Ultra Lithium Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

THREE AND NINE MONTHS ENDED JULY 31, 2012 AND 2011

(Expressed in Canadian Dollars)

Ultra Lithium Inc.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended July 31, 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.

September 28, 2012

Ultra Lithium Inc.

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

	July 31, 2012	October 31, 2011 (Note 9)	November 1, 2010 (Note 9)
	$	$	$
Assets			
Current assets:			
Cash and cash equivalents	356,295	359,289	37,669
Amounts receivable (Note 6)	45,270	29,939	10,239
Marketable securities (Note 3)	22,500	50,750	18,000
Prepaid expenses, deposits and advances (Note 6)	12,217	5,067	22,545
	436,282	445,045	88,453
Equipment	1,623	1,242	669
Exploration and evaluation assets (Note 4)	568,922	465,462	653,346
	1,006,827	911,749	742,468
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Notes 4(b) and 6)	70,769	49,902	54,861
Shareholders' equity:			
Share capital (Note 5)	3,894,410	3,283,856	2,165,849
Reserves (Note 5)	424,887	590,435	481,071
Deficit	(3,383,239)	(3,012,444)	(1,959,313)
	936,058	861,847	687,607
	1,006,827	911,749	742,468

Nature of operations and going concern (Note 1)
Commitments (Notes 4 and 7)
Subsequent events (Notes 4((b) and 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 July 31,		Nine months ended July 31,	
	2012	2011	2012	2011
	$	$	$	$
Expenses:				
Consulting fees	27,354	76,058	85,944	148,225
Depreciation	147	119	333	219
Management fees (Note 6)	15,000	7,500	45,000	22,500
Office, rent and administration (Note 6)	31,703	27,129	80,206	76,288
Professional fees (Note 6)	4,333	7,520	16,280	22,584
Project evaluation	-	7,120	-	44,990
Share-based payments (Note 5)	(938)	9,907	3,139	218,832
Stock exchange and filing fees	4,598	2,622	13,970	11,439
Transfer agent fees	4,093	4,918	6,319	9,079
Travel and promotion	25,433	78,275	85,893	213,147
Loss before other items:	(111,723)	(221,168)	(337,084)	(767,303)
Other items:				
Finance income	-	409	81	1,208
Finance and other costs	(1,101)	(592)	(2,308)	(2,724)
Foreign exchange loss (gain)	(14,709)	526	(36,246)	(923)
Loss (gain) on sale of marketable securities	(27,805)	-	(27,805)	25,155
Impairment of exploration and evaluation assets	-	(250,000)	-	(250,000)
	(43,615)	(249,657)	(66,278)	(227,284)
Net loss for the period	(155,338)	(470,825)	(403,362)	(994,587)
Other comprehensive income (loss):				
Currency translation adjustment	12,255	-	29,562	-
Change in fair value of available-for-sale financial assets	8,125	-	(3,875)	(6,375)
Total comprehensive loss for the period	(134,958)	(470,825)	(377,675)	(1,000,962)
Basic and dilute loss per share (Note 5(f))	-	-	-	-

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)	(994,587)	(1,000,962)
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
Agent's finder's fees	5(c)	-	(3,078)	-	3,078	-	-	-	3,078	-	-
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
Modification to warrants	5(d)	-	(13,728)	-	13,728	-	-	-	13,728	-	-
Forfeited options	9	-	-	(85,924)					(85,924)	85,924	-
Share-based payments		-	-	218,832	-	-	-	-	218,832	-	218,832
Balance, July 31, 2011	9	94,452,505	3,278,897	404,511	196,642	-	1,950	(4,375)	598,728	(2,867,976)	1,009,649
Comprehensive loss for the period		-	-	-	-	-	-	(5,250)	(5,250)	(147,335)	(152,585)
Share issuance costs		-	(16)	-	-	-	-	-	-	-	(16)
Shares issued for exploration and evaluation assets	4(b)	110,000	4,975	-	-	-	(975)	-	(975)	-	4,000
Forfeited options	9	-	-	(2,867)	-	-	-	-	(2,867)	2,867	-
Share-based payments		-	-	799	-	-	-	-	799	-	799
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		-	-	-	-	29,562	-	(3,875)	25,687	(403,362)	(377,675)
Modification to warrants	5(d)	-	(31,757)	-	31,757	-	-	-	31,757	-	-
Private placement	5(c)	10,000,000	500,000	-	-	-	-	-	-	-	500,000
Share issuance costs	5(c)	-	(51,253)	-	-	-	-	-	-	-	(51,253)
Forfeited options	5(e)	-	-	(32,567)	-	-	-	-	(32,567)	32,567	-
Expired warrants	5(d)	-	193,564	-	(193,564)	-	-	-	(193,564)	-	-
Share-based payments		-	-	3,139	-	-	-	-	3,139	-	3,139
Balance, July 31, 2012		104,562,505	3,894,410	373,015	34,835	29,562	975	(13,500)	424,887	(3,383,239)	936,058

