders' equity:			
Share capital	5	26,539,139	17,149,858
Share subscriptions	5	-	247,300
Reserves	5	1,349,598	1,239,810
Deficit		(11,949,400)	(15,606,777)
		15,939,337	3,030,191
		16,442,094	3,170,509

Nature and continuance of operations (Note 1)

Subsequent Event (Note 11)

"Weiguo Lang"

Weiguo Lang

Director

"Andrew Lee Smith"

Andrew Lee Smith

Director

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

# Ultra Lithium Inc.

(Formerly Ultra Resources Inc.)

Condensed Interim Consolidated Statements of Income (loss) and Comprehensive Income (loss)

(Unaudited - Expressed in Canadian Dollars)

		Three months ended July 31,		Nine months ended July 31,	
	Note	2022	2021	2022	2021
		\$	\$	\$	\$
<b>Expenses:</b>					
Bank charges and interest		1,534	1,483	3,867	4,010
Consulting fees		67,500	63,500	173,890	108,500
General exploration	6	(3,900)	14,910	5,850	28,560
Management fees	6	30,000	30,000	90,000	90,000
Office, rent and administration		35,836	19,877	97,283	63,644
Professional fees	6	93,935	23,043	160,700	72,915
Share-based payment		-	101,129	-	101,129
Stock exchange and filing fees		10,127	4,732	30,960	32,566
Transfer agent fees		4,161	1,792	12,805	6,494
Travel and promotion		38,088	-	40,728	3,371
		(277,281)	(260,466)	(616,083)	(511,189)
<b>Other income (expenses):</b>					
Foreign exchange gain (loss)		(10,523)	4,674	(6,862)	(27,395)
Gain on disposal of subsidiary	7	4,280,322	-	4,280,322	-
Gain on marketable securities	3	-	-	-	5,832
		4,269,799	4,674	4,273,460	(21,563)
<b>Income (loss) for the period</b>		<b>3,992,518</b>	<b>(255,792)</b>	<b>3,657,377</b>	<b>(532,752)</b>
Other comprehensive income (loss):					
Foreign currency translation		17,745	(657)	2,664	149
<b>Comprehensive income (loss) for the period</b>		<b>4,010,263</b>	<b>(256,449)</b>	<b>3,660,041</b>	<b>(532,603)</b>
<b>Basic and diluted income (loss) per share</b>		<b>0.03</b>	<b>(0.00)</b>	<b>0.02</b>	<b>(0.01)</b>
Weighted average number of common shares – basic		157,558,520	107,236,584	158,394,570	100,916,384
Weighted average number of common shares – diluted		160,028,520	107,236,584	160,864,570	100,916,384

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

# Ultra Lithium Inc.

(Formerly Ultra Resources Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

Note	Share Capital		Share subscriptions	Reserves			Total	Deficit	Total shareholder's equity
	Common shares	Amount		Equity reserve	Foreign currency translation				
	#	\$		\$	\$	\$			
Balance, October 31, 2020	96,322,528	16,065,019	-	969,601	110,849	1,080,450	(14,864,124)	2,281,345	
Shares issued for cash	10,892,900	1,198,219	-	-	-	-	-	1,198,219	
Shares 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)	
<b>Balance, July 31, 2021</b>	<b>107,462,928</b>	<b>17,152,536</b>	<b>-</b>	<b>1,128,618</b>	<b>110,998</b>	<b>1,239,616</b>	<b>(15,396,876)</b>	<b>2,995,276</b>	
Balance, October 31, 2021	107,462,928	17,149,858	247,300	1,128,618	111,192	1,239,810	(15,606,777)	3,030,191	
Private placement Shares issued for property acquisition	34,170,421	5,851,399	(247,300)	-	-	-	-	5,604,099	
Shares issued for property acquisition	23,000,000	4,140,000	-	-	-	-	-	4,140,000	
Share issuance cost	-	(825,338)	-	107,124	-	107,124	-	(718,214)	
Warrants exercised	1,929,586	389,034	-	-	-	-	-	389,034	
Options exercised	12,500	2,563	-	-	-	-	-	2,563	
Flow-through premium liability	-	(168,377)	-	-	-	-	-	(168,377)	
Comprehensive income for the period	-	-	-	-	2,664	2,664	3,657,377	3,660,041	
<b>Balance, July 31, 2022</b>	<b>166,575,435</b>	<b>26,539,139</b>	<b>-</b>	<b>1,235,742</b>	<b>113,856</b>	<b>1,349,598</b>	<b>(11,949,400)</b>	<b>15,939,337</b>	

