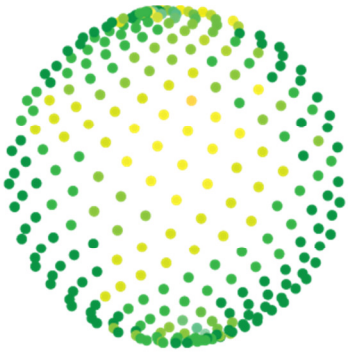

PAN GLOBAL
RESOURCES

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

YEAR ENDED JANUARY 31, 2012
(Audited)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pan Global Resources Inc.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Pan Global Resources Inc. as at January 31, 2012, January 31, 2011 and February 1, 2010 and its financial performance and its cash flows for the years ended January 31, 2012 and January 31, 2011 in accordance with International Financial Reporting Standards.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Pan Global Resources Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

May 29, 2012

PAN GLOBAL RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		January 31, 2012		January 31, 2011 (Note 12)		February 1, 2010 (Note 12)
ASSETS						
Current assets						
Cash	$	224,942	$	2,549,065	$	956,101
Receivables		43,078		29,776		18,726
Advances and prepaids (Note 4)		558,530		43,058		-
Total current assets		826,550		2,621,899		974,827
Non-current assets						
Exploration and evaluation assets (Note 4)		506,250		-		-
Total non-current assets		506,250		-		-
TOTAL ASSETS	$	1,332,800	$	2,621,899	$	974,827
LIABILITIES AND EQUITY						
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (Note 5)	$	147,077	$	404,700	$	38,106
Total liabilities		147,077		404,700		38,106
EQUITY						
Share capital (Note 6)		5,986,365		3,519,244		1,497,590
Reserves (Note 6)		722,575		399,707		108,414
Deficit		(5,523,217)		(1,701,752)		(669,283)
Total equity		1,185,723		2,217,199		936,721
TOTAL LIABILITIES AND EQUITY	$	1,332,800	$	2,621,899	$	974,827

Nature of operations and going concern (Note 1)
Events after reporting date (Note 13)

These financial statements are authorized for issuance by the Board of Directors on May 29, 2012.

Approved by the Board of Directors

_____"Julian Bavin"_____ Director _____"Robert Baxter"_____ Director

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

PAN GLOBAL RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		Year ended January 31, 2012		Year ended January 31, 2011 (Note 12)
Exploration expenditures (Note 4)	$	2,772,900	$	580,811
General and administrative expenses				
Accounting, tax and audit		79,123		58,393
Consulting and management fees		283,245		72,916
Office and rent		63,190		22,811
Professional fees		33,886		23,726
Project evaluation		73,637		112,599
Regulatory and transfer agent		20,680		28,419
Stock based compensation (Note 6)		426,868		118,737
Travel		67,936		14,677
		1,048,565		452,278
Loss before other items		(3,821,465)		(1,033,089)
Other items				
Interest income		-		620
LOSS AND COMPREHENSIVE LOSS	$	(3,821,465)	$	(1,032,469)
Loss per common share - basic and diluted	$	(0.20)	$	(0.10)
Weighted average number of common shares outstanding - basic and diluted		19,232,199		10,547,218

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

PAN GLOBAL RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

		Year ended January 31, 2012		Year ended January 31, 2011 (Note 12)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(3,821,465)	$	(1,032,469)
Items not affecting cash:				
Stock based compensation		426,868		118,737
Changes in non-cash working capital items:				
Receivables		(13,302)		(11,050)
Advances and prepaid expenses		(515,472)		(43,058)
Accounts payable and accrued liabilities		(257,623)		366,594
Net cash used in operating activities		(4,180,994)		(601,246)
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration and evaluation expenditures		(75,000)		-
Net cash used in investing activities		(75,000)		-
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares issued for cash, net of share issue costs		1,931,871		2,194,210
Net cash provided by financing activities		1,931,871		2,194,210
Increase (decrease) in cash during the year		(2,324,123)		1,592,964
Cash, beginning of year		2,549,065		956,101
Cash, end of year	$	224,942	$	2,549,065

Supplemental disclosure with respect to cash flows (Note 9)

