Ultra Lithium Inc.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2012 AND 2011

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ultra Lithium Inc.

We have audited the accompanying consolidated financial statements of Ultra Lithium Inc. which comprise the consolidated statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended October 31, 2012 and October 31, 2011 and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ultra Lithium Inc. as at October 31, 2012, October 31, 2011 and November 1, 2010, and the results of its financial performance and its cash flows for the years ended October 31, 2012 and October 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describe certain conditions that give rise to significant doubt about the entity's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
February 27, 2013

Ultra Lithium Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	October 31, 2012	October 31, 2011 (Note 13)	November 1, 2010 (Note 13)
	$	$	$
Assets			
Current assets:			
Cash and cash equivalents	205,074	359,289	37,669
Amounts receivable	22,739	29,939	10,239
Marketable securities (Note 4)	-	50,750	18,000
Prepaid expenses, deposits and advances (Note 8)	5,283	5,067	22,545
	233,096	445,045	88,453
Equipment (Note 5)	42,788	1,242	669
Exploration and evaluation assets (Note 6)	970,660	455,839	653,346
	1,246,544	902,126	742,468
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities (Note 8)	51,025	49,902	54,861
Shareholders' equity:			
Share capital (Note 7)	4,410,940	3,283,856	2,165,849
Reserves (Note 7)	405,500	580,812	481,071
Deficit	(3,620,921)	(3,012,444)	(1,959,313)
	1,195,519	852,224	687,607
	1,246,544	902,126	742,468

Nature of operations and going concern (Note 1)
Commitments (Note 9)
Subsequent events (Notes 7 and 16)

Approved on behalf of the directors:

"Marc Morin" Director
Marc Morin

"Edward Kelly" Director
Edward Kelly

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

Ultra Lithium Inc.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

Years ended October 31, 2012 and 2011

	2012	2011 (Note 13)
	$	$
Expenses:		
Consulting fees	248,685	200,680
Depreciation	792	337
Management fees (Note 8)	63,750	30,000
Office, rent and administration (Note 8)	124,597	120,251
Professional fees (Note 8)	32,766	44,549
Project evaluation	-	19,753
Share-based payments (Note 7)	3,863	219,631
Stock exchange and filing fees	9,872	11,439
Transfer agent fees	7,734	10,244
Travel and promotion	91,746	257,956
	(583,805)	(914,840)
Other items:		
Interest income	87	2,322
Finance and other costs	(3,746)	(3,678)
Foreign exchange loss	(18,822)	(881)
Loss (gain) on sale of marketable securities	(38,600)	25,155
Impairment of exploration and evaluation assets (Note 6)	-	(250,000)
Recovery of exploration and evaluation assets (Note 6)	3,842	-
	(57,239)	(227,082)
Net loss for the year	(641,044)	(1,141,922)
Other comprehensive income (loss):		
Foreign currency translation differences for foreign operations	6,549	(9,623)
Change in fair value of available-for-sale financial assets	9,625	(9,625)
Comprehensive loss for the year	(624,870)	(1,161,170)
Basic and diluted loss per share (Note 7)	-	-

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

Ultra Lithium Inc.

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

Years ended October 31, 2012 and 2011

		Share Capital		Reserves							
	Notes	Common shares	Amount	Stock options	Warrants	Foreign currency translation	Obligation to issue shares	Fair value	Total	Deficit	Total shareholder's equity
		#	$	$	$	$	$	$	$	$	$
Balance, November 1, 2010	13	79,320,005	2,165,849	297,285	179,836	-	1,950	2,000	481,071	(1,959,313)	687,607
Comprehensive loss for the year		-	-	-	-	(9,623)	-	(9,625)	(19,248)	(1,141,922)	(1,161,170)
Realized gain on sale of marketable securities transferred to net loss		-	-	-	-	-	-	(2,000)	(2,000)	-	(2,000)
Private placements	7	13,440,000	1,047,000	-	-	-	-	-	-	-	1,047,000
Share issuance costs	7	-	(113,781)	-	-	-	-	-	-	-	(113,781)
Agent's finder's fees	7	112,500	12,937	-	-	-	-	-	-	-	12,937
Agent's finder's fees	7	-	(3,078)	-	3,078	-	-	-	3,078	-	-
Exercise of warrants	7	1,000,000	100,000	-	-	-	-	-	-	-	100,000
Exercise of options	7	580,000	83,682	(25,682)	-	-	-	-	(25,682)	-	58,000
Modification to warrants	7	-	(13,728)	-	13,728	-	-	-	13,728	-	-
Shares issued for exploration and evaluation assets	6	110,000	4,975	-	-	-	(975)	-	(975)	-	4,000
Forfeited options	7	-	-	(88,791)					(88,791)	88,791	-
Share-based payments		-	-	219,631	-	-	-	-	219,631	-	219,631
Balance, October 31, 2011	13	94,562,505	3,283,856	402,443	196,642	(9,623)	975	(9,625)	580,812	(3,012,444)	852,224
Comprehensive loss for the year		-	-	-	-	6,549	-	9,625	16,174	(641,044)	(624,870)
Modification to warrants	7	-	(31,757)	-	31,757	-	-	-	31,757	-	-
Private placement	7	20,000,000	1,000,000	-	-	-	-	-	-	-	1,000,000
Finder's fees	7	1,200,000	42,000	-	-	-	-	-	-	-	42,000
Share issuance costs	7	-	(81,698)	-	-	-	-	-	-	-	(81,698)
Shares issued for exploration and evaluation assets	6	110,000	4,975	-	-	-	(975)	-	(975)	-	4,000
Forfeited options	7	-	-	(32,567)	-	-	-	-	(32,567)	32,567	-
Expired warrants	7	-	193,564	-	(193,564)	-	-	-	(193,564)	-	-
Share-based payments		-	-	3,863	-	-	-	-	3,863	-	3,863
Balance, October 31, 2012		115,872,505	4,410,940	373,739	34,835	(3,074)	-	-	405,500	(3,620,921)	1,195,519