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 July 31,		Nine months ended July 31,	
	2012	2011	2012	2011
	$	$	$	$
Operations:				
Net loss for the period	(155,338)	(470,825)	(403,362)	(994,587)
Items not involving cash:				
Depreciation	147	119	333	219
Unrealized foreign exchange gain	12,255	-	29,562	-
Share-based payments	(938)	9,907	3,139	218,832
Loss (gain) on sale of marketable securities	27,805	-	27,805	(25,155)
Impairment of resource property	-	250,000	-	250,000
Changes in non-cash working capital items:				
Amounts receivable	(9,119)	(15,959)	(15,331)	(21,720)
Prepaid expenses, deposits and advances	(6,313)	30,143	(7,150)	19,396
Accounts payable and accrued liabilities	5,915	11,123	(9,133)	(10,469)
	(125,586)	(185,492)	(374,137)	(563,484)
Investing:				
Exploration and evaluation assets	(103,659)	(4,083)	(164,460)	(4,256)
Purchase of equipment	(714)	(911)	(714)	(911)
Property option payment received	-	-	25,000	15,000
Proceeds from sale of marketable securities	32,570	-	32,570	41,155
	(71,803)	(4,994)	(107,604)	50,988
Financing:				
Shares issued for cash	500,000	-	500,000	1,205,000
Share issuance costs	(21,253)	-	(21,253)	(100,828)
	478,747	-	478,747	1,104,172
Increase (decrease) in cash and cash equivalents	281,358	(190,486)	(2,994)	591,676
Cash and cash equivalents, beginning of period	74,937	819,831	359,289	37,669
Cash and cash equivalents, end of period	356,295	629,345	356,295	629,345
Supplementary information:				
Marketable securities received for exploration and evaluation assets (Note 4(b))	-	-	36,000	60,375
Warrants modification	-	-	31,757	-
Non-cash compensation charges on options exercised (Note 5(c))	-	-	-	25,682
Fair value of finders' warrants (Note 5(c))	-	-	-	3,078
Cash and cash equivalents consist of:				
Cash	356,295	479,345	356,295	479,345
Guaranteed investment certificates	-	150,000	-	150,000

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 July 31, 2012 of $365,513 (October 31, 2011 – $395,143) and accumulated deficit of $3,383,239. Subsequent to July 31, 2012, the Company closed a private placement financing for gross proceeds of $500,000 (note 10). Management expects that it has sufficient liquidity 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 September 28, 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, July 31, 2011 and November 1, 2010 and statements of comprehensive loss and cash flows for the three and nine months ended July 31, 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.

NOTE 3 – MARKETABLE SECURITIES

	July 31, 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))	22,500	36,000	(13,500)	50,750	60,375	(9,625)

(Expressed in Canadian Dollars)

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	-	-	-	49,904	49,904
Licenses, permits and claim fees	-	-	24,103	1,357	25,460
Office, rent and administration	-	-	-	16,842	16,842
Professional fees	-	-	1,151	11,247	12,398
Sampling and analysis	-	-	-	25,311	25,311
Travel and accommodation	-	-	-	500	500
Wages and contract labor	-	-	-	34,045	34,045
Less: option payments received	-	(61,000)	-	-	(61,000)
	-	(61,000)	25,254	139,206	103,460
Balance, July 31, 2012	-	(57,842)	439,445	187,319	568,922

(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.