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

PAN GLOBAL RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of common shares	Capital stock	Reserves	Deficit	Total
Balance at February 1, 2010	9,514,000	$ 1,497,590	$ 108,414	$ (669,283)	$ 936,721
Shares issued on private placements	7,874,991	2,449,997	-	-	2,449,997
Share issuance costs	-	(255,787)	-	-	(255,787)
Finders warrants issued on private placement	-	(172,556)	172,556	-	-
Stock based compensation	-	-	118,737	-	118,737
Comprehensive loss for the year	-	-	-	(1,032,469)	(1,032,469)
Balance at January 31, 2011	17,388,991	3,519,244	399,707	(1,701,752)	2,217,199
Shares issued for exploration and evaluation assets	375,000	431,250	-	-	431,250
Exercise of warrants	3,937,491	1,771,871	-	-	1,771,871
Exercise of stock options	800,000	160,000	-	-	160,000
Reclassification of fair value of options exercised	-	104,000	(104,000)	-	-
Stock based compensation	-	-	426,868	-	426,868
Comprehensive loss for the year	-	-	-	(3,821,465)	(3,821,465)
Balance at January 31, 2012	**22,501,482**	**$ 5,986,365**	**$ 722,575**	**$ (5,523,217)**	**$ 1,185,723**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Pan Global Resources Inc. (hereafter referred to as the "Company") is incorporated under the laws of the Province of British Columbia and was established as a legal entity on February 1, 2006. On December 21, 2009, the Company changed its name from Mosam Capital Corp. to Pan Global Resources Inc.

The Company's principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. The Company's unproven mineral interests are located in the Republic of Serbia and Republic of Bosnia. The Company's continuing operations and the ability of the Company to meet its mineral property commitments are dependent upon the ability of the Company to raise additional equity and debt financing and seeking joint venture partners.

The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the trading symbol "PGZ".

The Company's principal office is located at:

1780 – 400 Burrard Street
Vancouver, British Columbia
V6C 3A6

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Based on its current plans, budgeted capital expenditures, and cash requirements, the Company has adequate resources to maintain its core activities for the next fiscal year and sufficient working capital to fund all of its planned activities.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of obtaining and exploring its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Conversion to International Financial Reporting Standards ("IFRS")

These financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). These are the Company's first annual financial statements presented in accordance with IFRS. Previously the Company prepared its annual and interim financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Basis of presentation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of the policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been used in preparing an opening statement of financial position at February 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1 *First Time Adoption of International Financial Reporting Standards*. The impact of the transition from Canadian GAAP to IFRS is explained in Note 12.

Cash

Cash includes cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and with original maturities of three months or less.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Available-for-sale ("AFS") - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

Impairment of financial assets

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in comprehensive income or loss are reclassified to profit or loss in the period. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or,
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were acquired. The Company's accounting policy for each category is as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities - This category comprises non-derivative liabilities, which are recognized at amortized cost.

The Company has classified its cash as fair value through profit or loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities and loans payable are classified as other financial liabilities.

Exploration and evaluation assets

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral properties pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be capitalized. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

A mineral property acquired under an option agreement where payments are made at the sole discretion of the Company, is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee and, accordingly, are accounted for when receipt is reasonably assured.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset, or a cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Decommissioning and restoration provision

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset. The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. The Company has no known restoration, rehabilitation or environmental obligations.

Share capital

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Use of estimates

The preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas requiring the use of management estimates include:

a) *Recoverability of exploration and evaluation assets*

Proven and probable mineral reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company will estimate its proven and probable reserves and measured, indicated, and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the proven and probable reserves or measured, indicated, and inferred mineral resources estimates may impact the carrying value of exploration and evaluation properties, plant and equipment, goodwill, decommissioning and restoration provision, recognition of deferred tax amounts and depreciation, depletion and amortization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

b) Valuation of share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the statement of comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

c) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

d) Decommissioning and restoration provisions

The determination of the fair value of decommissioning and restoration provisions requires subjective assumptions regarding costs to restore the property, the time period such costs will be incurred, an appropriate inflation factor and an appropriate discount rate. Changes in these assumptions could materially affect the recorded amount.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the President.

3. NEW AND FUTURE ACCOUNTING STANDARDS

Accounting Pronouncements Not Yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Accounting Standards Issued and Effective January 1, 2012

IAS 12 Income Taxes (Amended) ("IAS 12"), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

Accounting Standards Issued and Effective January 1, 2013

IFRS 7 Financial instruments: Disclosures (Amended) requires additional disclosures on transferred financial assets.