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

Ultra Lithium Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years ended October 31, 2012 and 2011

	2012	2011 (Note 13)
	$	$
Operations:		
Net loss for the year	(641,044)	(1,141,922)
Items not involving cash:		
Depreciation	792	337
Loss (gain) on sale of marketable securities	38,600	(25,155)
Share-based payments	3,863	219,631
Impairment of exploration and evaluation assets	-	250,000
Changes in non-cash working capital items:		
Amounts receivable	7,200	(4,700)
Prepaid expenses, deposits and advances	(216)	2,478
Trade payable and accrued liabilities	(5,977)	(4,959)
	(596,782)	(704,290)
Investing:		
Proceeds from sale of marketable securities	57,775	41,155
Purchase of equipment	(49,528)	(910)
Exploration and evaluation assets	(561,663)	(133,491)
Property option payment received	21,158	15,000
	(532,258)	(78,246)
Financing:		
Shares issued for cash	1,000,000	1,205,000
Share issuance costs	(39,698)	(100,844)
	960,302	1,104,156
Effect of foreign exchange on cash flows	14,523	-
Change in cash and cash equivalents	(154,215)	321,620
Cash and cash equivalents, beginning of year	359,289	37,669
Cash and cash equivalents, end of year	205,074	359,289
Supplementary information:		
Reclassification of prepaid expenses to amounts receivables	-	15,000
Marketable securities received for exploration and evaluation assets (Note 6)	36,000	60,375
Shares issued for exploration and evaluation assets (Note 6)	4,975	4,975
Exploration and evaluation asset expenditures in trade payables and accrued liabilities	7,100	-
Amortization expense in exploration and evaluation assets	7,190	-
Warrants modification (Note 7)	31,757	13,728
Forfeited warrants and options (Note 7)	226,131	88,791
Non-cash compensation charges on options exercised (Note 7)	-	25,682
Fair value of finders' warrants (Note 7)	-	3,078
Cash and cash equivalents consist of:		
Cash	205,074	209,289
Guaranteed investment certificates	-	150,000

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

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Ultra Lithium Inc. (the "Company") was incorporated on November 27, 2004 under the Company Act of British Columbia and is involved in the acquisition, exploration and development of exploration and evaluation assets. The Company's common shares are listed for trading on Tier 2 of the TSX Venture Exchange (the "Exchange") under the symbol "ULI".

The head office and principal address of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's records office and registered office address is located at Suite 1780 - 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6.

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 acquisition, exploration and development of its exploration and evaluation assets, 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 uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on a basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has a history of losses with no operating revenue and had working capital at October 31, 2012 of $182,071 (2011 – $395,143) and accumulated deficit of $3,620,921. Management expects that it has sufficient liquidity and additional financing will be available to meet its obligations during the year ending October 31, 2013. Further discussion on liquidity has been disclosed in Notes 11 and 12.

These consolidated financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were authorized for issue on February 27, 2013, by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of Compliance and Adoption of International Financial Reporting Standards

The financial statements represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Company's reporting period ended October 31, 2012.

The disclosures related to the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in Note 13 to these financial statements. Note 13 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on previously reported statements of financial position as at October 31, 2011 and November 1, 2010 and statements of comprehensive loss and cash flows for the year ended October 31, 2011. The first date at which IFRS was applied was November 1, 2010.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(b) Basis of Presentation and Consolidation

The consolidated financial statements of the Company have been prepared on a historical cost basis. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Ultra Lithium (USA) Inc. ("ULI USA") and Ultra Balkans D.O.O. Beograd ("ULI Balkans"). All intercompany balances and transactions have been eliminated on consolidation.

(c) Use of Judgments, Estimates and Assumptions

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 assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- 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 period in which the estimates are revised.

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

(d) Functional and Presentation of Foreign Currency

(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 and the functional currency of ULI Balkans is the Serbian Dinar.

(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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit and loss.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(d) Functional and Presentation of Foreign Currency (Continued)

(di) 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:

- 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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive loss as part of the gain or loss on sale.

(e) Cash and Cash Equivalents

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

For the purpose of the statements of cash flows, total cash and cash equivalents include cash and guaranteed investment certificates ("GIC") with maturities of less than one year and cashable anytime at the option of the holder.

(f) Equipment

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

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

Computer hardware	30%
Motor Vehicle	30%

(g) Exploration and Evaluation Assets

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(g) Exploration and Evaluation Assets (Continued)

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

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

(h) Decommissioning Obligations

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

As at October 31, 2012, October 31, 2011, and November 1, 2010, the Company has determined that it does not have material decommissioning obligations.

(i) Impairment of Non-Financial Assets

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

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

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

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

(j) Share Capital

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(k) Share-Based Payments

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

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

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

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

(l) Loss Per Share

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

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

(m) Income Taxes

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

(i) Current Income Tax

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(m) Income Taxes (Continued)

(ii) Deferred Income Tax

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

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

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

(n) Financial Instruments

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

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

Financial assets

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

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

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

(ii) Loans and Receivables

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(n) Financial Instruments (Continued)

Financial assets (Continued)

(iii) Held-to-Maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost.

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

(iv) Available-For-Sale

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

The Company does not have any available-for-sale financial assets.

Financial Liabilities

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

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

Impairment of Financial Assets

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

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

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The following IFRS standards have been recently issued by the IASB or the IFRIC. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein.

(a) IFRS 7, Financial Instruments: Disclosures, and IAS 32, Financial Instruments: Presentation

The IASB has issued amendment to IFRS 7, Financial Instruments: Disclosures ("IFRS 7") and IAS 32, Financial Instruments: Presentation ("IAS 32"), requiring incremental disclosures regarding transfers of financial assets and clarity of an entity's ability to offset financial assets and financial liabilities. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2013, and the amendments to IAS 32 are effective for annual periods beginning on or after July 1, 2014. The Company will apply the amendment at the beginning of its 2013 financial year. The Company does not expect the implementation to have a significant impact on the Company's disclosures.

