Ultra Lithium Inc.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2013 AND 2012

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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, 2013 and 2012, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, 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, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
February 25, 2014

Ultra Lithium Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

October 31, 2013 and 2012

	2013	2012
	$	$
Assets		
Current assets:		
Cash and cash equivalents (Note 2(d))	2,888,401	205,074
Amounts receivable	24,901	22,739
Marketable securities (Note 4)	18,750	-
Prepaid expenses and deposits (Note 8)	11,962	5,283
	2,944,014	233,096
Equipment (Note 5)	76,732	42,788
Exploration and evaluation assets (Note 6)	2,935,827	970,660
	5,956,573	1,246,544
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities (Note 8)	432,251	51,025
Advances payable (Note 6(c))	511,586	-
	943,837	51,025
Shareholders' equity:		
Share capital (Note 7)	8,714,165	4,410,940
Reserves (Note 7)	841,094	405,500
Deficit	(4,542,523)	(3,620,921)
	5,012,736	1,195,519
	5,956,573	1,246,544

Nature of operations and going concern (Note 1)
Commitments (Notes 6 and 9)
Subsequent event (Note 6(c))

"Marc Morin" Director
Marc Morin

"Phu Van Bui" Director
Phu Van Bui

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, 2013 and 2012

	2013	2012
	$	$
Expenses:		
Consulting fees	166,429	248,685
Depreciation (Note 5)	1,109	792
Management fees (Note 8)	115,250	63,750
Office, rent and administration (Note 8)	184,399	124,597
Professional fees (Note 8)	47,012	32,766
Share-based payments (Note 7)	409,647	3,863
Stock exchange and filing fees	25,499	9,872
Transfer agent fees	8,803	7,734
Travel and promotion	155,541	91,746
	(1,113,689)	(583,805)
Other items:		
Interest income	23,464	87
Finance and other costs	(9,354)	(3,746)
Foreign exchange gain (loss)	62,611	(18,822)
Loss on sale of marketable securities	-	(38,600)
Recovery of exploration and evaluation assets (Note 6)	57,114	3,842
	133,835	(57,239)
Net loss for the year	(979,854)	(641,044)
Other comprehensive income (loss):		
Foreign currency translation	(8,548)	6,549
Unrealized gain/(loss) on available-for-sale marketable securities (Note 4)	(12,500)	9,625
Comprehensive loss for the year	(1,000,902)	(624,870)
Basic and diluted loss per share (Note 7)	(0.01)	(0.01)

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, 2013 and 2012

		Share Capital		Reserves						Deficit	Total shareholder's equity
	Notes	Common shares	Amount	Stock options	Warrants	Foreign currency translation	Obligation to issue shares	Investment revaluation	Total		
		#	$	$	$	$	$	$	$	$	$
Balance, October 31, 2011		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)
Private placements	7	20,000,000	1,000,000	-	-	-	-	-	-	-	1,000,000
Agent's finder's fees	7	1,200,000	42,000	-	-	-	-	-	-	-	42,000
Share issuance costs	7	-	(81,698)	-	-	-	-	-	-	-	(81,698)
Modification to warrants	7	-	(31,757)	-	31,757	-	-	-	31,757	-	-
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	7	-	-	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
Comprehensive loss for the year		-	-	-	-	(8,548)	-	(12,500)	(21,048)	(979,854)	(1,000,902)
Private placements	7	90,000,000	4,500,000	-	-	-	-	-	-	-	4,500,000
Share issuance costs	7	-	(462,778)	-	-	-	-	-	-	-	(462,778)
Agent's finder's fees	7	6,750,000	371,250	-	-	-	-	-	-	-	371,250
Modification to warrants	7	-	(108,325)	-	108,325	-	-	-	108,325	-	-
Forfeited options	7	-	-	(58,252)	-	-	-	-	(58,252)	58,252	-
Expired warrants	7	-	3,078	-	(3,078)	-	-	-	(3,078)	-	-
Share-based payments	7	-	-	409,647	-	-	-	-	409,647	-	409,647
Balance, October 31, 2013		212,622,505	8,714,165	725,134	140,082	(11,622)	-	(12,500)	841,094	(4,542,523)	5,012,736