3. NEW AND FUTURE ACCOUNTING STANDARDS (cont'd…)

Accounting Pronouncements Not Yet Effective (cont'd…)

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements and:

a) defines the principle of control, and establishes control as the basis for consolidation.
b) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.
c) sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation Special Purpose Entities.

IFRS 11 Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 Disclosure of Involvement with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 Separate Financial Statements has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Accounting Standards Issued and Effective January 1, 2015

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

4. EXPLORATION AND EVALUATION ASSETS

The Company's unproven mineral interests consist of one early-stage exploration project as follows:

	January 31, 2012	January 31, 2011	February 1, 2010
Balkans Properties	$ 506,250	-	-
	$ 506,250	-	-

Balkans Properties

On February 14, 2011 the Company signed a definitive option agreement with Lithium Li Holdings Inc. ("Lithium Li") to earn an undivided 51% interest, with further options to earn an undivided 65% or 80% interest, in Lithium Li. Lithium Li, through wholly-owned subsidiaries in the Balkans, has been granted fifteen exploration licenses in the Republic of Serbia and has applied for an additional two licenses in Bosnia and Herzegovina. Under the terms of the option agreement, the Company can earn up to 80% in any three licenses held by Lithium Li within 10 years of the date of the Option Agreement by spending sufficient exploration expenditures for the completion of a feasibility study (or a total of $20,000,000), and issuing a total of 1,125,000 shares and $500,000 in various anniversary payments. Pan Global shall determine, in its sole discretion, which exploration licenses may be retained by the Optionor.

To exercise the option, the Company must complete the following:

Cash payments:
- i) By February 21, 2011: $75,000 (paid)
- ii) By February 14, 2012: $150,000
- iii) By February 14, 2013: $275,000

Share issuances:
- i) By February 21, 2011: 375,000 shares (issued)
- ii) Date of exercise of the initial 51% interest: 250,000 shares
- iii) One year anniversary from exercise of initial 51% interest: 250,000 shares
- iv) Two year anniversary from exercise of initial 51% interest: 250,000 shares

Exploration expenditure:
- i) By August 14, 2012: $1,500,000 (incurred)
- ii) By February 14, 2014: $4,000,000 (cumulative)
- iii) By February 14, 2015: $8,000,000 (cumulative, if to earn an additional 14% interest)
- iv) By February 14, 2021: $20,000,000 (cumulative, if to earn an additional 15% interest)

4. EXPLORATION AND EVALUATION ASSETS (cont'd…)

For the year ended January 31, 2012, the Company has spent $2,772,900 in exploration expenses on the properties, as follows:

Balkan Properties		
Drilling and related supplies	$	618,115
Field costs		72,899
Geophysical surveys		406,638
Office, administration, and overhead		330,386
Professional fees		68,895
Salaries and consultants		1,024,415
Travel and related costs		167,047
Vehicle costs		84,505
	$	2,772,900

For the year ended January 31, 2011, the Company spent $580,811 on exploration expenditures.

As of January 31, 2012 an amount in advances and prepaids of $556,530 represent unspent funds advanced to Lithium Li (2011 - $277,692 amounts owing to Lithium Li in accounts payable and accrued liabilities.)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

		January 31, 2012		January 31, 2011		February 1, 2010
Accounts payable	$	63,077	$	274,700	$	21,306
Accrued liabilities		84,000		130,000		16,800
	$	147,077	$	404,700	$	38,106

6. SHARE CAPITAL

Authorized Share Capital

Authorized share capital consists of:

- unlimited number of common shares without par value.
- unlimited class "A" common shares with a par value of $1
- unlimited class "B" common shares with a par value of $5

Equity Financings

There were no equity financings during the year ended January 31, 2012. During the year ended January 31, 2011, the Company undertook the following:

On December 10, 2010, the Company completed a private placement of 6,999,991 units at a price of $0.30 per unit for gross proceeds of $2,099,997. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase another share for $0.45 which expires on December 10, 2012. If, after the expiry of all Canadian resale restrictions, the closing price of Pan Global's common shares on the TSX.V is $0.50 or greater for a period of 7 consecutive trading days, the Company may accelerate the expiry of the warrants after giving notice thereof. Finder's fees were payable in cash to Raymond James Ltd. as cash commission of $157,450 and granted 542,999 finder's warrants. These finder's warrants are exercisable at $0.30 per share until December 10, 2012. On January 28, 2011, the Company completed a second private placement of 875,000 units with the same terms as the first private placement, for total proceeds of $350,000. Another 65,625 finder's warrants are granted upon completion of the record private placement. These finder's warrants are exercisable $0.45 per share until January 29, 2013.