(b) IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39.

For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position, and disclosures.

(c) IFRS 10, Consolidated Financial Statements

In 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"), which replaces parts of IAS 27, Consolidated and Separate Financial Statements ("IAS 27") and all of SIC-12 Consolidation – Special Purpose Entities, changes the definition of control which is the determining factor in whether an entity should be consolidated. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on November 1, 2013.

(Expressed in Canadian Dollars)

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

(d) IFRS 11, Joint Arrangements

In May 2011, the IASB issued IFRS 11 which replaces IAS 31, Interest in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers, requires a venture to classify its interest in a joint operator to recognize its assets, liabilities, revenue and expenses, and/or its relative share thereof. For a joint venture, the joint venturer will account for its interest in the venture's net assets using the equity method of accounting. The choice to proportionally consolidate joint ventures is prohibited. This new standard is applicable for accounting periods beginning January 1, 2013.

(e) IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement ("IFRS 13") is effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position, and disclosures.

(f) IAS 1, Presentation of Items of Other Comprehensive Income

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements ("IAS 1"), which requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they might at some point be reclassified from OCI to profit or loss at a later date when specified conditions are met. By requiring items of OCI to be grouped on this basis, their potential effect on profit or loss in future periods will be clearer. This amendment is effective for annual periods beginning on or after January 1, 2012 and requires full retrospective application. The Company does not expect the amendment to have a material impact on the financial statements.

NOTE 4 – MARKETABLE SECURITIES

Marketable securities are comprised of shares in a public company received pursuant to an option agreement, representing less than a 5% ownership interest (Note 6).

	Market	Cost	Unrealized Gain (Loss)
	$	$	$
2012	-	-	-
2011	50,750	60,375	(9,625)
2010	18,000	16,000	2,000

(Expressed in Canadian Dollars)

NOTE 5 –EQUIPMENT

	Computer hardware	Motor Vehicle	Total
	$	$	$
Costs:			
Balance, November 1, 2010	3,985	-	3,985
Additions	910	-	910
Balance, October 31, 2011	4,895	-	4,895
Additions	2,798	46,730	49,528
Balance, October 31, 2012	7,693	46,730	54,423
Depreciation:			
Balance, November 1, 2010	3,316	-	3,316
Depreciation	337	-	337
Balance, October 31, 2011	3,653	-	3,653
Depreciation	792	7,190	7,982
Balance, October 31, 2012	4,445	7,190	11,635
Net Book Value:			
November 1, 2010	669	-	669
October 31, 2011	1,242	-	1,242
October 31, 2012	3,248	39,540	42,788

NOTE 6 – EXPLORATION AND EVALUATION ASSETS

	Berland Property, Alberta (a)	Zigzag Property, Ontario (b)	South Big Smokey Valley, Nevada (c)	Mineral Concessions, Serbia (d)	Total
	$	$	$	$	$
Balance, November 1, 2010	250,000	44,533	358,813	-	653,346
Acquisition and option payments:					
Cash consideration	-	30,000	-	-	30,000
Common shares	-	4,000	-	-	4,000
	-	34,000	-	-	34,000
Exploration:					
Consulting and geological fees	-	-	-	17,179	17,179
Licenses, permits and claim fees	-	-	55,378	30,250	85,628
Sampling and analysis	-	-	-	684	684
	-	-	55,378	48,113	103,491
Less: option payments received	-	(75,375)	-	-	(75,375)
Balance carried forward	250,000	3,158	414,191	48,113	715,462

(Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

	Berland Property, Alberta (a)	Zigzag Property, Ontario (b)	South Big Smokey Valley, Nevada (c)	Mineral Concessions, Serbia (d)	Total
	$	$	$	$	$
Balance brought forward	250,000	3,158	414,191	48,113	715,462
Impairment of resource property	(250,000)	-	-	-	(250,000)
Foreign currency translation differences for foreign operations	-	-	(10,492)	869	(9,623)
Balance, October 31, 2011	-	3,158	403,699	48,982	455,839
Acquisition and option payments:					
Cash consideration	-	50,000	-	-	50,000
Common shares	-	4,000	-	-	4,000
	-	54,000	-	-	54,000
Exploration:					
Consulting and geological fees	-	-	-	351,396	351,396
Licenses, permits and claim fees	-	-	23,956	1,326	25,282
Office, rent and administration	-	-	-	36,151	36,151
Professional fees	-	-	1,858	25,632	27,490
Sampling and analysis	-	-	-	24,730	24,730
Travel and accommodation	-	-	-	488	488
Wages and contract labor	-	-	-	60,416	60,416
	-	-	25,814	500,139	525,953
Less: option payments received	-	(57,158)	-	-	(57,158)
Foreign currency translation differences for foreign operations	-	-	1,693	(9,667)	(7,974)
Balance, October 31, 2012	-	-	431,206	539,454	970,660

(a) Berland Property, Alberta

The Company entered into a mineral property acquisition agreement dated August 21, 2009 to acquire a 100% interest in certain claims comprising the Berland Property, located near the Berland River, Alberta.

During the year ended October 31, 2011, the Company determined that it would not pursue the acquisition agreement for the Berland Property and as a result, $250,000 in exploration and evaluation assets was written-off as at October 31, 2011.

(Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Zigzag Property, Ontario

The Company entered into a mineral property acquisition agreement dated August 31, 2009 to acquire a 100% interest in certain claims comprising the Zigzag Property located near Armstrong, Ontario. As consideration, the Company agreed to pay $112,000, issue 400,000 common shares and incur aggregate exploration expenditures of $226,800 over a period of four years. During the year ended October 31, 2009, the Company paid $12,000 and issued 100,000 common shares recorded at a fair value of $10,000, which were recorded as acquisition costs.