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

# Ultra Lithium Inc.

(Formerly Ultra Resources Inc.)

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

For the nine months ended July 31,

	2022	2021
	\$	\$
<b>Operations:</b>		
Income (loss) for the period	3,657,377	(532,752)
Items not involving cash:		
Foreign exchange loss	14,064	-
Share-based payments	-	101,129
Remeasurement loss on marketable securities	-	21,887
Gain on sale of marketable securities	-	(27,719)
Gain on sale of subsidiary	(4,280,322)	-
Changes in non-cash working capital items:		
Amounts receivable	(606,628)	(8,495)
Prepaid expenses and deposits	(71,281)	(13,931)
Trade payables and accrued liabilities	196,726	15,618
	(1,090,064)	(444,263)
<b>Financing:</b>		
Shares issued for cash	9,744,099	1,228,919
Share issuance cost	(677,082)	(83,514)
Lease payments	-	47,719
Warrants and options exercised	391,597	-
	9,458,614	1,193,124
<b>Investing:</b>		
Exploration and evaluation assets	(4,194,118)	(359,565)
Proceeds from disposal of subsidiary, net	5,000,000	-
	805,882	(359,565)
Change in cash and cash equivalents	9,174,432	389,296
Effects of foreign exchange translation on cash	(14,064)	63
Cash and cash equivalents, beginning of period	483,881	88,169
<b>Cash and cash equivalents, end of period</b>	<b>9,644,249</b>	<b>477,528</b>
<b>Supplementary information:</b>		
Exploration and evaluation assets in trade payables and accrued liabilities	226,963	4,766
Exploration advance allocated to expenditure of exploration assets	-	16,567
Shares issued for subscriptions received in prior year	247,300	-
Finders fee warrants issued	107,124	-
Flow-through share premium liability recognized	168,377	-
Cash and cash equivalents consist of:		
Cash	2,589,249	467,528
Guaranteed investment certificates	2,055,000	10,000
Short-term investment	5,000,000	-
	<b>9,644,249</b>	<b>477,528</b>

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

# **Ultra Lithium Inc.** (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

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## **NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS**

Ultra Lithium Inc. (the “Company”; formerly Ultra Resources 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 January 21, 2022, the Company changes its name to Ultra Lithium 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 1120 - 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

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 \$9,851,492 as at July 31, 2022 (October 31, 2021 - \$416,786) and accumulated deficit of \$11,949,400 (October 31, 2021 - \$15,606,777) 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, 2022 by the Directors of the Company. The accounting policies have been applied consistently to all years presented in these consolidated financial statements.

(a) 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, 2021, which have been prepared in accordance with IFRS.

## **Ultra Lithium Inc.** (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

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### **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 Argentina S.R.L., Ultra Balkans D.O.O. Beograd (“ULI Balkans”). All intercompany balances and transactions are eliminated on consolidation. In May 2022, the Company closed the sale of a 60% interest in the Company’s subsidiary, North Canada Lithium Corp., which holds title to the Company’s Georgia Lake and Forgan Lake properties (Note 7).

(b) Use of estimates and judgments

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, apart from those requiring estimates, in applying accounting policies. The most significant judgments applying to the Company’s financial statements include:

- the determination of the element of costs recorded as exploration and evaluation assets and determination of reclamation obligations;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the year in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting years include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

(i) Share-based payments

Share-based payments, as measured with respect to stock options granted and re-priced, are estimated by reference to the Black-Scholes pricing model; a detailed discussion of management’s estimates with respect to the pricing model is found in Note 5.

