Ultra Lithium Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

THREE AND SIX MONTHS ENDED APRIL 30, 2012 AND 2011

(Expressed in Canadian Dollars)

Ultra Lithium Inc.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended April 30, 2012 and 2011

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

June 26, 2012

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

	April 30, 2012	October 31, 2011 (Note 9)	November 1, 2010 (Note 9)
	$	$	$
Assets			
Current assets:			
Cash and cash equivalents	74,937	359,289	37,669
Amounts receivable	36,151	29,939	10,239
Marketable securities (Note 3)	74,750	50,750	18,000
Prepaid expenses, deposits and advances (Note 6)	5,904	5,067	22,545
	191,742	445,045	88,453
Equipment	1,056	1,242	669
Exploration and evaluation assets (Note 4)	467,363	465,462	653,346
	660,161	911,749	742,468
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Notes 4(b) and 6)	36,954	49,902	54,861
Shareholders' equity:			
Share capital (Note 5)	3,252,099	3,283,856	2,165,849
Reserves (Note 5)	607,740	590,435	481,071
Deficit	(3,236,632)	(3,012,444)	(1,959,313)
	623,207	861,847	687,607
	660,161	911,749	742,468

Nature of operations and going concern (Note 1)
Commitments (Notes 4 and 7)
Subsequent event (Note 10)

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

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

	Three months ended April 30,		Six months ended April 30,	
	2012	2011	2012	2011
	$	$	$	$
Expenses:				
Consulting fees	26,965	34,036	58,590	72,167
Depreciation	93	50	186	100
Management fees (Note 6)	15,000	7,500	30,000	15,000
Office, rent and administration (Note 6)	22,588	27,845	48,503	49,159
Professional fees (Note 6)	8,627	14,544	11,947	15,064
Project evaluation	-	37,870	-	37,870
Share-based payments (Note 5)	(56)	21,396	4,077	208,925
Stock exchange and filing fees	9,040	8,490	9,372	8,817
Transfer agent fees	1,157	2,539	2,226	4,161
Travel and promotion	46,282	39,359	60,460	134,872
Loss before other items:	(129,696)	(193,629)	(225,361)	(546,135)
Other items:				
Finance income	-	404	81	799
Finance and other costs	(606)	(1,663)	(1,207)	(2,132)
Foreign exchange loss	(13,648)	(1,338)	(21,537)	(1,449)
Gain on sale of marketable securities	-	-	-	25,155
	(14,254)	(2,597)	(22,663)	22,373
Net loss for the period	(143,950)	(196,226)	(248,024)	(523,762)
Other comprehensive income (loss):				
Foreign currency translation	12,377	-	17,307	-
Change in fair value of available-for-sale financial assets	2,000	(4,375)	(12,000)	(6,375)
Total comprehensive loss for the period	(129,573)	(200,601)	(242,717)	(530,137)
Basic and dilute loss per share (Note 5(f))	-	-	-	-

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

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
(Expressed in Canadian Dollars)