The shares and warrants issued in the two private placements were valued using the residual value method which resulted in the full amount of their fair value being allocated to the common shares.

The finder's warrants were valued separately using a Black-Scholes option pricing model with the following inputs: for the first private placement: a stock price of $0.42, an exercise price of $0.30, an expected life of 2 years, a risk-free interest rate of 1.72%, an expected dividend yield of 0% and an expected volatility of 107%. These inputs generated a value of $139,530. For the second private placement: a stock price of $0.72, an exercise price of $0.40, an expected life of 2 years, a risk-free interest rate of 1.67%, an expected dividend yield of 0% and an expected volatility of 113%. These inputs generated a value of $33,026.

Stock Options

The Company has adopted a stock option plan pursuant to the policies of the TSX-V that has been approved by the Company's shareholders. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

6. SHARE CAPITAL (cont'd…)

The continuity of share purchase options for the year ended January 31, 2012 is as follows:

Expiry Date	Exercise Price	**Outstanding January 31, 2011**	Granted	Exercised	Expired/ Cancelled	**Outstanding January 31, 2012**	Exercisable January 31, 2012
30-Nov-11	$ 0.20	800,000	-	800,000	-	-	-
30-Nov-16	0.20	87,000	-	-	-	87,000	87,000
8-Jul-15	0.25	250,000	-	-	-	250,000	218,750
10-Dec-15	0.32	200,000	-	-	-	200,000	200,000
15-Apr-16	1.03	-	525,000	-	-	525,000	525,000
Total		1,337,000	525,000	800,000	-	1,062,000	1,030,750
Weighted average exercise price		$ 0.23	$ 1.03	$ 0.20	$ -	$ 0.64	$ 0.66

At January 31, 2012, 31,250 of the $0.25 options remained unvested, of which the remaining unvested options vested subsequent to the year end on April 8, 2012.

The continuity of share purchase options for the year ended January 31, 2011 is as follows:

Expiry Date	Exercise Price	**Outstanding January 31, 2010**	Granted	Exercised	Expired/ Cancelled	**Outstanding January 31, 2011**	Exercisable January 31, 2011
30-Nov-11	$ 0.20	800,000	-	-	-	800,000	800,000
30-Nov-16	0.20	87,000	-	-	-	87,000	87,000
8-Jul-15	0.25	-	250,000	-	-	250,000	93,750
10-Dec-15	0.32	-	200,000	-	-	200,000	200,000
Total		887,000	450,000	-	-	1,337,000	1,180,750
Weighted average exercise price		$ 0.20	$ 0.28	$ -	$ -	$ 0.23	$ 0.23

At January 31, 2011, 156,250 of the $0.25 options remained unvested. The original grant of 250,000 vests 12.5% every three months beginning July 8, 2010.

6. SHARE CAPITAL (cont'd…)

Share Purchase Warrants

The continuity of share purchase warrants for the two years ended January 31, 2012 is as follows:

Expiry Date	Exercise Price	**Balance, January 31, 2011**	Issued	Exercised	Expired/ Cancelled	**Balance, January 31, 2012**
10-Dec-12	$ 0.45	3,499,991	-	3,499,991	-	-
10-Dec-12	0.30	524,999	-	-	-	524,999
29-Jan-13	0.45	437,500	-	437,500	-	-
29-Jan-13	0.40	65,625	-	-	-	65,625
Total		4,528,115	-	3,937,491	-	590,624
Weighted average exercise price		$ 0.43	$ -	$ 0.45	$ -	$ 0.31