(ii) Recoverability of exploration and evaluation assets

Recorded costs of exploration and evaluation assets and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting date, to review its exploration and evaluation assets for signs of impairment. This is highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgements based on information available, but there is no certainty that a property is or is not impaired. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

# Ultra Lithium Inc. (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

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## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Use of estimates and judgments (continued)

(iii) Deferred income tax amounts

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry forwards. Changes in these assumptions could significantly affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

(c) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

(iii) Consolidated entities

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

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

## NOTE 3 – MARKETABLE SECURITIES

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

	July 31, 2022	October 31, 2021
	\$	\$
Opening fair value	-	41,887
Unrealized gain (loss)	-	(21,887)
Sale of marketable securities	-	(47,719)
Realized gain	-	27,719
Ending fair value	-	-

# Ultra Lithium Inc. (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

## NOTE 4 – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised of:

	Georgia Lake Ontario	Forgan Lake, Ontario	Laguna Verde Antofagasta, Argentina	La Rioja, Argentina	Archivaca, Argentina	La Borita, Argentina	Big Smoky Valley, Nevada	Total
	(a)	(a)	(b)	(c)	(d)	(f)	(e)	
	\$	\$	\$	\$	\$		\$	\$
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	3,208	49,953	71,374	145,770	-	-	-	270,305
Foreign exchange	-	-	-	-	-	-	284	284
Impairment	-	-	-	-	-	-	(22,770)	(22,770)
Subtotal	3,208	49,953	197,084	145,770	-	-	-	396,015
Balance, October 31, 2021	214,925	359,868	1,611,359	420,149	4,304	-	-	2,610,605
Acquisition costs	-	150,000	127,840	-	-	62,415	21,305	361,560
Exploration and evaluation expenditures	251,071	223,599	3,213,731	88,218	-	8,478	-	3,785,097
Cost recovery	-	-	-	-	-	-	(17,491)	(17,491)
Disposal of subsidiary	(465,996)	(733,467)	-	-	-	-	-	(1,199,463)
Subtotal	(214,925)	(359,868)	3,341,571	88,218	-	70,893	3,814	2,929,703
<b>Balance, July 31, 2022</b>	<b>-</b>	<b>-</b>	<b>4,952,930</b>	<b>508,367</b>	<b>4,304</b>	<b>70,893</b>	<b>3,814</b>	<b>5,540,308</b>

## Ultra Lithium Inc. (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

### NOTE 4 – EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation costs were as follows:

	Georgia Lake Ontario	Forgan Lake, Ontario	Laguna Verde Antofagasta, Argentina	La Rioja, Argentina	La Borita, Argentina	Big Smoky Valley, Nevada	Total
	(a)	(a)	(b)	(c)	(f)	(e)	
	\$	\$	\$	\$			\$
<b>For the year ended October 31, 2021</b>							
Assays	-	1,125	-	3,897	-	-	5,022
Exploration expense	-	4,025	13,263	34,021	-	-	51,309
Geology and geophysics	-	34,850	26,605	20,299	-	-	81,754
Licenses, permits, claim fees and taxes	-	4,875	7,758	2,578	-	-	15,211
Local office and administration	3,208	5,078	13,991	48,594	-	-	70,871
Travel	-	-	9,757	36,381	-	-	46,138
<b>Total</b>	<b>3,208</b>	<b>49,953</b>	<b>71,374</b>	<b>145,770</b>	<b>-</b>	<b>-</b>	<b>270,305</b>
<b>For the period ended July 31, 2022</b>							
Drilling	237,614	168,603	2,301,963	-	-	-	2,708,180
Exploration expense	-	7,550	204,721	13,766	5,689	-	231,726
Geology and geophysics	11,710	43,620	139,968	12,874	2,600	-	210,772
Licenses, permits, claim fees and taxes	-	1,740	17,805	680	-	-	20,225
Local office and administration	1,747	1,748	224,718	33,889	189	-	262,291
Travel	-	338	324,556	27,009	-	-	351,903
<b>Total</b>	<b>251,071</b>	<b>223,599</b>	<b>3,213,731</b>	<b>88,218</b>	<b>8,478</b>	<b>-</b>	<b>3,785,098</b>

As at July 31, 2022, the Company had made advance payments towards future exploration work of \$67,752 (October 31, 2021 - \$2,800).