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

(Expressed in Canadian Dollars)

NOTE 4 – EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Zigzag Property, Ontario

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

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

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

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

In consideration of the Company replacing the original mineral property acquisition agreement, Orebodies is required to incur exploration expenditures of $350,000 on the property 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.

(Expressed in Canadian Dollars)

NOTE 4 – EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Zigzag Property, Ontario (Continued)

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 July 31, 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 July 31, 2012 were $5,000 (October 31, 2011 - $5,000) and $975 (October 31, 2011 - $975), respectively, related to the remaining finder's fee. Subsequent to July 31, 2012, the remaining finder's fee was paid in full.

(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.

(d) Mining Concessions, Serbia

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

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%.

At July 31, 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	June 25, 2015
Ladevci	June 25, 2015
Valjevo	June 20, 2015
Koceljeva	June 25, 2015

NOTE 4 – EXPLORATION AND EVALUATION ASSETS (Continued)

(d) Mining Concessions, Serbia (Continued)

* The Company submitted new EL proposals in accordance with the new Serbian laws on mining and geological exploration and anticipates receipt of the new ELs in October 2012.

On May 15, 2012, the Company executed a legally binding Framework Agreement ("Agreement") with Beijing Guofang Mining Investment Co. Ltd. ("BGMI") to jointly explore and develop its Serbian property (the "Property"). Under the terms of the Agreement, BGMI may earn up to a 35% interest in the Property under the joint venture by funding up to $3,500,000 of approved exploration expenditures on the Property 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 and its associates agreed to complete a financing of $1,000,000 through the purchase of units 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 and associates to acquire an additional common share of the Company at $0.10 per share for a period of two years. During the period, the Company closed the first tranche of this financing for gross proceeds of $500,000 (Note 5(c)). Subsequent to July 31, 2012, the Company closed the second tranche of the financing for additional gross proceeds of $500,000 (Note 10).

NOTE 5 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At July 31, 2012, there were 104,562,505 issued and fully paid common shares (October 31, 2011 – 94,562,505; November 1, 2010 – 79,320,005).

(c) Share Issuances

On July 9, 2012, the Company closed the first tranche of its non-brokered private placement of 10,000,000 units at a price of $0.05 per unit for gross proceeds of $500,000. 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 July 9, 2014. Share issue costs with respect to the first tranche of private placement totalled $51,253 which included cash issue costs of $11,253, finders' fees of $10,000 and 600,000 common shares at a fair value of $30,000 (Note 4(d)).

(Expressed in Canadian Dollars)

NOTE 5 – SHARE CAPITAL AND RESERVES (Continued)

(c) Share Issuances (Continued)

On February 17, 2011, the Company closed a non-brokered private placement of 7,500,000 units at a price of $0.10 per unit for gross proceeds of $750,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.15 per share expiring February 17, 2013. Share issue costs with respect to the private placement totalled $84,824 which included cash issue costs of $5,559 and finders' fees of $79,265. The finders' fees were comprised of cash payments of $63,250 and 112,500 units being, 112,500 common shares at a fair value of $12,937 and 56,250 finders' warrants at a fair value of $3,078.

The fair value of the finders' warrants of $3,078 has been charged to share issue costs with a corresponding increase to warrants' reserve. The fair value of these finders' warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield - 0.00%; expected stock price volatility - 102.83%; risk free interest rate - 1.17%; expected life - 2 years. The weighted average fair value of the finders' warrants issued during the year ended October 31, 2011 was $0.09 per warrant.