Expiry Date	Exercise Price	**Balance, January 31, 2010**	Issued	Exercised	Expired/ Cancelled	**Balance, January 31, 2011**
10-Dec-12	$ 0.45	-	3,499,991	-	-	3,499,991
10-Dec-12	0.30	-	524,999	-	-	524,999
29-Jan-13	0.45	-	437,500	-	-	437,500
29-Jan-13	0.40	-	65,625	-	-	65,625
Total		-	4,528,115	-	-	4,528,115
Weighted average exercise price		$ -	$ 0.43	$ -	$ -	$ 0.43

Share-based Payments and Share-based Payment Reserve

During the year ended January 31, 2012, the Company granted 525,000 (2011 – 450,000) stock options to directors, officers and employees of the Company, all of which vested immediately. Using the fair value method for share-based payments, the Company recorded a charge to operations of $426,868 (2011 - $118,737) for stock options granted.

6. SHARE CAPITAL (cont'd…)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

Weighted average:	January 31, 2012	January 31, 2011
Risk free interest rate	1.72%	2.06%
Expected dividend yield	0%	0%
Expected stock price volatility	100.28%	113.24%
Expected life of options in years	5	2.5
Weighted average fair value	$ 0.30	$ 0.77

7. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	Year ended January 31, 2012	Year ended January 31, 2011
Salaries and consulting fees	$ 357,706	$ 172,142
Rent and office expenses	12,000	12,000
Share based payments	426,868	118,737
	$ 796,574	$ 302,879

Related party liabilities	Items or Services	January 31, 2012	January 31, 2011
Accounts payable and accrued liabilities:			
President & CEO	Management fees	$ 41,721	$ 10,417
Corporate Secretary	Legal fees	4,005	11,083
Chief Financial Officer	Accounting services	30,000	19,000
Directors	Consulting fees	15,000	-

8. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, being exploration and development of mineral properties. Except for mineral property interests and exploration expenditures, substantially all of the Company's assets and expenditures are located and incurred in Canada. The mineral property interests are located in Serbia and all of the exploration expenditures are incurred in Serbia (Note 4).

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended January 31, 2012, the Company issued 375,000 common shares valued at $431,250 for the acquisition of exploration and evaluation assets. Also during the year ended January 31, 2012, the Company reversed $104,000 in reserves to capital stock on exercise of options.

During the year ended January 31, 2011, the Company issued 590,624 finders' warrants on private placements valued at $172,556.

10. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

Financial Instruments

The Company classified its financial instruments as follows:

As at January 31, 2012	Financial Instruments at FVTPL	Loans and Receivables	Other Financial Liabilities
Cash	$ 224,942	$ -	$ -
Receivables	-	43,078	-
Accounts payable and accrued liabilities	-	-	147,077
	$ 224,942	$ 43,078	$ 147,077

As at January 31, 2011	Financial Instruments at FVTPL	Loans and Receivables	Other Financial Liabilities
Cash	$ 2,549,065	$ -	$ -
Receivables	-	29,776	-
Accounts payable and accrued liabilities	-	-	404,700
	$ 2,549,065	$ 29,776	$ 404,700

As at February 1, 2010	Financial Instruments at FVTPL	Loans and Receivables	Other Financial Liabilities
Cash	$ 956,101	$ -	$ -
Receivables	-	18,726	-
Accounts payable and accrued liabilities	-	-	38,106
	$ 956,101	$ 18,726	$ 38,106

10. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd…)

Fair Value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

As at January 31, 2012, the Company's financial instruments measured at fair value are as follows:

Financial Assets	Level 1	Level 2	Level 3	**Total**
Cash	$ 224,942	$ -	$ -	$ 224,942

Risk and Capital Management

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations.

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

10. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd…)

Credit Risk

Credit risk arises from cash and deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions.

There is no significant concentration of credit risk. The Company's cash deposits are primarily held with a Canadian chartered bank. The Company has minimal accounts receivable exposure as it relates to amounts due from the Government of Canada pursuant to sales tax credits.