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, 2013 and 2012

	2013	2012
	$	$
Operations:		
Net loss for the year	(979,854)	(641,044)
Items not involving cash:		
Depreciation	1,109	792
Loss on sale of marketable securities	-	38,600
Recovery of exploration and evaluation assets	(57,114)	(3,842)
Share-based payments	409,647	3,863
Changes in non-cash working capital items:		
Amounts receivable	(2,162)	7,200
Prepaid expenses, deposits and advances	(6,679)	(216)
Trade payable and accrued liabilities	4,908	(5,977)
	(630,145)	(600,624)
Investing:		
Proceeds from sale of marketable securities	-	57,775
Purchase of equipment	(53,128)	(49,528)
Exploration and evaluation assets	(1,566,680)	(561,663)
Property option payment received	25,864	25,000
	(1,593,944)	(528,416)
Financing:		
Advances payable	511,586	-
Shares issued for cash	4,500,000	1,000,000
Share issuance costs	(91,528)	(39,698)
	4,920,058	960,302
Effect of foreign exchange on cash flows	(12,642)	14,523
Change in cash and cash equivalents	2,683,327	(154,215)
Cash and cash equivalents, beginning of year	205,074	359,289
Cash and cash equivalents, end of year	2,888,401	205,074
Supplementary information:		
Marketable securities received for exploration and evaluation assets (Note 6)	31,250	36,000
Shares issued for exploration and evaluation asset	-	4,975
Exploration and evaluation asset expenditures in trade payables and accrued liabilities	383,418	7,100
Amortization expense in exploration and evaluation assets	22,169	7,190
Warrants modification (Note 7)	108,325	31,757
Forfeited warrants and options (Note 7)	61,330	226,131
Cash and cash equivalents consist of:		
Cash	1,038,401	205,074
Guaranteed investment certificates	1,850,000	-
	2,888,401	205,074

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 Business Corporations Act of British Columbia and is engaged 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 700 – 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts shown for exploration and evaluation assets are dependent upon the ability of the Company to raise additional financing in order to complete the exploration and development of its resource properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's exploration and evaluation assets. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means. These material 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 other than interest income and had working capital at October 31, 2013 of $2,000,177 (2012 – $182,071) and accumulated deficit of $4,542,523. Management expects that it has sufficient liquidity to meet its obligations during the year ending October 31, 2014. 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 25, 2014, 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) Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Ultra Lithium (USA) Inc. ("ULI USA"), Ultra Balkans D.O.O. Beograd ("ULI Balkans") and Ultra Dragon Holdings Inc ("Ultra Dragon"). All intercompany balances and transactions are eliminated on consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(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 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.

(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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit and 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;
- Intercompany loans are translated at historical rates of exchange at the reporting date as they are considered part of the net investment in foreign subsidiaries and for which settlement is neither planned nor likely to occur in the foreseeable future;

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

(iii) Consolidated entities (Continued)

- 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 recognized in the statement of comprehensive loss as part of the gain or loss on sale.

(d) 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. Of the cash and cash equivalents, $511,586 is being held but not available for use by the Company (Note 6(c)).

(e) 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 equipment	30% - 50%
Other equipment	20%
Motor Vehicle	30%

The depreciation expense for each period is recognized in the statement of comprehensive loss except for certain items of equipment related to exploration and evaluation activities where the depreciation expense is included in the carrying amount of the exploration and evaluation asset.

(f) 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)

(f) 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.

(g) 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, 2013 and 2012, the Company does not have material decommissioning obligations.

(h) 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.

(i) 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)

(j) 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.

(k) 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.

(l) 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.