		Share Capital		Reserves						Deficit	Total shareholder's equity
	Notes	Common shares	Amount	Stock options	Warrants	Foreign currency translation	Obligation to issue shares	Fair value	Total		
		#	$	$	$	$	$	$	$	$	$
Balance, November 1, 2010	9	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 period		-	-	-	-	-	-	(6,375)	(6,375)	(523,762)	(530,137)
Private placements	5(c)	13,440,000	1,047,000	-	-	-	-	-	-	-	1,047,000
Share issuance costs	5(c)	-	(113,765)	-	-	-	-	-	-	-	(113,765)
Agent's finder's fees	5(c)	112,500	12,937	-	-	-	-	-	-	-	12,937
Exercise of warrants	5(d)	1,000,000	100,000	-	-	-	-	-	-	-	100,000
Exercise of options	5(e)	580,000	83,682	(25,682)	-	-	-	-	(25,682)	-	58,000
Expired options	9	-	-	(85,924)					(85,924)	85,924	-
Share-based payments		-	-	208,925	-	-	-	-	208,925	-	208,925
Balance, April 30, 2011	9	94,452,505	3,295,703	394,604	179,836	-	1,950	(4,375)	572,015	(2,397,151)	1,470,567
Comprehensive loss for the period		-	-	-	-	-	-	(5,250)	(5,250)	(618,160)	(623,410)
Share issuance costs		-	(3,094)	-	-	-	-	-	-	-	(3,094)
Agent's finder's fees	5(c)	-	-	-	3,078	-	-	-	3,078	-	3,078
Shares issued for exploration and evaluation assets	4(b)	110,000	4,975	-	-	-	(975)	-	(975)	-	4,000
Modification to warrants	5(d)	-	(13,728)	-	13,728	-	-	-	13,728	-	-
Expired options	9	-	-	(2,867)	-	-	-	-	(2,867)	2,867	-
Share-based payments		-	-	10,706	-	-	-	-	10,706	-	10,706
Balance, October 31, 2011	9	94,562,505	3,283,856	402,443	196,642	-	975	(9,625)	590,435	(3,012,444)	861,847
Comprehensive loss for the period		-	-	-	-	17,307	-	(12,000)	5,307	(248,024)	(242,717)
Modification to warrants	5(d)	-	(31,757)	-	31,757	-	-	-	31,757	-	-
Expired options	5(e)	-	-	(23,836)	-	-	-	-	(23,836)	23,836	-
Share-based payments		-	-	4,077	-	-	-	-	4,077	-	4,077
Balance, April 30, 2012		94,562,505	3,252,099	382,684	228,399	17,307	975	(21,625)	607,740	(3,236,632)	623,207

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

Ultra Lithium Inc.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

	Three months ended April 30, 2012	Three months ended April 30, 2011	Six months ended April 30, 2012	Six months ended April 30, 2011
	$	$	$	$
Operations:				
Net loss for the period	(143,950)	(196,226)	(248,024)	(523,762)
Items not involving cash:				
Depreciation	93	50	186	100
Foreign exchange gain	12,377	-	17,307	-
Share-based payments	(56)	21,396	4,077	208,925
Gain on sale of marketable securities	-	-	-	(25,155)
Changes in non-cash working capital items:				
Amounts receivable	(4,045)	(3,134)	(6,212)	(5,761)
Prepaid expenses, deposits and advances	1,525	16,262	(837)	(10,747)
Accounts payable and accrued liabilities	(16,729)	(3,591)	(15,048)	(21,592)
	(150,785)	(165,243)	(248,551)	(377,992)
Investing:				
Exploration and evaluation assets	(14,065)	10	(60,801)	(173)
Property option payment received	25,000	15,000	25,000	15,000
Proceeds from sale of marketable securities	-	-	-	41,155
	10,935	15,010	(35,801)	55,982
Financing:				
Shares issued for cash	-	750,000	-	1,205,000
Share issuance costs		(68,793)		(100,828)
	-	681,207	-	1,104,172
Increase (decrease) in cash and cash equivalents	(139,850)	530,974	(284,352)	782,162
Cash and cash equivalents, beginning of period	214,787	288,857	359,289	37,669
Cash and cash equivalents, end of period	74,937	819,831	74,937	819,831
Supplementary information:				
Marketable securities received for exploration and evaluation assets (Note 4(b))	36,000	60,375	36,000	60,375
Warrants modification	31,757	-	31,757	-
Non-cash compensation charges on options exercised (Note 5(c))	-	-	-	25,682
Fair value of finders' warrants (Note 5(c))	-	3,078	-	3,078
Cash and cash equivalents consist of:				
Cash	74,937	649,831	74,937	649,831
Guaranteed investment certificates	-	170,000	-	170,000