## **Ultra Lithium Inc.** (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

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### **NOTE 4 – EXPLORATION AND EVALUATION ASSETS** (continued)

(a) Georgia Lake and Forgan Lake Properties, Ontario

On May 3, 2022 the Company closed the sale of a 60% interest in the Company's subsidiary, North Canada Lithium Corp., which holds title to the Company's Georgia Lake and Forgan Lake properties (Note 7). During the six months ended April 30, 2022, the Company paid \$150,000 to complete the acquisition of 100% interest in the Forgan Lake Property.

(b) Laguna Verde, Antofagasta, Argentina

On June 28, 2019, the Company entered into an option agreement to acquire a 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 a 100% rights to the property. The property is subject to a 2.5% royalty. As of July 31, 2022, the Company has paid \$400,000 USD in instalments as per the terms of option agreement.

On June 16, 2022 the Company entered into an agreement with Zangge Mining Investment (Chengdu) Co. Ltd. ("Zangge") wherein Zangge will, in staged payments, pay US\$10 million to Ultra Lithium and invest US\$40 million in the Laguna Verde Project as work expenditures for a 65% stake in Ultra Argentina S.R.L. (Ultra Argentina) which is a subsidiary of Ultra Lithium and holds the title to Laguna Verde Property. Pursuant to the terms of the Agreement Zangge may acquire a 65% interest by:

- i) Making payment of US\$5 million to Ultra Lithium - within 100 working days of signing the agreement
- ii) Contributing US\$5 million for exploration work for an initial 35% interest in Ultra Argentina - within 100 working days of signing the agreement
- iii) Contributing US\$15 million for exploration work and completion of feasibility studies for an additional 15% interest in Ultra Argentina – within 60 days of completion of i) and ii)
- iv) Making a second payment of US\$5 million to Ultra Lithium – upon completion of feasibility studies
- v) Contributing US\$20 million for infrastructure preparation (water, power, roads) for construction of the brine lithium extraction plant for an additional 15% interest in Ultra Argentina.

Refer to Note 11 – subsequent event.

(c) 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.

(d) Archivarca, Argentina

The Company holds certain claims staked in Archivarca, Argentina.

(e) Big Smoky Valley, Nevada

During the year ended October 31, 2021, the Company recognized an impairment of \$22,700 in relation to certain claims staked in Big Smoky Valley, Nevada. During the period ended July 31, 2022, the Company incurred additional exploration expenses.

## **Ultra Lithium Inc.** (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

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### **NOTE 4 – EXPLORATION AND EVALUATION ASSETS** (continued)

(f) La Borita, Argentina

In March 2022, the Company entered into a purchase agreement to obtain 100% of the La Borita mining concessions. The purchase consideration amounted to 300,000 USD payable in six instalments over the period of two years. As of July 31, 2022, the Company has paid \$50,000 USD in instalments as the purchase consideration.

### **NOTE 5 – SHARE CAPITAL AND RESERVES**

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At July 31, 2022, there were 166,575,435 issued and fully paid common shares (October 31, 2021 – 107,462,928).

(c) Share Issuances

During the period ended July 31, 2022, the Company issued 1,929,586 common shares at \$0.20 per share pursuant to exercise of warrants for proceeds of \$389,034.

During the period ended July 31, 2022, the Company issued 12,500 common shares at \$0.21 per share pursuant to exercise of options for proceeds of \$2,563.