(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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(l) Income Taxes (Continued)

(ii) Deferred Income Tax (Continued)

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.

(m) 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 interest receivable as loans and receivables.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(m) 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, using the effective interest method, less any impairment losses.

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 investment revaluation reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, the cumulative gains or losses in the investment revaluation reserve recognized in shareholders' equity are transferred to profit or loss.

The Company's marketable securities are classified as available-for-sale.

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

(a) IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9"), replaces 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. The effective date of this new standard has not been specified.

(b) IFRS 10, Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements ("IFRS 10") replaces the consolidation requirements in IAS 27, Consolidated and Separate Financial Statements, and Standing Interpretations Committee ("SIC") Interpretation 12, Consolidation - Special Purpose Entities. IFRS 10 introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. IFRS 10 is effective for the Company's fiscal year beginning on November 1, 2013.

(c) IFRS 11, Joint Arrangements

IFRS 11, Joint Arrangements ("IFRS 11") which replaces IAS 31, Interest in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. IFRS 11 is effective for the Company's fiscal year beginning on November 1, 2013.

(d) 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, i.e. an exit price. 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.

(Expressed in Canadian Dollars)

NOTE 4 – MARKETABLE SECURITIES

	2013			2012		
	Market $	Cost $	Unrealized Loss $	Market $	Cost $	Unrealized Gain / Loss $
Common shares in a public company received pursuant to an option agreement, representing less than a 5% ownership interest (Note 6 (a))	18,750	31,250	(12,500)	-	-	-

NOTE 5 –EQUIPMENT

	Computer hardware	Other equipment	Motor Vehicle	Total
	$	$	$	$
Costs:				
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
Additions	33,329	19,799	-	53,128
Foreign exchange	159	833	4,218	5,210
Balance, October 31, 2013	41,181	20,632	50,948	112,761
Depreciation:				
Balance, October 31, 2011	3,653	-	-	3,653
Depreciation	792	-	7,190	7,982
Balance, October 31, 2012	4,445	-	7,190	11,635
Depreciation	8,863	1,980	12,435	23,278
Foreign exchange	24	83	1,009	1,116
Balance, October 31, 2013	13,332	2,063	20,634	36,029
Net Book Value:				
October 31, 2012	3,248	-	39,540	42,788
October 31, 2013	27,849	18,569	30,314	76,732

During the year ended October 31, 2013, the Company capitalized $22,169 (2012 - $7,190) in deprecation to exploration and evaluation assets and expensed $1,109 (2012 - $792) in depreciation to general and administrative expenses.

(Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS

	Zigzag Property, Ontario (a)	South Big Smokey Valley, Nevada (b)	Mineral Concessions, Serbia (c)	Total
	$	$	$	$
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:				
Depreciation	-	-	7,190	7,190
Geology and geophysics	-	-	351,396	351,396
Licenses, permits and claim fees	-	23,956	1,326	25,282
Office, rent and administration	-	-	28,961	28,961
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 exchange	-	1,693	(9,667)	(7,974)
Balance, October 31, 2012	-	431,206	539,454	970,660
Acquisition:				
Staking	-	90,701	-	90,701
Exploration:				
Assays	-	-	3,423	3,423
Depreciation	-	-	22,169	22,169
Drilling	-	-	401,233	401,233
Geology and geophysics	-	18,430	891,624	910,054
Licenses, permits, claim fees and taxes	-	101,950	75,179	177,129
Office, rent and administration	-	-	94,952	94,952
Professional fees	-	2,279	38,489	40,768
Travel and accommodation	-	8,029	7,530	15,559
Wages and contract labor	-	-	140,958	140,958
	-	130,688	1,675,557	1,806,245
Foreign exchange	-	18,593	49,628	68,221
Balance, October 31, 2013	-	671,188	2,264,639	2,935,827

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Zigzag Property, Ontario

On August 31, 2009, the Company entered into a mineral property acquisition agreement to acquire a 100% interest in certain claims comprising the Zigzag property located near Armstrong, Ontario. Pursuant to an agreement dated August 10, 2009, the Company paid a finder's fee of $14,440 (of which $5,000 was paid during fiscal 2012) and issued 40,000 common shares at a fair value of $3,200 (of which 10,000 common shares at a fair value of $975 were issued during fiscal 2012) related to this agreement.