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

NOTE 1 – NATURE OF OPERATIONS

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 resource properties. On March 21, 2006, the Company's common shares were posted for trading on Tier 2 of the TSX Venture Exchange (the "Exchange") under the symbol "JR". On August 27, 2009, the Company changed its name to Ultra Lithium Inc. (the "Company") and commenced trading on 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 resource properties 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 resource properties are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, 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 resource properties. 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 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 April 30, 2012 of $154,788 (October 31, 2011 – $395,143) and accumulated deficit of $3,236,632. The Company has prepared a budget for its cash flows and management expects that it has sufficient liquidity and additional financing will be available to meet its obligations during the next twelve months.

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 condensed interim consolidated financial statements were authorized for issue on June 26, 2012 by the Directors of the Company. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended January 31, 2012 and 2011 (note 2 describes the significant accounting policies utilized by the Company). These accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ('IAS 34") and IFRS 1, "First time adoption of International Financial Reporting Standards ("IFRS")", using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended October 31, 2011, which were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The basis of presentation of these condensed interim financial statements is different to that of the Company's most recent annual financial statements due to the first time adoption of IFRS.

The disclosures related to the transition from GAAP to IFRS are included in note 9 to these condensed interim consolidated financial statements. Note 9 contains reconciliations and descriptions of the effect of the transition from GAAP to IFRS on previously reported statements of financial position as at October 31, 2011, April 30, 2011 and November 1, 2010 and statements of comprehensive loss and cash flows for the three and six months ended April 30, 2011 and the year ended October 31, 2011. The first date at which IFRS was applied was November 1, 2010.

(b) Basis of presentation and consolidation

The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted. The condensed interim 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 transactions and balances have been eliminated on consolidation.

The condensed interim consolidated financial statements of the Company were prepared on the historical cost basis.

(Expressed in Canadian Dollars)

NOTE 3 – MARKETABLE SECURITIES

	April 30, 2012			October 31, 2011		
	Market $	Cost $	Unrealized Loss $	Market $	Cost $	Unrealized Gain $
Common shares in a public company received pursuant to an option agreement, representing less than a 5% ownership interest (Note 4 (b))	74,750	96,375	(21,625)	50,750	60,375	(9,625)

NOTE 4 – EXPLORATION AND EVALUATION ASSETS

	Berland Property, Alberta (a)	Zigzag Property, Ontario (b)	South Big Smokey Valley, Nevada (c)	Mineral Concessions, Serbia (d)	Total
	$	$	$	$	$
Balance, October 31, 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
Less: option payments received	-	(75,375)	-	-	(75,375)
	-	(75,375)	55,378	48,113	28,116
Impairment of resource property	(250,000)	-	-	-	(250,000)
Balance, October 31, 2011	-	3,158	414,191	48,113	465,462
Exploration:					
Consulting and geological fees	-	-	-	28,663	28,663
Licenses, permits and claim fees	-	-	(30,144)	1,410	(28,734)
Office, rent and administration	-	-	-	3,507	3,507
Professional fees	-	-	-	9,635	9,635
Sampling and analysis	-	-	-	26,303	26,303
Travel and accommodation	-	-	-	519	519
Wages and contract labor	-	-	-	23,008	23,008
Less: option payments received	-	(61,000)	-	-	(61,000)
	-	(61,000)	(30,144)	93,045	1,901
Balance, April 30, 2012	-	(57,842)	384,047	141,158	467,363

(Expressed in Canadian Dollars)

NOTE 4 – EXPLORATION AND EVALUATION ASSETS (Continued)

(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. As consideration, the Company paid $50,000 and issued 2,000,000 common shares recorded at a fair value of $200,000. The property is subject to a 2% NSR, of which, 1% may be acquired by the Company for $1,000,000.

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.

(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 had 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		-	
On or before October 2, 2012	-		100,000	
	100,000		300,000	

(Expressed in Canadian Dollars)

NOTE 4 – EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Zigzag Property, Ontario (Continued)

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 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.