Interest rate risk

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not significantly affected by changes in market interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

Currency Risk

The Company has identified its functional currency as the Canadian dollar. Certain of the Company's exploration expenditures are denominated in Serbian Dinar (RSD) and United States dollars (USD). The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and those two currencies.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations. Management believes the foreign exchange risk related to currency conversions are minimal.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	January 31, 2012	January 31, 2011
Loss before income taxes	$ (3,821,465)	$ (1,032,469)
Expected income tax recovery	(1,008,000)	(293,000)
Permanent difference and other	1,026,000	146,000
Change in unrecognized deductible temporary differences	(18,000)	147,000
Total income tax recovery	$ -	$ -

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	January 31, 2012	January 31, 2011
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	$ (21,000)	$ -
Non-capital losses available for future periods	21,000	-
Net deferred tax liability	$ -	$ -

The significant components of the Company's unrecognized temporary differences and tax losses as are follows:

	January 31, 2012	January 31, 2011	Expiry Date Range
Temporary Differences			
Exploration and evaluation assets	$ -	$ 423,000	No expiry date
Share issue costs	153,000	205,000	2033-2036
Non-capital losses available for future period	1,080,000	677,000	2027-2032

12. TRANSITION TO IFRS

These financial statements for the year ended January 31, 2012 are the first annual financial statements that comply with IFRS and these financial statements were prepared based on accounting policies as described in Note 2. IFRS 1 requires that comparative financial information be provided. As a result the Company adopted IFRS on February 1, 2011 with a transition date of February 1, 2010. IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the transition date, which for the Company is February 1, 2010. However, it also provides for certain optional exemptions and certain mandatory exceptions for the first time IFRS adoption.

Initial elections upon IFRS adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption options

Share-based payments – IFRS 2 *Share-based payments* encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has been accounting for its share-based payments based on accounting policies consistent with IFRS2, as a result, there is no IFRS adjustment related to share-based payments.

IFRS Mandatory exceptions

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income.

12. TRANSITION TO IFRS (cont'd…)

Reconciliation of Assets, Liabilities and Equity

	As at February 1, 2010			As at January 31, 2011		
	GAAP $	Effect of transition to IFRS $	IFRS $	GAAP $	Effect of transition to IFRS $	IFRS $
ASSETS						
Current assets						
Cash	956,101	-	956,101	2,549,065	-	2,549,065
Receivables	18,726	-	18,726	29,776	-	29,776
Advances and prepaids	-	-	-	43,058	-	43,058
Total current assets	974,827	-	974,827	2,621,899	-	2,621,899
TOTAL ASSETS	974,827	-	974,827	2,621,899	-	2,621,899
LIABILITIES AND EQUITY						
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	38,106	-	38,106	404,700	-	404,700
Total liabilities	38,106	-	38,106	404,700	-	404,700
EQUITY						
Share capital	1,497,590	-	1,497,590	3,519,244	-	3,519,244
Reserves	108,414	-	108,414	399,707	-	399,707
Deficit	(669,283)	-	(669,283)	(1,701,752)	-	(1,701,752)
Total equity	936,721	-	936,721	2,217,199	-	2,217,199
TOTAL LIABILITIES AND EQUITY	974,827	-	974,827	2,621,899	-	2,621,899

12. TRANSITION TO IFRS (cont'd…)

Reconciliation of Loss and Comprehensive Loss

	Year ended January 31, 2011		
	GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Exploration expenditures	$ 580,811	$ -	$ 580,811
General and administrative expenses			
Accounting, tax and audit	58,393	-	58,393
Consulting and management fees	72,916	-	72,916
Office and rent	22,811	-	22,811
Professional fees	23,726	-	23,726
Project evaluation	112,599	-	112,599
Regulatory and transfer agent	28,419	-	28,419
Stock based compensation	118,737	-	118,737
Travel	14,677	-	14,677
	452,278	-	452,278
Loss before other items	$ (1,033,089)	$ -	$ (1,033,089)
Other items			
Interest income	620	-	620
LOSS AND COMPREHENSIVE LOSS	$ (1,032,469)	$ -	$ (1,032,469)

12. EVENTS AFTER REPORTING DATE

Subsequent to January 31, 2012, the Company:

a) Completed a non-brokered private placement by issuing an aggregate of 5,877,499 units at a price of $0.60 per unit for gross proceeds of $3,526,500. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of $0.80 for two years. Finder's fees of cash in an amount equal to 6.0% of gross proceeds and finder's warrants equal to 6.0% of the number of units issued were paid to three finders on a portion of the offering. Each finder's warrant will be exercisable to acquire one common share for a period of two years at $0.80 per share.

b) Granted 1,960,000 stock options to directors, management, consultants and contractors.