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

During the year ended October 31, 2012, the Company has earned its 20% interest in the Zigzag property by completing its three-year staged payments of $112,000 (of which $50,000 was paid during fiscal 2012) and 400,000 common shares (of which 100,000 common shares at a fair value of $4,000 were issued during fiscal 2012) of the Company at a total fair value of $23,500 to the original vendors.

During the year ended October 31, 2013, Orebodies has earned its 80% interest in the Zigzag property by completing its three-year staged payments of $100,000 (of which $50,000 was paid during fiscal 2013 and $25,000 was paid during fiscal 2012) and 650,000 common shares (of which 125,000 common shares at a fair value of $16,250 were issued during fiscal 2013 and 150,000 common shares at a fair value of $36,000 were issued during fiscal 2012) of Orebodies to the Company and required exploration expenditures of $350,000. As of October 31, 2013, Orebodies incurred aggregate exploration expenditures of $470,675. During the year ended October 31, 2013, the Company reimbursed $24,135 to Orebodies, which was the Company's 20% share of exploration expenses in excess of the $350,000 incurred by Orebodies.

Pursuant to an agreement dated September 16, 2013 with Orebodies, the Company sold its remaining 20% interest in the Zigzag property for 500,000 common shares of Orebodies valued at $15,000.

(b) South Big Smoky Valley, Nevada

The Company entered into a mineral property acquisition agreement dated February 22, 2010, through its wholly-owned subsidiary, ULI USA, to acquire a 100% interest in certain claims comprising the South Big Smoky Valley property located in Esmeralda County, Nevada (the "Claims"). As consideration, the Company paid $155,745 (US$150,000) and issued 1,500,000 common shares at a fair value of $85,000. The Company issued an aggregate of 300,000 common shares at a fair value of $18,000 as finders' fees related to this acquisition.

During the year ended October 31, 2013, the Company staked an additional 300 claims in the South Big Smoky Valley area for $90,701.

On October 17, 2013, the Company entered into a non-binding letter of intent ("LOI") with CCG Mining (Canada) Inc. ("CCG") related to terms in which CCG will be granted a right to acquire up to a 35% interest in the Claims. Under the LOI, CCG may earn up to a 35% interest in the Claims by funding up to $2,000,000 of exploration expenditures over a period of three years.

(Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

(c) Mining Concessions, Serbia

The Company holds seven mineral exploration licenses ("ELs") for the following mineral prospects in the Republic of Serbia through ULI Balkans.

	Expiration date
Trnava	September 12, 2015
Kragujevac	September 12, 2015
Blace	April 1, 2016
Preljina	June 25, 2015
Ladevci	June 25, 2015
Valjevo	June 20, 2015
Koceljeva	June 25, 2015

An exploration license in the Republic of Serbia is granted for a term of three (3) years with the option to extend twice, each for a further two (2) 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%.

On May 15, 2012, the Company executed a legally binding Framework Agreement (the "Agreement") with Beijing Zairun Mining Investment Co. Ltd. ("BZMI") (formerly Beijing GuoFang Mining Investment Co. Ltd.) to jointly explore and develop the Company's seven ELs for its Serbian mineral prospects (collectively the "Balkans Project"). The Agreement regulates the establishment of a 65/35 joint venture and mutual relationship with respect to the implementation and funding of the Balkans Project.