Pursuant to an agreement dated August 10, 2009, between the Company and an arm's length party, the Company agreed to pay a finder's fee for the property acquisition agreement relating to the Zigzag Property of $14,440 and the issuance of 40,000 common shares at a fair value of $3,200.

As at April 30, 2012, the Company has paid $9,440 and issued 30,000 common shares at a fair value of $2,225. Recorded in accounts payable and obligation to issue shares at April 30, 2012 were $5,000 (October 31, 2011 - $5,000) and $975 (October 31, 2011 - $975), respectively, related to the remaining finder's fee.

(c) South Big Smokey 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 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.

(Expressed in Canadian Dollars)

NOTE 4 – EXPLORATION AND EVALUATION ASSETS (Continued)

(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 its wholly-owned subsidiary, ULI Balkans. During the six months ended April 30, 2012, an additional EL was granted.

An Exploration License, in the Republic of Serbia, is granted by decision of the Ministry of Mines and Energy ("MoME") for a one year period and may be extended by filing an application for extension prior to the expiry of the EL. The obligations of the EL holder are to complete the submitted and approved work program, provide quarterly exploration activity reports to the MoME and to "advance the geological knowledge" of the property. An EL can continue to be renewed, providing that the EL holder completes its obligations.

At April 30, 2012, the Company holds ELs for the following mineral prospects:

	Expiration date
Trnava	May 1, 2012*
Kragujevac	May 1, 2012*
Blace	December 31, 2012
Preljina	December 31, 2011 *
Ladevci	December 31, 2011 *
Valjevo	December 31, 2011 *
Koceljeva	December 31, 2011 *

* With the reorganization of the Serbian government in March 2011, the MoME ceased to exist and was replaced by the Ministry of Environment, Mining and Spatial Planning. The Company is in the process of submitting new applications in accordance with the new laws on mining and geological exploration to acquire the ELs. The ELs are granted for a term of 3 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%. The Company anticipates receipt of the new ELs in July 2012.

NOTE 5 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At April 30, 2012, there were 94,562,505 issued and fully paid common shares (October 31, 2011 – 94,562,505; November 1, 2010 – 79,320,005).

(Expressed in Canadian Dollars)

NOTE 5 – SHARE CAPITAL AND RESERVES (Continued)

(c) Share Issuances

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 totalled $32,035 which included cash issue costs of $2,335 and finders' fees of $29,700.

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.

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 contributed surplus to share capital on the exercise of these 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, April 30, 2012 and October 31, 2011	14,746,250	0.13

(Expressed in Canadian Dollars)

NOTE 5 – SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants (Continued)

Warrants	Exercise Price	Expiry Date
#	$	
3,000,000 [(i)]	0.20	July 7, 2012
2,000,000 [(ii)]	0.10	April 6, 2015
5,940,000	0.10	November 30, 2012
3,806,250	0.15	February 17, 2013
14,746,250		

[(i)] These warrants were repriced from $0.30 per share to $0.20 per share and the expiry date was extended from July 7, 2009 to July 7, 2012.

[(ii)] The expiry date of these warrants was extended from April 6, 2012 to April 6, 2015.

During the year ended October 31, 2011, the expiry date of 3,000,000 warrants was further extended to July 7, 2012. The Company calculated the incremental increase in the fair value of the warrant extension to be $13,728 using the Black-Scholes valuation model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 93.64%; risk-free interest rate – 1.40%; expected life – 1 year. The Company recorded the fair value of the modified warrants as a capital transaction, with a charge to share capital and warrants' reserve. The amended warrants contain a forced provision exercise whereby the warrant holders will be required to exercise their warrants within a period of 30 days if the Company's common shares close at or above $0.25 per share for 10 consecutive trading days, otherwise the warrants will, if not exercised, expire at the end of such 30 day period. To April 30, 2012, the Company's common shares have not met the criteria for forced exercise provision.