On March 3, 2010, the Company entered into a mineral property acquisition agreement with Canadian Orebodies Inc. ("Orebodies") whereby Orebodies was granted an option to earn an 80% interest in the Zigzag Property, thereby reducing the Company's option to earning a 20% interest.

The Company's remaining consideration to acquire the 20% interest is as follows:

	Cash payment		Shares to be issued	
	$		#	
On or before August 31, 2010	20,000	(paid)	-	
On or before October 2, 2010	-		100,000	(issued)
On or before August 31, 2011	30,000	(paid)	-	
On or before October 2, 2011	-		100,000	(issued)
On or before August 31, 2012	50,000	(paid)	-	
On or before October 2, 2012	-		100,000	(issued)
	100,000		300,000	

In consideration of the Company replacing the original mineral property acquisition agreement, Orebodies is required to incur exploration expenditures of $350,000 on the property by October 31, 2013 and make the following payments to the Company over a period of three years:

	Cash payment		Shares to be issued	
	$		#	
On or before March 5, 2010	10,000	(received)	200,000	(received)
On or before March 5, 2011	15,000	(received)	175,000	(received)
On or before March 5, 2012	25,000	(received)	150,000	(received)
On or before March 5, 2013	50,000		125,000	
	100,000		650,000	

Provided that Orebodies makes all of its required payments including additional cash payments, share issuances and exploration expenditure commitments to the original vendor of the Zigzag Property, Orebodies may give written notice of acceleration, requiring the Company to satisfy its remaining payments within 30 days of such notice.

Commencing March 5, 2014, the Company and Orebodies will be required to pay a pre-production royalty of $10,000 per year which will be deductible against future payments upon the commencement of commercial production. The royalty will be payable in cash or in common shares.

(Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Zigzag Property, Ontario (Continued)

Pursuant to an agreement dated August 10, 2009, between the Company and an arm's length party, the Company paid a finder's fee of $14,440 and issued 40,000 common shares at a fair value of $3,200 for the property acquisition agreement relating to the Zigzag Property. During the year ended October 31, 2010, the Company paid $6,440 and issued 20,000 common shares at a fair value of $1,250. During the year ended October 31, 2011, the Company paid a further $3,000 and issued 10,000 common shares at a fair value of $975. During the year ended October 31, 2012, the Company paid a further $5,000 and issued 10,000 common shares at a fair value of $975.

(c) South Big Smokey Valley, Nevada

The Company entered into a mineral property acquisition agreement dated February 22, 2010, through ULI USA, to acquire a 100% interest in certain claims comprising the South Big Smokey 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 also issued an aggregate of 300,000 common shares at a fair value of $18,000 to arm's length parties as finder's fees related to this acquisition.

(d) Mining Concessions, Serbia

During the year ended October 31, 2011, the Company was granted six mineral exploration licenses ("ELs") in the Republic of Serbia through ULI Balkans. During the year ended October 31, 2012, an additional EL was granted.

An exploration license in the Republic of Serbia is granted for a term of three years with the option to extend twice, each for a further two year term. Requirements for every renewal include completion of at least 75% of the submitted and approved work program and reduction of the area of interest by at least 25%.

At October 31, 2012, the Company holds ELs for the following mineral prospects:

	Expiration date
Trnava	September 12, 2015
Kragujevac	September 12, 2015
Blace	December 31, 2012*
Preljina	June 25, 2015
Ladevci	June 25, 2015
Valjevo	June 20, 2015
Koceljeva	June 25, 2015

* The Company submitted new EL proposals in accordance with the new Serbian laws on mining and geological exploration and anticipates receipt of the new EL in March 2013.

On May 15, 2012, the Company executed a legally binding Framework Agreement (the "Agreement") with Beijing Guofang Mining Investment Co. Ltd. ("BGMI") to jointly explore and develop the Company's seven ELs for its Siberian mineral prospects (collectively the "Balkans Project").

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

(d) Mining Concessions, Serbia (Continued)

Within 60 days of completion of a program of geophysics (Note 9) on the Balkans Project, BGMI will make a final determination (the "Determination Date") regarding its participation in a joint venture with the Company (the "Joint Venture"). The Joint Venture will be formed as of the Determination Date and the Company will transfer all of the issued and outstanding shares in ULI Balkans and the Balkans Project, including any related obligations, to the Joint Venture.

The Joint Venture will be initially owned 95% by the Company and 5% by BGMI. BGMI will earn its initial 5% interest by contributing $500,000, through approved exploration expenditures, on the Determination Date. BGMI may earn up to a 35% participating interest in the Joint Venture by funding up to $3,500,000 of approved exploration expenditures (the "Earn-in funds") on the Balkans Project. BGMI will earn a 5% participating interest for each tranche of $500,000 of the Earn-in funds to a maximum of 35% within a period of 3 years from Determination Date as follows:

- Not less than $1,000,000 on or before the anniversary of the Determination Date;
- Not less than $2,000,000 on or before the second anniversary of the Determination Date; and
- Note less than $3,500,000 on or before the third anniversary of the Determination Date.

If during the 3 year period it is determined that no further exploration expenditures are required on the Balkans Project, any remaining balance of the Earn-in funds, after paying the liabilities of the Joint Venture, will be returned to BGMI and BGMI will retain the participating interest it has earned.

NOTE 7 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At October 31, 2012, there were 115,872,505 issued and fully paid common shares (October 31, 2011 – 94,562,505; November 1, 2010 – 79,320,005).