Further to the Agreement, subsequent to October 31, 2013, the Company, Ultra Balkans and BZMI executed an option agreement on January 3, 2014, pursuant to which BZMI has been granted an option to acquire up to a 35% of the total share capital of ULI Balkans by funding up to $3,500,000 of approved exploration expenditures on the Balkans Project. BZMI has the right to acquire a 5% of the total share capital of ULI Balkans for each tranche of $500,000 invested to a maximum of 35% within a period of three years. As of this date, BZMI has not exercised its option under the agreement.

As at October 31, 2013, the Company received an advance from BZMI of $511,586 (US$500,000) and recorded the amount as advances payable (Note 2(d)).

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At October 31, 2013, there were 212,622,505 issued and fully paid common shares (2012 – 115,872,505).

(c) Share Issuances

During the year ended October 31, 2013, the Company closed a non-brokered private placement of 90,000,000 units at a price of $0.05 per unit for gross proceeds of $4,500,000. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole 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 $462,778 which included cash issue costs of $24,028 and finders' fees of $67,500 and 6,750,000 common shares at a fair value of $371,250.

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 and finders' fees of $20,000 and 1,200,000 common shares at a fair value of $42,000.

(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, 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
Issued	45,000,000	0.10
Expired	(56,250) (2)	0.15
Balance, October 31, 2013	76,690,000	0.10

(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.

(2) During the year ended October 31, 2013, the fair value of 56,250 expired warrants of $3,078 was reclassified from reserves to share capital.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants (Continued)

Warrants	Exercise Price	Expiry Date
#	$	
10,000,000	0.10	July 9, 2014
10,000,000	0.10	September 10, 2014
25,000,000	0.10	March 20, 2015
2,000,000 (1)	0.10	April 6, 2015
20,000,000	0.10	April 29, 2015
5,940,000 (2)	0.10	November 30, 2015
3,750,000 (3)	0.15	February 17, 2016
76,690,000		

(1) 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.

(2) During the year ended October 31, 2013, the expiry date of the 5,940,000 warrants was extended from November 30, 2012 to November 30, 2015. The Company calculated the incremental increase in the fair value of the warrant extension to be $46,109 using the Black-Scholes Option Pricing Model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 95.55%; risk-free interest rate – 1.10%; 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.

(3) During the year ended October 31, 2013, the expiry date of 3,750,000 was extended from February 17, 2013 to February 17, 2016 and was repriced from $0.10 to $0.15. The Company calculated the incremental increase in the fair value of the warrant extension to be $62,216 using the Black-Scholes Option Pricing Model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 98.73%; risk-free interest rate – 1.17%; 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.

As at October 31, 2013, the weighted average remaining life of warrants was 1.35 years (2012 – 1.32 years).

(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.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(e) Stock Options (Continued)

A summary of the status of the options outstanding follows:

	Options	Weighted Average Exercise Price
	#	$
Balance, October 31, 2011	7,051,000	0.10
Granted	250,000	0.10
Forfeited/Expired	(660,000) (1)	0.10
Balance, October 31, 2012	6,641,000	0.10
Granted	11,700,000	0.10
Forfeited/Expired	(1,521,000) (2)	0.10
Balance, October 31, 2013	16,820,000	0.10

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

(2) During the year ended October 31, 2013, the fair value of 1,521,000 forfeited options of $58,252 was reclassified from reserves to deficit.

The following table summarizes the options outstanding and exercisable as at October 31, 2013:

Shares	Exercise Price Per Share	Expiry Date	Exercisable
#	$		#
600,000	0.10	November 1, 2017	375,000
10,400,000	0.10	April 19, 2018	5,200,00
660,000	0.10	May 12, 2018	660,000
200,000	0.10	May 28, 2018	50,000
250,000	0.10	October 11, 2018	62,500
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
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
670,000	0.10	October 13, 2020	670,000
1,680,000	0.11	January 24, 2021	1,680,000
150,000	0.11	February 14, 2021	150,000
16,820,000			11,057,500

During the year ended October 31, 2013, under the fair-value-based method, $409,647 (2012 – $3,863) in share-based payments was recorded for stock options granted and vested during the year.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(e) Stock Options (Continued)

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:

	2013	2012
Risk free interest rate	1.26%	1.40%
Expected life of options	3.93 years	3 years
Expected dividend yield	0.0%	0.00%
Expected stock price volatility	102.23%	94.77%

The weighted average fair value of options granted during the year ended October 31, 2013 was $0.04 (2012 - $0.01) per option.