During the six months ended April 30, 2012, the expiry date of 2,000,000 warrants was extended 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 valuation 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 warrants' 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.

(Expressed in Canadian Dollars)

NOTE 5 – 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, November 1, 2010	6,405,000	0.10
Granted	2,471,000	0.11
Exercised	(580,000)	0.10
Cancelled	(1,245,000)	0.10
Balance, October 31, 2011	7,051,000	0.10
Granted	250,000	0.10
Cancelled	(460,000) [1]	0.10
Balance, April 30, 2012	6,841,000	0.10

[1] During the six months ended April 30, 2012, the fair value of 460,000 forfeited options of $23,836 was reclassified from reserves to deficit.

The following table summarizes the options outstanding and exercisable as at April 30, 2012:

Shares	Exercise Price Per Share	Expiry Date	Exercisable
#	$		#
710,000	0.10	May 12, 2018	710,000
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
400,000	0.10	June 23, 2020	400,000
200,000	0.10	September 1, 2020	200,000
870,000	0.10	October 13, 2020	870,000
2,030,000	0.11	January 24, 2021	1,930,000
150,000	0.11	February 14, 2021	137,500
261,000	0.11	February 14, 2013	195,750
10,000	0.10	August 23, 2021	5,000
250,000	0.10	April 24, 2017	62,500
6,841,000			6,470,750

During the six months ended April 30, 2012, under the fair-value-based method, $4,077 (2011 – $208,925) in share-based payments was recorded for stock options granted and vested during the period.

(Expressed in Canadian Dollars)

NOTE 5 – 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:

Three months ended January 31,	2012	2011
Risk free interest rate	1.4%	2.27%
Expected life of options	3 years	4.38 years
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	94.77%	121.43%

The weighted average fair value of options granted during the six months ended April 30, 2012 was $0.01 (2011 - $0.06) per option.

(f) Loss per Share

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

	Three months ended April 30,		Six months ended April 30,	
	2012	2011	2012	2011
	#	#	#	#
Weighted average number of shares outstanding:				
Issued common shares, beginning of period	94,562,505	86,840,005	94,562,505	79,320,005
Private placement	-	6,243,961	-	8,058,522
Exercise of warrants	-	-	-	591,160
Exercise of options	-	-	-	345,636
Weighted average number of shares - basic and diluted	94,562,505	93,083,966	94,562,505	88,315,323

NOTE 6 – 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:

	Three months ended April 30,		Six months ended April 30,	
	2012	2011	2012	2011
	$	$	$	$
Legal fees *(i)*	6,229	2,379	7,481	2,629
Office, rent and administration *(ii)*	20,000	17,100	36,800	29,400
	26,229	19,479	44,281	32,029

(Expressed in Canadian Dollars)

NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

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

	Three months ended April 30, 2012	Three months ended April 30, 2011	Six months ended April 30, 2012	Six months ended April 30, 2011
	$	$	$	$
Office, rent and administration	13,600	10,500	29,200	23,400

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three and six months ended April 30, 2012 and 2011 were as follows:

	Three months ended April 30, 2012	Three months ended April 30, 2011	Six months ended April 30, 2012	Six months ended April 30, 2011
	$	$	$	$
Short-term benefits – management fees	15,000	7,500	30,000	15,000
Share-based payments [1]	1,135	9,815	2,368	58,576
	16,135	17,315	32,368	73,576

(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 5(e)).