On December 7, 2021, the Company closed a tranche of a non-brokered private placement comprising of 7,005,147 flow-through units of the Company (each, a “FT Unit”) at a price of \$0.165 per FT Unit for gross proceeds of \$1,155,849 from the sale of FT Units, and 16,473,667 non-flow-through units of the Company (each, an “NFT Unit”) at a price of \$0.15 per NFT Unit for gross proceeds of \$2,471,050 from the sale of NFT Units. Each FT Unit consists of one (1) common share of the Company issued as a “flow-through share” (each, a “FT Share”), and one half of one common share purchase warrant (each whole warrant, a “Warrant”). Each NFT Unit consists of one common share of the Company (each, a “NFT Share”) and one half of one Warrant. Each Warrant will entitle the holder thereof to purchase one common share of the Company at a price of \$0.25 per share for a period of twelve (12) months from their date of issue. The Company paid finder’s fees of \$242,889 and issued 660,227 finder’s warrants in connection with the Private Placement. Each finder’s warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of \$0.25 for a period of twelve (12) months from the date of issuance. The finders fee warrants have a value of \$61,061 calculated using the Black-Scholes option pricing model with an expected volatility of 121.09%, expected dividend yield of 0%, expected term of 1 year, and a risk-free interest rate of 0.93%.

On April 28, 2022, the Company closed a tranche of a non-brokered private placement comprising of 3,167,778 units of the Company (each, a “Unit”) at a price of \$0.18 per Unit for gross proceeds of \$570,200 from the sale of Units. Each Unit consists of one (1) common share of the Company, and one half of one common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant will entitle the holder thereof to purchase one common share of the Company at a price of \$0.25 per share for a period of twelve (12) months from their date of issue. The Company paid finder’s fees of \$34,152 and issued 190,478 finder’s warrants in connection with the Private Placement. Each finder’s warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of \$0.25 for a period of twelve (12) months from the date of issuance.

On May 24, 2022 the Company issued 24,610,000 units at \$0.18 per share pursuant to a private placement for the total proceeds of \$4,429,800. In addition, the Company paid finder fees of \$18,396 and issued 1,712,500 finder’s warrants and 1,610,000 finder shares.

**Ultra Lithium Inc.** (Formerly Ultra Resources Inc.)  
Notes to the Condensed Interim Consolidated Financial Statements  
(Unaudited - Expressed in Canadian Dollars)  
For the three and nine months ended July 31, 2022

**NOTE 5 – SHARE CAPITAL AND RESERVES** (continued)

(c) Share Issuances (continued)

On June 16, 2022 the Company issued 4,220,000 flow-through units at \$0.25 per unit pursuant to a private placement for total proceeds of \$1,055,000 and 83,829 non-flow-through units at a price of \$0.235 per unit.

Finder's fees of \$74,529 were paid and 298,468 finder's warrants were issued in connection with the private placement.

During the year ended October 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 year ended October 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 are exercisable at \$0.20 for a period of one year from the date of issuance. 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%.

(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, 2020	12,544,623	0.12
Issued	6,151,203	0.20
Exercised	(147,500)	0.12
Expired	(12,397,123)	0.12
Balance, October 31, 2021	6,151,203	0.20
Issued	30,641,587	0.25
Exercised	(1,929,586)	0.20
Expired	(4,283,950)	0.20
Balance, July 31, 2022	30,579,254	0.23

The following table summarizes the warrants outstanding as at July 31, 2022:

Warrants #	Exercise Price \$	Expiry Date
12,337,301	0.25	December 7, 2022
1,774,370	0.25	April 28, 2023
14,017,200	0.25	May 24, 2023
2,450,383	0.30	June 16, 2023
30,579,254		

# Ultra Lithium Inc. (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

## NOTE 5 – 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. Options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

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, 2020	5,735,000	0.16
Granted	810,000	0.19
Exercised	(100,000)	0.13
Expired	(10,000)	0.10
Balance, October 31, 2021	6,435,000	0.17
Exercised	(12,500)	0.21
Balance, July 31, 2022	6,422,500	0.17

The following table summarizes the options outstanding and exercisable as at July 31, 2022:

Shares	Exercise Price	Expiry Date	Exercisable
#	Per Share		#
	\$		
2,150,000	0.19	September 08, 2022	2,150,000
992,500	0.205	April 4, 2023	992,500
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
6,422,500			6,422,500

**NOTE 6 – RELATED PARTY TRANSACTIONS**

(a) Related party transactions

During the three and nine months ended July 31, 2022, the Company incurred the following transactions with a company controlled by the VP exploration:

	Three months ended July 31		Nine months ended July 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
Legal fees	-	269	-	4,732
Geological fees	19,500	19,500	58,500	58,500
	19,500	19,769	58,500	63,232

(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	
	2022	2021	2022	2021
	\$	\$	\$	\$
Short-term benefits <sup>(1)</sup>	97,500	52,500	202,500	157,500
	97,500	52,500	202,500	157,500

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

(c) Related party balances

Included in prepaid expenses are \$28,932 paid to the CEO (October 31, 2021 - \$123) for expenses.

Included in the accounts payable is \$47,939 (October 31, 2021 - \$365) due to the CFO for the professional services.

As at July 31, 2022 the Company had a balance due from associated company, North Canada Lithium Corp., of \$507,262 (Note 7).

**NOTE 7 – DISPOSAL OF SUBSIDIARY AND INVESTMENT IN ASSOCIATE**

On May 3, 2022 the Company closed the sale to Yahua International Investment and Development Co., Ltd. (“Yahua”) of a 60% interest in the Company’s subsidiary, North Canada Lithium Corp. (“NCLC”), which holds title to the Company’s Georgia Lake and Forgan Lake properties for proceeds of \$5,000,000. Yahua will also contribute \$3,000,000 towards exploration expenditures.

As a result of the sale, the Company lost control over NCLC and accounted for its sale as a disposal of subsidiary. Georgia Lake and Forgan Lake properties cost value as at the date of disposal amounted to \$1,199,463 (Note 4). The Company recognized gain on the disposal of subsidiary of \$4,280,322 during the period ending July 31, 2022.

The Company retained 40% interest in NCLC and therefore accounted for it as investment in associate. The cost basis was determined based on the fair value of shares issued at the date when the control was ceased and amounted to \$479,785.

**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, 2022	-	3,814	5,536,494	5,540,308
October 31, 2021	574,793	-	2,035,812	2,610,605

**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 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, 2022, 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, 2022, the Company had a cash and cash equivalents balance of \$9,644,249 to settle current liabilities of \$502,757 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 2022.

# Ultra Lithium Inc. (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

## 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, 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, 2022	October 31, 2021
	\$	\$
US dollar:		
Cash	959	236,599
Trade payable and accrued liabilities	(5,054)	(2,330)
Net US dollar	(4,095)	234,269
Serbian Dinar:		
Amounts receivable	564	638
Trade payable and accrued liabilities	(39,245)	(44,379)
Net Serbian Dinar	(38,681)	(43,741)

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, 2022, denominated in US dollars and Serbian Dinar, would result in an increase or decrease of approximately \$4,278 to net loss for the period ended July 31, 2022. At July 31, 2022, 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 4 of which production is not expected in the near future.

During the period ended July 31, 2022, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

## **Ultra Lithium Inc.** (Formerly Ultra Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2022

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### **NOTE 10 – CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funds to support the acquisition, exploration and development of exploration and evaluation assets such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to settle liabilities. The Company has no long-term debt and is not subject to externally imposed capital requirements.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities, loans, and advances from related parties. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's management of capital during the period ended July 31, 2022.

### **NOTE 11 – SUBSEQUENT EVENT**

Subsequent to July 31, 2022 the Company entered into an agreement to acquire additional claims at Laguna Verde, Antofagasta for a total cost of US\$1 million payable on the following schedule:

- i) Paying US\$100,000 at the time of signing (paid)
- ii) paying US\$450,000 on December 24, 2022
- iii) paying US\$450,000 on June 24, 2023.