As at October 31, 2013, the weighted average remaining life of options was 5.03 years (2012 - 6.96 years).

(f) Reserves

Stock options reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be reallocated to share capital. Amounts recorded for forfeited or expired unexercised options are transferred to deficit in the year of forfeiture or expiry.

Warrant reserve records items recognized as other share-based payments until such time that warrants are exercised, at which time the corresponding amount will be transferred to share capital. Amounts recorded for expired unexercised warrants are transferred to share capital in the year of the expiry.

Foreign currency translation reserve records exchange differences arising from translation of the Company's subsidiaries' results and financial position from their functional currencies into the presentation currency.

Investment revaluation reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses.

(g) Loss per Share

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

	2013	2012
	#	#
Weighted average number of shares outstanding		
Issued common shares, beginning of year	115,872,505	94,562,505
Private placement	31,557,377	4,562,842
Agent's finder's fee	3,934,426	167,213
Shares issued for exploration and evaluation assets	-	10,464
Weighted average number of shares – basic and diluted	151,364,308	99,303,024

Diluted loss per share did not include the effect of 76,690,000 warrants (2012 – 31,746,250) and 16,820,000 stock options (2012 – 6,641,000) as the effect would be anti-dilutive.

(Expressed in Canadian Dollars)

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Company incurred the following transactions with *(i)* companies controlled by an officer of the Company and *(ii)* with companies having directors and/or officers in common:

	2013	2012
	$	$
Legal fees *(i)*	12,375	14,986
Exploration and evaluation assets *(ii)*	507,900	-
Office, rent and administration [1] *(ii)*	83,650	86,100
	603,925	101,086

[1] Of these fees, $38,600 (2012 - $30,000) was paid to the CFO of the Company (Note 8(b)).

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

	2013	2012
	$	$
Office, rent and administration	24,600	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, 2013 and 2012 were as follows:

	2013	2012
	$	$
Short-term benefits [1]	153,850	93,750
Share-based payments [2]	134,701	3,934
	288,551	97,684

[1] Short-term benefits include salaries and management fees paid directly to key management.

[2] Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan (note 7(e)).

(c) Related party balances

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

	October 31, 2013	October 31, 2012
	$	$
An officer and a director of the Company *(i)*	1,402	282
A company controlled by a director of the Company *(i)*	257,900	-
A former director of the Company *(i)*	7,203	7,203
A company having officers in common *(ii)*	2,000	2,000

(Expressed in Canadian Dollars)

NOTE 9 – COMMITMENTS

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

	$
2014	78,759
2015	19,817
	98,576

NOTE 10 – SEGMENTED INFORMATION

The Company operated in the following geographic segments at October 31, 2013 and October 31, 2012:

October 31, 2013	Canada	United States	Serbia	Total
	$	$	$	$
Current assets	2,415,043	820	528,151	2,944,014
Equipment	3,037	-	73,695	76,732
Exploration and evaluation assets	-	671,188	2,264,639	2,935,827
	2,418,080	672,008	2,866,485	5,956,573

October 31, 2012	Canada	United States	Serbia	Total
	$	$	$	$
Current assets	206,127	491	26,478	233,096
Equipment	3,248	-	39,540	42,788
Exploration and evaluation assets	-	431,206	539,454	970,660
	209,375	431,697	605,471	1,246,544

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 advances payable approximate their fair values because of their short term nature. The fair values of marketable securities are based on current bid prices.