(c) Related party balances

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

	April 30, 2012	October 31, 2011	November 1, 2010
	$	$	$
An officer and a director of the Company *(i)*	5,737	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 7 – COMMITMENT

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

	$
2012	73,959
2013	74,470
2014	76,001
2015	19,128
	243,558

(Expressed in Canadian Dollars)

NOTE 8 – SEGMENTED INFORMATION

The Company operated in the following geographic segments at April 30, 2012, October 31, 2011 and November 1, 2010:

April 30, 2012	Canada	United States	Serbia	Total
	$	$	$	$
Current assets	177,309	1,144	13,289	191,742
Equipment	1,056	-	-	1,056
Exploration and evaluation assets	92,289	277,102	97,972	467,363
	270,654	278,246	111,261	660,161

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	307,246	34,877	465,462
	534,151	307,534	61,064	911,749

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 9 – 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 balance sheet. As required by IFRS 1, First-time Adoption of IFRS, the Company will apply the IFRS in effect as at October 31, 2012 on a full retrospective basis, except where permitted or required under an IFRS 1 exemption.

On adoption of IFRS 1, the Company elected to apply the following exemptions:

> IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to November 1, 2010 (date of transition date to IFRS), which have been accounted for in accordance with GAAP.

NOTE 9 – CONVERSION TO IFRS (Continued)

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 balance sheet 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 GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at November 1, 2010 are consistent with its previous estimates under GAAP for the same date.

In preparing its IFRS condensed financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from previous GAAP to IFRS affected the Company's financial position and results is set out in the following notes and accompanying tables.

(a) Reserves

Under 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 GAAP, the Company recognized an expense related to share-based payments on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiple on the grant date. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate.

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 increased reserves and net loss by $2,263 for the six months ended April 30, 2011 and 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 April 30, 2011 and October 31, 2011.

(c) Forfeited or expired options and warrants

Under 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 values assigned to forfeited options of $253,764 and expired unexercised warrants of $4,264 have been reclassified from reserves to deficit as at November 1, 2010. In addition to the November 1, 2010 adjustments, the values assigned to forfeited options of $85,924 as at April 30, 2011 and $88,791 as at October 31, 2011 have been reclassified from reserves to deficit.

NOTE 9 – CONVERSION TO IFRS (Continued)

(d) Functional currency and cumulative translation adjustment account

Under 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 GAAP had been classified as being integrated operations. Those subsidiaries under 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.

The Company has assessed the impact being insignificant for the six months ended April 30, 2011 and year ended October 31, 2011 and no adjustments were recorded.

(Expressed in Canadian Dollars)

NOTE 9 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Statements of Financial Position

		As at November 1, 2010			As at April 30, 2011			As at October 31, 2011		
	Note	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Assets										
Current assets:										
Cash and cash equivalents		37,669	-	**37,669**	819,831	-	**819,831**	359,289	-	**359,289**
Amounts receivable		10,239	-	**10,239**	16,000	-	**16,000**	29,939	-	**29,939**
Marketable securities		18,000	-	**18,000**	56,000	-	**56,000**	50,750	-	**50,750**
Prepaid expenses, deposits and advances		22,545	-	**22,545**	33,292	-	**33,292**	5,067	-	**5,067**
		88,453	-	**88,453**	925,123	-	**925,123**	445,045	-	**445,045**
Equipment		669	-	**669**	569	-	**569**	1,242	-	**1,242**
Exploration and evaluation assets		653,346	-	**653,346**	578,144	-	**578,144**	465,462	-	**465,462**
		654,015	-	**654,015**	578,713	-	**578,713**	466,704	-	**466,704**
		742,468	-	**742,468**	1,503,836	-	**1,503,836**	911,749	-	**911,749**

(Expressed in Canadian Dollars)

NOTE 9 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Statements of Financial Position – (Continued)