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

During the year ended October 31, 2011, 580,000 stock options at $0.10 per share were exercised for gross proceeds of $58,000. Non-cash compensation charges of $25,682 were reclassified from 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, October 31, 2011	14,746,250	0.13
Expired	(3,000,000) [1]	0.20
Issued	10,000,000	0.10
Balance, July 31, 2012	21,746,250	0.11

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

(Expressed in Canadian Dollars)

NOTE 5 – SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants (Continued)

Warrants	Exercise Price	Expiry Date
#	$	
2,000,000 [1]	0.10	April 6, 2015
5,940,000	0.10	November 30, 2012
3,806,250	0.15	February 17, 2013
10,000,000	0.10	July 9, 2014
21,746,250		

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

During the nine months ended July 31, 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.

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	(660,000) [1]	0.10
Balance, July 31, 2012	6,641,000	0.10

[1] During the nine months ended July 31, 2012, the fair value of 660,000 forfeited options of $32,567 was reclassified from reserves to deficit.

(Expressed in Canadian Dollars)

NOTE 5 – SHARE CAPITAL AND RESERVES (Continued)

(e) Stock Options (Continued)

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

Shares	Exercise Price Per Share	Expiry Date	Exercisable
#	$		#
660,000	0.10	May 12, 2018	660,000
1,160,000	0.10	February 5, 2019	1,160,000
200,000	0.10	June 3, 2019	200,000
50,000	0.10	August 14, 2019	50,000
250,000	0.10	September 22, 2019	250,000
300,000	0.10	January 14, 2020	300,000
300,000	0.10	June 23, 2020	300,000
200,000	0.10	September 1, 2020	200,000
820,000	0.10	October 13, 2020	820,000
2,030,000	0.11	January 24, 2021	2,030,000
150,000	0.11	February 14, 2021	143,750
261,000	0.11	February 14, 2013	228,375
10,000	0.10	August 23, 2021	6,250
250,000	0.10	April 24, 2017	93,750
6,641,000			6,442,125

During the nine months ended July 31, 2012, under the fair-value-based method, $3,139 (2011 – $218,832) in share-based payments was recorded for stock options granted and vested during the period.

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:

Nine months ended July 31,	2012	2011
Risk free interest rate	1.4%	2.05%
Expected life of options	3 years	4.01 years
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	94.77%	117.98%

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

(Expressed in Canadian Dollars)

NOTE 5 – SHARE CAPITAL AND RESERVES (Continued)

(f) Loss per Share

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

	Three months ended July 31,		Nine months ended July 31,	
	2012	2011	2012	2011
	#	#	#	#
Weighted average number of shares outstanding:				
Issued common shares, beginning of period	94,562,505	94,452,505	94,562,505	79,320,005
Private placement	2,500,000	-	839,416	9,909,973
Exercise of warrants	-	-	-	728,938
Exercise of options	-	-	-	424,615
Weighted average number of shares - basic and diluted	97,062,505	94,452,505	95,401,921	90,383,531

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 July 31,		Nine months ended July 31,	
	2012	2011	2012	2011
	$	$	$	$
Legal fees *(i)*	7,253	2,257	14,734	4,886
Office, rent and administration *(ii)*	24,500	19,500	61,300	48,900
	31,753	21,757	76,034	53,786

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

	Three months ended July 31,		Nine months ended July 31,	
	2012	2011	2012	2011
	$	$	$	$
Office, rent and administration	15,600	6,300	46,800	29,700

(Expressed in Canadian Dollars)

NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three and nine months ended July 31, 2012 and 2011 were as follows:

	Three months ended July 31, 2012	Three months ended July 31, 2011	Nine months ended July 31, 2012	Nine months ended July 31, 2011
	$	$	$	$
Short-term benefits – management fees	15,000	7,500	45,000	22,500
Share-based payments [1]	993	1,468	3,361	60,044
	15,993	8,968	48,361	82,544

(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, *(ii)* prepaid expenses and deposits and *(iii)* amounts receivable:

	July 31, 2012	October 31, 2011	November 1, 2010
	$	$	$
An officer and a director of the Company *(i)*	2,242	1,571	1,488
A former director of the Company *(i)*	7,203	7,203	7,203
A company having officers in common *(ii)*	10,300	2,000	2,000
A company having a director and an officer in common *(iii)*	5,600 [1]	-	-

(1) Amount received subsequent to July 31, 2012.