(c) Share Issuances

During the year ended October 31, 2012, the Company closed a non-brokered private placement of 20,000,000 units at a price of $0.05 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.10 per share expiring two years from date of issuance. Share issue costs with respect to the private placement totaled $81,698 which included cash issue costs of $19,698, a finder's fee of $20,000 and 1,200,000 common shares at a fair value of $42,000.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(c) Share Issuances (Continued)

On February 17, 2011, the Company closed a non-brokered private placement of 7,500,000 units at a price of $0.10 per unit for gross proceeds of $750,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.15 per share expiring February 17, 2013. Share issue costs with respect to the private placement totalled $84,824 which included cash issue costs of $5,559 and finders' fees of $79,265. The finders' fees were comprised of cash payments of $63,250 and 112,500 units being, 112,500 common shares at a fair value of $12,937 and 56,250 finders' warrants at a fair value of $3,078.The fair value of the finders' warrants of $3,078 has been charged to share issue costs with a corresponding increase to warrants' reserve. The fair value of these finders' warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield - 0.00%; expected stock price volatility - 102.83%; risk free interest rate - 1.17%; expected life - 2 years. The weighted average fair value of the finders' warrants issued during the year ended October 31, 2011 was $0.09 per warrant.

On November 30, 2010, the Company closed a non-brokered private placement of 5,940,000 units at a price of $0.05 per unit for gross proceeds of $297,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.10 per share expiring November 30, 2012. Share issue costs with respect to the private placement totaled $32,035 which included cash issue costs of $2,335 and finders' fees of $29,700.

During the year ended October 31, 2011, 580,000 stock options at $0.10 per share were exercised for gross proceeds of $58,000.

Non-cash compensation charges of $25,682 were reclassified from reserves to share capital on the exercise of the stock options.

During the year ended October 31, 2011, 1,000,000 warrants at $0.10 per share were exercised for gross proceeds of $100,000.

(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, November 1, 2010	6,000,000	0.15
Issued	9,746,250	0.12
Exercised	(1,000,000)	0.10
Balance, October 31, 2011	14,746,250	0.13
Expired	(3,000,000) (1)	0.20
Issued	20,000,000	0.10
Balance, October 31, 2012	31,746,250	0.11

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants (Continued)

[1] During the year ended October 31, 2012, the fair value of 3,000,000 expired warrants of $193,564 was reclassified from reserves to share capital.

Warrants	Exercise Price	Expiry Date
#	$	
5,940,000[1]	0.10	November 30, 2012
3,806,250[1]	0.15	February 17, 2013
10,000,000	0.10	July 9, 2014
10,000,000	0.10	September 10, 2014
2,000,000 [2]	0.10	April 6, 2015
31,746,250		

[1] Subsequent to October 31, 2012, the expiry date of the 5,940,000 warrants was extended to November 30, 2015. The expiry date of 3,750,000 of the 3,806,250 warrants was extended to February 17, 2016 and 56,250 of the warrants expired unexercised.

[2] During the year ended October 31, 2012, the expiry date of 2,000,000 warrants was extended from April 6, 2012 to April 6, 2015. The Company calculated the incremental increase in the fair value of the warrant extension to be $31,757 using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 94.06%; risk-free interest rate – 1.28%; expected life – 3 years. The Company recorded the fair value of the modified warrants as a capital transaction, with a charge to share capital and reserve.

(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, November 1, 2010	6,405,000	0.10
Granted	2,471,000	0.11
Exercised	(580,000)	0.10
Forfeited/Expired	(1,245,000) [1]	0.10
Balance, October 31, 2011	7,051,000	0.10
Granted	250,000	0.10
Forfeited/Expired	(660,000) [2]	0.10
Balance, October 31, 2012	6,641,000	0.10

[1] During the year ended October 31, 2011, the fair value of 1,245,000 forfeited options of $88,791 was reclassified from reserves to deficit.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(e) Stock Options (Continued)

[2] During the year ended October 31, 2012, the fair value of 660,000 forfeited options of $32,567 was reclassified from reserves to deficit.

The following table summarizes the options outstanding and exercisable as at October 31, 2012:

Shares	Exercise Price Per Share	Expiry Date	Exercisable
#	$		#
261,000 [1]	0.11	February 14, 2013	261,000
250,000	0.10	April 24, 2017	125,000
660,000	0.10	May 12, 2018	660,000
1,160,000	0.10	February 5, 2019	1,160,000
200,000	0.10	June 3, 2019	200,000
50,000	0.10	August 14, 2019	50,000
250,000	0.10	September 22, 2019	250,000
300,000	0.10	January 14, 2020	300,000
300,000	0.10	June 23, 2020	300,000
200,000	0.10	September 1, 2020	200,000
820,000	0.10	October 13, 2020	820,000
2,030,000	0.11	January 24, 2021	2,030,000
150,000	0.11	February 14, 2021	150,000
10,000	0.10	August 23, 2021	7,500
6,641,000			6,513,500

[1] Subsequent to October 31, 2012, these stock options expired, unexercised.

During the year ended October 31, 2012, under the fair-value-based method, $3,863 (2011 – $219,631) in share-based payments was recorded for stock options vested during the year.

The fair value of stock options used to calculate share-based payments has been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2012	2011
Risk free interest rate	1.4%	1.9%
Expected life of options	3 years	3.96 years
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	94.77%	118.57%

The weighted average fair value of options granted during the year ended October 31, 2012 was $0.01 (2011 - $0.07) per option.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(f) Loss per Share

Basic loss per share was calculated based on the following weighted average number of shares outstanding:

	2012	2011
	#	#
Weighted average number of shares outstanding:		
Issued common shares, beginning of period	94,562,505	79,320,005
Private placement	4,562,842	10,748,877
Agent's finder's fee	167,213	79,212
Shares issued for exploration and evaluation assets	10,464	10,219
Exercise of warrants	-	797,260
Exercise of options	-	463,781
Weighted average number of shares - basic and diluted	99,303,024	91,419,354

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Related Party Transactions

The Company incurred the following transactions with a *(i)* company that is controlled by an officer of the Company and *(ii)* with a company having officers in common:

	2012	2011
	$	$
Legal fees *(i)*	14,986	6,289
Office, rent and administration *(ii)*	86,100	66,600
	101,086	72,889

The Company recovered expenses from companies having directors and officers in common:

	2012	2011
	$	$
Office, rent and administration	61,000	46,800

(b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the year ended October 31, 2012 and 2011 were as follows:

	2012	2011
	$	$
Short-term benefits – management fees	63,750	30,000
Share-based payments [(1)]	3,934	60,609
	67,684	90,609

(Expressed in Canadian Dollars)

NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of Key Management Personnel (Continued)

(1) 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).