		As at November 1, 2010			As at April 30, 2011			As at October 31, 2011		
	Note	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Liabilities and Shareholders' Equity										
Current:										
Accounts payable and accrued liabilities		54,861	-	**54,861**	33,269	-	**33,269**	49,902	-	**49,902**
Shareholders' equity:										
Share capital	(b)	2,165,849	-	**2,165,849**	3,296,567	(864)	**3,295,703**	3,284,720	(864)	**3,283,856**
Reserves	(a)(b)(c)	-	481,071	**481,071**	-	572,015	**572,015**	-	590,435	**590,435**
Contributed surplus	(a)(b)(c)	734,365	(734,365)	-	908,106	(908,106)	-	936,468	(936,468)	-
Deficit	(a)(b)(c)	(2,212,607)	253,294	**(1,959,313)**	(2,734,106)	336,955	**(2,397,151)**	(3,359,341)	346,897	**(3,012,444)**
		687,607	-	**687,607**	1,470,567	-	**1,470,567**	861,847	-	**861,847**
		742,468	-	**742,468**	1,503,836	-	**1,503,836**	911,749	-	**911,749**

(Expressed in Canadian Dollars)

NOTE 9 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Comprehensive Loss

		Three months ended April 30, 2011			Six months ended April 30, 2011			Year ended October 31, 2011		
	Note	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Expenses:										
Consulting fees		34,036	-	**34,036**	72,167	-	**72,167**	200,680	-	**200,680**
Depreciation		50	-	**50**	100	-	**100**	337	-	**337**
Management fees		7,500	-	**7,500**	15,000	-	**15,000**	30,000	-	**30,000**
Office, rent and administration		27,845	-	**27,845**	49,159	-	**49,159**	120,251	-	**120,251**
Professional fees		14,544	-	**14,544**	15,064	-	**15,064**	44,549	-	**44,549**
Project evaluation		37,870	-	**37,870**	37,870	-	**37,870**	19,753	-	**19,753**
Share-based payments	(b)	18,813	2,583	**21,396**	206,662	2,263	**208,925**	224,443	(4,812)	**219,631**
Stock exchange and filing fees		8,490	-	**8,490**	8,817	-	**8,817**	11,439	-	**11,439**
Transfer agent fees		2,539	-	**2,539**	4,161	-	**4,161**	10,244	-	**10,244**
Travel and promotions		39,359	-	**39,359**	134,872	-	**134,872**	257,956	-	**257,956**
Loss before other items		(191,046)	(2,583)	**(193,629)**	(543,872)	(2,263)	**(546,135)**	(919,652)	4,812	**(914,840)**
Other items:										
Finance and other costs		(1,663)	-	**(1,663)**	(2,132)	-	**(2,132)**	(3,678)	-	**(3,678)**
Finance income		404	-	**404**	799	-	**799**	2,322	-	**2,322**
Foreign exchange loss		(1,338)	-	**(1,338)**	(1,449)	-	**(1,449)**	(881)	-	**(881)**
Gain on sale of marketable securities		-	-	**-**	25,155	-	**25,155**	25,155	-	**25,155**
Impairment of exploration and evaluation assets		-	-	**-**	-	-	**-**	(250,000)	-	**(250,000)**
		(2,597)	-	**(2,597)**	22,373	-	**22,373**	(227,082)	-	**(227,082)**
Loss for the period		(193,643)	(2,583)	**(196,226)**	(521,499)	(2,263)	**(523,762)**	(1,146,734)	4,812	**(1,141,922)**

(Expressed in Canadian Dollars)

NOTE 9 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Comprehensive Loss – (Continued)

		Three months ended April 30, 2011			Six months ended April 30, 2011			Year ended October 31, 2011		
	Note	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Loss for the period		(193,643)	(2,583)	**(196,226)**	(521,499)	(2,263)	**(523,762)**	(1,146,734)	4,812	**(1,141,922)**
Other comprehensive loss:		-	-	**-**	-	-	**-**	-	-	**-**
Unrealized loss on available-for-sale marketable securities		(4,375)	-	**(4,375)**	(6,375)	-	**(6,375)**	(9,625)	-	**(9,625)**
Total comprehensive loss for the period		(198,018)	(2,583)	**(200,601)**	(527,874)	(2,263)	**(530,137)**	(1,156,359)	4,812	**(1,151,547)**

(Expressed in Canadian Dollars)