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 July 31, 2012, October 31, 2011 and November 1, 2010:

July 31, 2012	Canada	United States	Serbia	Total
	$	$	$	$
Current assets	398,303	1,631	36,348	436,282
Equipment	1,623	-	-	1,623
Exploration and evaluation assets	104,894	332,500	131,528	568,922
	504,820	334,131	167,876	1,006,827

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 decreased reserves and net loss by $2,422 for the nine months ended July 31, 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 July 31, 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 July 31, 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 nine months ended July 31, 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 July 31, 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**	629,345	-	**629,345**	359,289	-	**359,289**
Amounts receivable		10,239	-	**10,239**	31,959	-	**31,959**	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**	3,149	-	**3,149**	5,067	-	**5,067**
		88,453	-	**88,453**	720,453	-	**720,453**	445,045	-	**445,045**
Equipment		669	-	**669**	1,361	-	**1,361**	1,242	-	**1,242**
Exploration and evaluation assets		653,346	-	**653,346**	332,227	-	**332,227**	465,462	-	**465,462**
		654,015	-	**654,015**	333,588	-	**333,588**	466,704	-	**466,704**
		742,468	-	**742,468**	1,054,041	-	**1,054,041**	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 July 31, 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**	44,392	-	**44,392**	49,902	-	**49,902**
Shareholders' equity:										
Share capital	(b)	2,165,849	-	**2,165,849**	3,279,761	(864)	**3,278,897**	3,284,720	(864)	**3,283,856**
Reserves	(a)(b)(c)	-	481,071	**481,071**	-	598,728	**598,728**	-	590,435	**590,435**
Contributed surplus	(a)(b)(c)	734,365	(734,365)	-	939,504	(939,504)	-	936,468	(936,468)	-
Deficit	(a)(b)(c)	(2,212,607)	253,294	**(1,959,313)**	(3,209,616)	341,640	**(2,867,976)**	(3,359,341)	346,897	**(3,012,444)**
		687,607	-	**687,607**	1,009,649	-	**1,009,649**	861,847	-	**861,847**
		742,468	-	**742,468**	1,054,041	-	**1,054,041**	911,749	-	**911,749**

(Expressed in Canadian Dollars)