(c) Related Party Balances

The following related party amounts were included in *(i)* trade payable and accrued liabilities and *(ii)* prepaid expenses and deposits:

	October 31, 2012	October 31, 2011	November 1, 2010
	$	$	$
An officer and a director of the Company *(i)*	282	1,571	1,488
A former director of the Company *(i)*	7,203	7,203	7,203
A company having officers in common *(ii)*	2,000	2,000	2,000

NOTE 9 – COMMITMENTS

(a) On June 11, 2012, the Company entered into a Technical Service Agreement (the "Technical Agreement") with Beijing Exploration Technology Engineering Co. Ltd. ("BETEC"), as amended on December 16, 2012, to complete a program of geophysics of $500,000, in accordance with the Agreement (Note 6(d)). The Technical Agreement was for a term commencing July 8, 2010 and ending December 31, 2013. The Company agreed to pay $250,000 within 30 days of signing the Technical Agreement (paid and recorded in exploration and evaluation assets), $125,000 upon BETEC's completion of data collection on the Balkans Project and $125,000 within one month of the Company's acceptance of all materials and results from BETEC.

(b) The Company is committed to future minimum annual lease payments with respect to office leases expiring January 31, 2015, as follows:

	$
2013	75,899
2014	77,431
2015	19,485
	172,815

(Expressed in Canadian Dollars)

NOTE 10 – SEGMENTED INFORMATION

The Company operated in the following geographic segments at October 31, 2012, October 31, 2011 and November 1, 2010:

October 31, 2012	Canada	United States	Serbia	Total
	$	$	$	$
Current assets	206,127	491	26,477	233,096
Equipment	3,248	-	39,540	42,788
Exploration and evaluation assets	474,930	324,262	171,468	970,660
	684,305	324,753	237,485	1,246,544

October 31, 2011	Canada	United States	Serbia	Total
	$	$	$	$
Current assets	418,570	288	26,187	445,045
Equipment	1,242	-	-	1,242
Exploration and evaluation assets	123,339	296,755	35,745	455,839
	534,151	297,043	61,932	902,126

November 1, 2010	Canada	United States	Serbia	Total
	$	$	$	$
Current assets	87,712	741	-	88,453
Equipment	669	-	-	669
Exploration and evaluation assets	401,477	251,869	-	653,346
	489,858	252,610	-	742,468

NOTE 11 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, other receivables and trade payables and accrued liabilities approximate their fair values because of their short term nature. The fair values of marketable securities are based on current bid prices.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

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:

(Expressed in Canadian Dollars)

NOTE 11 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

(a) Fair Value of Financial Instruments (Continued)

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

There were no financial assets at fair value as at October 31, 2012

Financial assets at fair value as at October 31, 2011:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Marketable securities	50,750	-	-	50,750

During the year ended October 31, 2012, a mark-to-market gain (loss) of $Nil (2011 – $(9,625)) for marketable securities designated as available-for-sale has been recognized in other comprehensive loss.

There were no financial liabilities at fair value as at October 31, 2012 and 2011.

(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 at the bank and amounts receivable. The 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. At October 31, 2012, the amounts receivable consist of harmonized sales tax recoverable of $22,739.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at October 31, 2012, the Company had a cash balance of $205,074 to settle trade payable and accrued liabilities of $51,025 that are considered short term and settled within 30 days. Management expects that the Company has sufficient liquidity and additional financing will be available to meet its requirements for fiscal 2013.

NOTE 11 - 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, United States, 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 Company's net exposure to the US dollar, Euros and Serbian Dinar on financial instruments is as follows:

	October 31, 2012	October 31, 2011	November 1, 2010
	$	$	$
US dollar:			
Cash	491	288	740
Trade payable and accrued liabilities	3,998	-	-
Net US dollar	(3,507)	288	740
Euros:			
Cash	19,388	565	-
Serbian Dinar:			
Cash	4,348	23,196	-
Trade payable and accrued liabilities	7,110	4,372	-
Net Serbian Dinar	(2,762)	18,824	-

The Company has determined that an effect of a 10% increase or decrease in the US dollar, Euros and Serbian Dinar against the Canadian dollar on financial assets and liabilities, as at October 31, 2012, including cash and trade payable and accrued liabilities denominated in US dollars, Euros and Serbian Dinar, would result in an insignificant change to the net loss and comprehensive loss for the year ended October 31, 2012. At October 31, 2012, 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.

a) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest on cash and short-term investments is typical of Canadian banking rates, which are at present low, however, the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the Company's consolidated financial statements.

NOTE 11 - FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

(b) Financial Instruments Risk (Continued)

(iii) Market Risk (Continued)

b) 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 6 of these consolidated financial statements of which production is not expected in the near future.

During the year ended October 31, 2012 and 2011, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

NOTE 12 - 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, advances from related parties and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

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

There were no changes in the Company's management of capital during the year ended October 31, 2012.

NOTE 13 – CONVERSION TO IFRS

The Company adopted IFRS on November 1, 2011, with the transition date of November 1, 2010 representing the Company's opening IFRS statement of financial position. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The accounting policies set out in Note 2 have been consistently applied in preparing the financial statements for the years ended October 31, 2012 and 2011 and in the preparation of the opening IFRS statement of financial position as at November 1, 2010.

The Company applied IFRS 1, First-time Adoption of IFRS, in preparing these first IFRS financial statements. In preparing the opening IFRS statement of financial position, the Company adjusted amounts previously reported in the financial statements prepared in accordance with Canadian GAAP. This note explains the principal adjustments made by the Company in restating its Canadian GAAP statement of financial position as at November 1, 2010 and its previously published Canadian GAAP financial statements for the year ended October 31, 2011.