NOTE 9 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Cash Flows

		Three months ended April 30, 2011			Six months ended April 30, 2011			Year ended October 31, 2011		
	Note	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Operations:										
Loss for the period		(193,643)	(2,583)	**(196,226)**	(521,499)	(2,263)	**(523,762)**	(1,146,734)	4,812	**(1,141,922)**
Items not involving cash:										
Depreciation		50	-	**50**	100	-	**100**	337	-	**337**
Gain on sale of marketable securities		-	-	**-**	(25,155)	-	**(25,155)**	(25,155)	-	**(25,155)**
Share-based payments	(b)	18,813	2,583	**21,396**	206,662	2,263	**208,925**	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		(3,134)	-	**(3,134)**	(5,761)	-	**(5,761)**	(4,700)	-	**(4,700)**
Prepaid expenses, deposits and advances		16,262	-	**16,262**	(10,747)	-	**(10,747)**	2,478	-	**2,478**
Accounts payable and accrued liabilities		(3,591)	-	**(3,591)**	(21,592)	-	**(21,592)**	(4,959)	-	**(4,959)**
		(165,243)	-	**(165,243)**	(377,992)	-	**(377,992)**	(704,290)	-	**(704,290)**
Investing:										
Proceeds from sales of marketable securities		-	-	**-**	41,155	-	**41,155**	41,155	-	**41,155**
Purchase of equipment		-	-	**-**	-	-	**-**	(910)	-	**(910)**
Exploration and evaluation assets		10	-	**10**	(173)	-	**(173)**	(133,491)	-	**(133,491)**
Property option payment received		15,000	-	**15,000**	15,000	-	**15,000**	15,000	-	**15,000**
		15,010	-	**15,010**	55,982	-	**55,982**	(78,246)	-	**(78,246)**

(Expressed in Canadian Dollars)

NOTE 9 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Cash Flows – (Continued)

		Three months ended April 30, 2011			Six months ended April 30, 2011			Year ended October 31, 2011		
	Note	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Financing:										
Shares issued for cash		750,000	-	**750,000**	1,205,000	-	**1,205,000**	1,205,000	-	**1,205,000**
Share issuance costs		(68,793)	-	**(68,793)**	(100,828)	-	**(100,828)**	(100,844)	-	**(100,844)**
		681,207	-	**681,207**	1,104,172	-	**1,104,172**	1,104,156	-	**1,104,156**
Increase in cash		530,974	-	**530,974**	782,162	-	**782,162**	321,620	-	**321,620**
Cash, beginning of period		288,857	-	**118,857**	37,669	-	**37,669**	37,669	-	**37,669**
Cash, end of period		819,831	-	**649,831**	819,831	-	**819,831**	359,289	-	**359,289**

NOTE 10 – SUBSEQUENT EVENT

Subsequent to April 30, 2012, the Company executed a legally binding Framework Agreement (“Agreement”) with Beijing Guofang Mining Investment Co. Ltd. (BGMI) to jointly explore and develop its Balkans Project in the Republic of Serbia (the “Project”) (Note 4(d)). Under the terms of the Agreement, BGMI wishes to earn up to a 35% interest in the Project under a joint venture by funding up to $3,500,000 of approved exploration expenditures on the Project to be incurred within a period of three years from the date of formation of the joint venture. BGMI will earn a 5% interest for each $500,000 of approved expenditures incurred and up to a 35% interest once the entire $3,500,000 of qualified expenditures has been incurred.

In addition, BGMI commits to complete a financing in the amount of $500,000 through the purchase of units of securities of the Company at $0.05 per unit. Each unit will consist of one common share of the Company and one common share purchase warrant, with each warrant entitling BGMI to one additional common share of the Company at $0.10 per share for a period of two years. Finders' fees may be payable in connection with the private placement.

Closing of the proposed transaction is subject to acceptance for filing by the TSX Venture Exchange.

NOTE 11 – 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.