NOTE 9 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Comprehensive Loss

		Three months ended July 31, 2011			Nine months ended July 31, 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		76,058	-	**76,058**	148,225	-	**148,225**	200,680	-	**200,680**
Depreciation		119	-	**119**	219	-	**219**	337	-	**337**
Management fees		7,500	-	**7,500**	22,500	-	**22,500**	30,000	-	**30,000**
Office, rent and administration		27,129	-	**27,129**	76,288	-	**76,288**	120,251	-	**120,251**
Professional fees		7,520	-	**7,520**	22,584	-	**22,584**	44,549	-	**44,549**
Project evaluation		7,120	-	**7,120**	44,990	-	**44,990**	19,753	-	**19,753**
Share-based payments	(b)	14,592	(4,685)	**9,907**	221,254	(2,422)	**218,832**	224,443	(4,812)	**219,631**
Stock exchange and filing fees		2,622	-	**2,622**	11,439	-	**11,439**	11,439	-	**11,439**
Transfer agent fees		4,918	-	**4,918**	9,079	-	**9,079**	10,244	-	**10,244**
Travel and promotions		78,275	-	**78,275**	213,147	-	**213,147**	257,956	-	**257,956**
Loss before other items		(225,853)	4,685	**(221,168)**	(769,725)	2,422	**(767,303)**	(919,652)	4,812	**(914,840)**
Other items:										
Finance and other costs		(592)	-	**(592)**	(2,724)	-	**(2,724)**	(3,678)	-	**(3,678)**
Finance income		409	-	**409**	1,208	-	**1,208**	2,322	-	**2,322**
Foreign exchange gain (loss)		526	-	**526**	(923)	-	**(923)**	(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)**	(250,000)	-	**(250,000)**	(250,000)	-	**(250,000)**
		(249,657)	-	**(249,657)**	(227,284)	-	**(227,284)**	(227,082)	-	**(227,082)**
Loss for the period		(475,510)	4,685	**(470,825)**	(997,009)	2,422	**(994,587)**	(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 July 31, 2011			Nine months ended July 31, 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		(475,510)	4,685	**(470,825)**	(997,009)	2,422	**(994,587)**	(1,146,734)	4,812	**(1,141,922)**
Other comprehensive loss:		-	-	**-**	-	-	**-**	-	-	**-**
Unrealized loss on available-for-sale marketable securities		-	-	**-**	(6,375)	-	**(6,375)**	(9,625)	-	**(9,625)**
Total comprehensive loss for the period		(475,510)	4,685	**(470,825)**	(1,003,384)	2,422	**(1,000,962)**	(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 July 31, 2011			Nine months ended July 31, 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		(475,510)	4,685	**(470,825)**	(997,009)	2,422	**(994,587)**	(1,146,734)	4,812	**(1,141,922)**
Items not involving cash:										
Depreciation		119	-	**119**	219	-	**219**	337	-	**337**
Gain on sale of marketable securities		-	-	**-**	(25,155)	-	**(25,155)**	(25,155)	-	**(25,155)**
Share-based payments	(b)	14,592	(4,685)	**9,907**	221,254	(2,422)	**218,832**	224,443	(4,812)	**219,631**
Impairment of exploration and evaluation assets		250,000	-	**250,000**	250,000	-	**250,000**	250,000	-	**250,000**
Changes in non-cash working capital items:										
Amounts receivable		(15,959)	-	**(15,959)**	(21,720)	-	**(21,720)**	(4,700)	-	**(4,700)**
Prepaid expenses, deposits and advances		30,143	-	**30,143**	19,396	-	**19,396**	2,478	-	**2,478**
Accounts payable and accrued liabilities		11,123	-	**11,123**	(10,469)	-	**(10,469)**	(4,959)	-	**(4,959)**
		(185,492)	-	**(185,492)**	(563,484)	-	**(563,484)**	(704,290)	-	**(704,290)**
Investing:										
Proceeds from sales of marketable securities		-	-	**-**	41,155	-	**41,155**	41,155	-	**41,155**
Purchase of equipment		(911)	-	**(911)**	(911)	-	**(911)**	(910)	-	**(910)**
Exploration and evaluation assets		(4,083)	-	**(4,083)**	(4,256)	-	**(4,256)**	(133,491)	-	**(133,491)**
Property option payment received		-	-	**-**	15,000	-	**15,000**	15,000	-	**15,000**
		(4,994)	-	**(4,994)**	50,988	-	**50,988**	(78,246)	-	**(78,246)**

(Expressed in Canadian Dollars)

NOTE 9 – CONVERSION TO IFRS – (Continued)

IFRS Reconciliation of Cash Flows – (Continued)

		Three months ended July 31, 2011			Nine months ended July 31, 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		-	-	**-**	1,205,000	-	**1,205,000**	1,205,000	-	**1,205,000**
Share issuance costs		-	-	**-**	(100,828)	-	**(100,828)**	(100,844)	-	**(100,844)**
		-	-	**-**	1,104,172	-	**1,104,172**	1,104,156	-	**1,104,156**
Increase in cash		(190,486)	-	**(190,486)**	591,676	-	**591,676**	321,620	-	**321,620**
Cash, beginning of period		819,831	-	**819,831**	37,669	-	**37,669**	37,669	-	**37,669**
Cash, end of period		629,345	-	**629,345**	629,345	-	**629,345**	359,289	-	**359,289**

NOTE 10 – SUBSEQUENT EVENT

Subsequent to July 31, 2012, the Company completed the second tranche of its non-brokered private placement of 10,000,000 units at a price of $0.05 per unit for gross proceeds of $500,000. Each unit consists 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 $0.10 per share expiring September 10, 2014. Finders' fees of $10,000 and 600,000 common shares are payable in connection with this second tranche of private placement (Note 4(d)).

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.