NOTE 13 – CONVERSION TO IFRS (Continued)

Elected Exemptions From Full Retrospective Application:

IFRS generally requires first-time adopters to retrospectively apply all IFRS standards and interpretations currently in effect. However, IFRS 1 provides certain exceptions and exemptions to this general principle. On adoption of IFRS 1, the Company elected to apply the following transition exemptions to full retrospective application of IFRS:

IFRS 2 - Share-based Payment

IFRS 1 provides an exemption that allows first-time adopters to not apply standards for share-based payments under IFRS for equity instruments that were granted prior to November 7, 2002 and to equity instruments that were granted after November 7, 2002 that have vested prior to transition to IFRS. The Company has elected to utilize this exemption and did not apply IFRS 2 to awards that vested prior to November 1, 2010, which have been accounted for in accordance with Canadian GAAP.

Mandatory Exception to Retrospective Application:

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated November 1, 2010:

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at November 1, 2010 were consistent with its previous estimates under Canadian GAAP for the same date.

Reconciliation between Canadian GAAP and IFRS:

IFRS 1 requires reconciliation disclosures that explain how the transition from Canadian GAAP to IFRS has affected the Company's previously reported financial statements prepared in accordance with previous Canadian GAAP for the year ended October 31, 2011. An explanation of how the transition from previous Canadian GAAP to IFRS affected the Company's financial position and results is set out in the following notes and accompanying tables:

(a) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified within equity as either stock option or warrant reserves.

(b) Share-Based Payments

Under Canadian GAAP, the Company recognized an expense related to share-based payments on a straight-line basis through the date of full vesting. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards.

NOTE 13 – CONVERSION TO IFRS (Continued)

Reconciliation between Canadian GAAP and IFRS: (Continued)

(b) Share-Based Payments (Continued)

The Company elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the transition date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding equity instruments that are unvested as at November 1, 2010. Accordingly, upon conversion to IFRS, the Company recorded a fair value adjustment of $4,734 as at November 1, 2010 to increase reserves with a corresponding increase in deficit. In addition to the November 1, 2010 adjustment, the IFRS adjustments subsequent to transition decreased reserves and net loss by $4,812 for the year ended October 31, 2011. As a result of these fair value adjustments, share-based payments of $864 were reclassified from share capital to reserves on the exercise of stock options as at October 31, 2011.

(c) Forfeited or Expired Options and Warrants

Under Canadian GAAP, the Company's policy was to leave the value recorded for forfeited or expired unexercised stock options and warrants in contributed surplus.

On transition to IFRS, the Company elected to change its accounting policy for the treatment of forfeited or expired unexercised options and warrants whereby amounts recorded for forfeited or expired unexercised stock options and warrants are transferred to deficit or share capital, respectively.

Accordingly, upon conversion to IFRS, the value assigned to forfeited options of $253,764 has been reclassified from reserves to deficit as of November 1, 2010. The value assigned to expired unexercised warrants of $4,264 was also reclassified from reserves to deficit as at November 1, 2010 due to the initial recognition of such warrants in reserves. In addition to the November 1, 2010 adjustments, the values assigned to forfeited options of $88,791 have been reclassified from reserves to deficit as at October 31, 2011.

(d) Functional Currency and Cumulative Translation Adjustment Account

Under Canadian GAAP, the Company determines whether a subsidiary is an integrated operation or a self-sustaining entity which determines the method of translation into the presentation currency of the Company. IFRS requires that an entity determine the functional currency of each subsidiary individually, prior to consolidation into the Company's presentation currency.

The Company determined that its subsidiaries had a functional currency other than the Canadian dollar, which under Canadian GAAP had been classified as being integrated operations. Those subsidiaries under Canadian GAAP were consolidated using the temporal method (i.e. monetary assets and liabilities translated at the current rate and non-monetary assets and liabilities at historic exchange rates with gains or losses being charged to income), whereas under IFRS the entity with non-Canadian dollar functional currency is translated to Canadian dollar using the current rate method (whereby all assets and liabilities are translated using the reporting date exchange rates with any gains or losses recorded in equity).

The Company elected to take the IFRS 1 exemption to deem cumulative translation adjustments to be zero at the date of transition to IFRS. Hence, all existing currency translation adjustment ("CTA") balances and the impact of the above adjustments as of November 1, 2010 were recorded against the brought forward deficit.

NOTE 13 – CONVERSION TO IFRS (Continued)

Reconciliation between Canadian GAAP and IFRS: (Continued)

(d) Functional Currency and Cumulative Translation Adjustment Account (Continued)

The Company has assessed the impact for the year ended October 31, 2011 to be $9,623, which was charged to CTA.

(Expressed in Canadian Dollars)

NOTE 13 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Statements of Financial Position

		As at November 1, 2010			As at October 31, 2011		
	Note	Canadian GAAP	Effect of Conversion to IFRS	**IFRS**	Canadian GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**	$	$	**$**
Assets							
Current assets:							
Cash and cash equivalents		37,669	-	**37,669**	359,289	-	**359,289**
Amounts receivable		10,239	-	**10,239**	29,939	-	**29,939**
Marketable securities		18,000	-	**18,000**	50,750	-	**50,750**
Prepaid expenses, deposits and advances		22,545	-	**22,545**	5,067	-	**5,067**
		88,453	-	**88,453**	445,045	-	**445,045**
Equipment		669	-	**669**	1,242	-	**1,242**
Exploration and evaluation assets	(d)	653,346	-	**653,346**	465,462	(9,623)	**455,839**
		654,015	-	**654,015**	466,704	(9,623)	**457,081**
		742,468	-	**742,468**	911,749	(9,623)	**902,126**
Liabilities and Shareholders' Equity							
Current:							
Trade payable and accrued liabilities		54,861	-	**54,861**	49,902	-	**49,902**
Shareholders' equity:							
Share capital	(b)	2,165,849	-	**2,165,849**	3,284,720	(864)	**3,283,856**
Reserves	(a)(b)(c)	-	481,071	**481,071**	-	580,812	**580,812**
Contributed surplus	(a)(b)(c)	734,365	(734,365)	**-**	936,468	(936,468)	**-**
Deficit	(a)(b)(c)	(2,212,607)	253,294	**(1,959,313)**	(3,359,341)	346,897	**(3,012,444)**
		687,607	-	**687,607**	861,847	(9,623)	**852,224**
		742,468	-	**742,468**	911,749	**(9,623)**	**902,126**