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.

(Expressed in Canadian Dollars)

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

(a) Fair Value of Financial Instruments (Continued)

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.

Financial assets at fair value as at October 31, 2013:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
<u>Financial assets</u>				
Marketable securities	18,750	-	-	18,750

During the year ended October 31, 2013, a mark-to-market gain (loss) of ($12,500) (2012 – $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, 2013 and 2012.

(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 October 31, 2013, the amounts receivable consist of HST/GST of $9,749 and interest receivable of $15,152 earned from GIC.

(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, 2013, the Company had a cash and cash equivalents balance of $2,888,401 to settle trade payable and accrued liabilities and advances payable of $943,837 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 2014.

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

(b) Financial Instruments Risk (Continued)

(iii) Market Risk

a) Currency Risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has subsidiaries in the United States and the Republic of Serbia and holds cash in Canadian dollars, United States dollars, Euros and Serbian Dinar currencies in line with forecasted expenditures. The Company's main risk is associated with fluctuations in the US dollar, Euros and Serbian Dinar and assets and liabilities are translated based on the foreign currency translation policy described in Note 2.

The Canadian dollar equivalent of the Company's net exposure to the US dollar, Euros and Serbian Dinar on financial instruments is as follows:

	2013	2012
	$	$
US dollar:		
Cash	820	491
Trade payable and accrued liabilities	(4,172)	(3,998)
Net US dollar	(3,352)	(3,507)
Euros:		
Cash	488,460	19,388
Serbian Dinar:		
Cash	30,272	4,348
Trade payable and accrued liabilities	(125,518)	(7,110)
Net Serbian Dinar	(95,246)	(2,762)

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, 2013, including cash and trade payable and accrued liabilities denominated in US dollars, Euros and Serbian Dinar, would result in an increase or decrease of approximately $38,986 (2012 - $1,312) to the net loss and comprehensive loss for the year ended October 31, 2013. At October 31, 2013, 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.

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

(b) Financial Instruments Risk (Continued)

(iii) Market Risk (Continued)

b) Interest Rate Risk

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

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

During the year ended October 31, 2013 and 2012, 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, 2013.

(Expressed in Canadian Dollars)

NOTE 13 – INCOME TAXES

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

	October 31, 2013	October 31, 2012
	$	$
Net loss	(979,854)	(641,044)
Statutory tax rate	25.58%	25.25%
Expected income tax recovery at the statutory tax rate	(250,679)	(161,864)
Permanent differences	105,958	2,761
Other items	(1,780)	22,884
Impact of tax rate changes	(34,288)	1,311
Change in valuation allowance	180,789	130,035
Non-taxable portion of capital (gain) loss	-	4,873
Income tax recovery	-	-

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

	October 31, 2013	October 31, 2012
	$	$
Exploration and evaluation assets	299,619	380,017
Non-capital loss carry-forwards	3,765,575	3,008,066
Capital loss carry-forwards	19,300	19,300
Share issuance costs	468,072	140,265
Equipment	36,029	11,635
Other	12,500	-
	4,601,095	3,559,283

(Expressed in Canadian Dollars)

NOTE 13 – INCOME TAXES (Continued)

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

	Resources tax pool	Non-capital loss carry-forwards	Capital loss carry-forwards	Share issuance costs
	$	$	$	$
2014	-	-	-	134,971
2015	-	76,624	-	131,653
2016	-	-	-	108,894
2017	-	-	-	92,554
2026	-	269,731	-	-
2027	-	234,316	-	-
2028	-	297,091	-	-
2029	-	354,522	-	-
2030	-	427,303	-	-
2031	-	685,326	-	-
2032	-	664,171	-	-
2033	-	756,663	-	-
No expiry	3,235,445	-	19,300	-
	3,235,445	3,765,575	19,300	468,072

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at October 31, 2013, the Company has approximately $3,765,575 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 has not been recorded as a full-future tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.