(Expressed in Canadian Dollars)

NOTE 13 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Comprehensive Loss

		Year ended October 31, 2011		
	Note	Canadian GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**
Expenses:				
Consulting fees		200,680	-	**200,680**
Depreciation		337	-	**337**
Management fees		30,000	-	**30,000**
Office, rent and administration		120,251	-	**120,251**
Professional fees		44,549	-	**44,549**
Project evaluation		19,753	-	**19,753**
Share-based payments	(b)	224,443	(4,812)	**219,631**
Stock exchange and filing fees		11,439	-	**11,439**
Transfer agent fees		10,244	-	**10,244**
Travel and promotions		257,956	-	**257,956**
Loss before other items		(919,652)	4,812	**(914,840)**
Other items:				
Finance and other costs		(3,678)	-	**(3,678)**
Finance income		2,322	-	**2,322**
Foreign exchange loss		(881)	-	**(881)**
Gain on sale of marketable securities		25,155	-	**25,155**
Impairment of exploration and evaluation assets		(250,000)	-	**(250,000)**
		(227,082)	-	**(227,082)**
Net loss for the year		(1,146,734)	4,812	**(1,141,922)**
Other comprehensive loss:				
Unrealized loss on available-for-sale marketable securities		(9,625)	-	**(9,625)**
Foreign currency translation differences for foreign operations	(d)	-	(9,623)	**(9,623)**
Comprehensive loss for the year		(1,156,359)	4,811	**(1,161,170)**

(Expressed in Canadian Dollars)

NOTE 13 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Cash Flows

		Year ended October 31, 2011		
	Note	Canadian GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**
Operations:				
Net loss for the year		(1,146,734)	4,812	**(1,141,922)**
Items not involving cash:				
Depreciation		337	-	**337**
Gain on sale of marketable securities		(25,155)	-	**(25,155)**
Share-based payments	(b)	224,443	(4,812)	**219,631**
Impairment of exploration and evaluation assets		250,000	-	**250,000**
Changes in non-cash working capital items:				
Amounts receivable		(4,700)	-	**(4,700)**
Prepaid expenses, deposits and advances		2,478	-	**2,478**
Trade payable and accrued liabilities		(4,959)	-	**(4,959)**
		(704,290)	-	**(704,290)**
Investing:				
Proceeds from sales of marketable securities		41,155	-	**41,155**
Purchase of equipment		(910)	-	**(910)**
Exploration and evaluation assets		(133,491)	-	**(133,491)**
Property option payment received		15,000	-	**15,000**
		(78,246)	-	**(78,246)**
Financing:				
Shares issued for cash		1,205,000	-	**1,205,000**
Share issuance costs		(100,844)	-	**(100,844)**
		1,104,156	-	**1,104,156**
Increase in cash		321,620	-	**321,620**
Cash, beginning of year		37,669	-	**37,669**
Cash, end of year		359,289	-	**359,289**

NOTE 14 – COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current period. Short-term investments of $Nil (October 31, 2011 - $150,000; November 1, 2010 - $20,000) were reclassified to cash and cash equivalents as the nature of these investments comply with the accounting policy.

(Expressed in Canadian Dollars)

NOTE 15 – INCOME TAXES

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

	October 31, 2012	October 31, 2011
	$	$
Net loss	(641,044)	(1,141,922)
Statutory tax rate	25.25%	26.83%
Expected income tax recovery at the statutory tax rate	(161,864)	(306,378)
Permanent differences	2,761	60,682
Other items	22,884	1,468
Impact of tax rate changes	1,311	16,806
Change in valuation allowance	130,035	230,797
Non-taxable portion of capital (gain) loss	4,873	(3,375)
Income tax recovery	-	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	October 31, 2012	October 31, 2011
	$	$
Exploration and evaluation assets	380,017	391,049
Non-capital loss carry-forwards	3,008,066	2,430,603
Capital loss carry-forwards	19,300	-
Share issuance costs	140,265	127,332
Equipment	11,635	3,653
Other	-	9,625
	3,559,283	2,962,262

(Expressed in Canadian Dollars)

NOTE 15 – INCOME TAXES (Continued)

The tax pools relating to significant deductible temporary difference expire as follows:

	Canadian exploration and evaluation assets	Non-capital loss carry-forwards	Capital loss carry-forwards	Share issuance costs
	$	$	$	$
2013	-	-	-	42,415
2014	-	-	-	42,415
2015	-	76,624	-	39,097
2016	-	-	-	16,338
2026	-	269,731	-	-
2027	-	234,316	-	-
2028	-	297,091	-	-
2029	-	354,522	-	-
2030	-	427,303	-	-
2031	-	685,326	-	-
2032	-	663,326	-	-
No expiry	1,350,677	-	19,300	-
	1,350,677	3,008,066	19,300	140,265

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at October 31, 2012, the Company has approximately $3,008,066 in non-capital losses and that can be offset against taxable income in future years. The Company also has $19,300 in capital losses available to apply against future taxable capital gains. The potential future tax benefit of these losses have not been recorded as a full-future tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.

NOTE 16 – SUBSEQUENT EVENT

Subsequent to October 31, 2012, the Company announced that it has arranged for a non-brokered private placement of units of the Company at a price of $0.05 per unit for gross proceeds of $4,500,000. Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase an additional common share of the Company at an exercise price of $0.10 cents per share for a period of two years from closing of the private placement. The Company received shares subscriptions of $2,000,000 pursuant to this private placement.

The private placement is subject to acceptance for filing by the Exchange.