# Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars)

TEMBO GOLD CORP

For the three and six months ended June 30, 2015

# NOTICE TO SHAREHOLDERS

# FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Tembo Gold Corp. were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

In accordance with National Instrument 51-102 released by the Canadian Securities Administration, the Corporation discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended June 30, 2015.

TEMBO GOLD CORP

(Incorporated under the laws of Ontario)

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)
(Unaudited)

**As at**

| | **June 30 2015 $** | December 31 2014 $ |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **15,719** | 111,414 |
| Investment *[note 5]* | **-** | 301,512 |
| Accounts receivable | **225** | 8,844 |
| Prepaids and other current assets | **51,530** | 86,834 |
| **Total current assets** | **67,474** | 508,604 |
| **Non-current assets** | | |
| Equipment *[note 6]* | **220,239** | 242,033 |
| Exploration and evaluation assets *[note 7]* | **23,264,280** | 21,402,926 |
| **Total non-current assets** | **23,484,519** | 21,644,959 |
| **Total assets** | **23,551,993** | 22,153,563 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **311,380** | 103,611 |
| Taxes payable | **-** | 9,402 |
| **Total current liabilities** | **311,380** | 113,013 |
| **EQUITY** | | |
| Share capital *[note 8]* | **37,086,656** | 37,086,656 |
| Contributed surplus *[note 8]* | **13,993,948** | 13,993,948 |
| Accumulated other comprehensive loss | **4,259,201** | 2,682,239 |
| Deficit | **(32,099,192)** | (31,722,293) |
| **Total equity** | **23,240,613** | 22,040,550 |
| **Total liabilities and equity** | **23,551,993** | 22,153,563 |

*Nature of Business and Going Concern [note 1]*
*Commitments [note 11]*

*See accompanying notes to the condensed consolidated interim financial statements*

*These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on August 20, 2015.*

*They are signed on the Corporation's behalf by:*

| *"David Scott"* | *"Marc Cernovitch"* |
|---|---|
| Director | Director |

TEMBO GOLD CORP

(Incorporated under the laws of Ontario)

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE LOSS

(Stated in Canadian Dollars)
(Unaudited)

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | $ | $ | $ | $ |
| **REVENUE** | | | | |
| Other income | **23** | 3,218 | **687** | 3,218 |
| **EXPENSES** [note 10] | | | | |
| Depreciation *[note 6]* | **10,846** | 13,209 | **21,794** | 29,891 |
| Share-based payment *[note 8]* | **-** | - | **-** | 1,575 |
| Office overhead and corporate expenses | **26,786** | 90,267 | **61,100** | 208,858 |
| Professional fees | **28,390** | 8,293 | **52,726** | 75,114 |
| Consulting fees | **(22)** | 59,965 | **9,907** | 120,964 |
| Travel | **-** | 1,797 | **1,932** | 11,720 |
| Management fees | **63,738** | 58,995 | **140,762** | 137,401 |
| Insurance | **2,782** | 5,429 | **5,533** | 10,799 |
| Salaries and wages | **19,775** | 77,709 | **81,767** | 144,654 |
| Transfer agent fees | **1,107** | 3,610 | **2,065** | 8,331 |
| | **153,402** | 319,274 | **377,586** | 749,307 |
| **Loss from operating activities** | **(153,379)** | (316,056) | **(376,899)** | (746,089) |
| **Income taxes (recovered)** | | | | |
| Current tax expense | **-** | 4,936 | **-** | 4,936 |
| Deferred tax recovery | **-** | (125,385) | **-** | (129,585) |
| | **-** | (120,449) | **-** | (124,649) |
| **Loss before the following** | **(153,379)** | (195,607) | **(376,899)** | (621,440) |
| Foreign exchange differences on translation of foreign operations | **(386,495)** | (679,462) | **1,576,962** | 371,508 |
| **Comprehensive income/(loss) for the period** | **(539,874)** | (875,069) | **1,200,063** | (249,932) |
| **Basic and diluted loss per share** [note 9] | **-** | (0.01) | **-** | - |

*See accompanying notes to the condensed consolidated interim financial statements*

TEMBO GOLD CORP

(Incorporated under the laws of Ontario)

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(Stated in Canadian Dollars)
(Unaudited)

**For the six months ended June 30,**

| | 2015 $ | 2014 $ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss for the period | **(376,899)** | (195,607) |
| Add charges to earnings not involving a current payment (receipt) of cash | | |
| Depreciation | **21,794** | 29,891 |
| Share-based payments | **-** | 1,575 |
| Future tax recovery | **-** | (129,585) |
| | **(355,105)** | (293,726) |
| Changes in non-cash working capital balances related to operations | | |
| Accounts receivable | **8,619** | 20,278 |
| Prepaids and other current assets | **35,304** | 15,645 |
| Accounts payable and accrued liabilities | **207,769** | (80,381) |
| Taxes payable | **(9,402)** | - |
| **Cash used in operating activities** | **(112,815)** | (338,184) |
| **INVESTMENT ACTIVITIES** | | |
| Exploration and evaluation expenditures, net | **(284,392)** | (3,369,083) |
| Proceed from redeemption of investments, net | **301,512** | - |
| **Cash provided by (used in) investment activities** | **17,120** | (3,369,083) |
| **FINANCING ACTIVITIES** | | |
| Proceed from private placements | **-** | 1,100,000 |
| Share issue costs | **-** | (20,596) |
| **Cash provided by financing activities** | **-** | 1,079,404 |
| **Decrease in cash and cash equivalents during the period** | **(95,695)** | (2,627,863) |
| Cash and cash equivalents, beginning of the period | **111,414** | 4,295,025 |
| **Cash and cash equivalents** | **15,719** | 1,667,162 |

*See accompanying notes to the condensed consolidated interim financial statements*

TEMBO GOLD CORP

(Incorporated under the laws of Ontario)

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)
(Unaudited)

| | Share Capital | | | Reserves | | | | |
|---|---|---|---|---|---|---|---|---|
| Issued and outstanding: | Number of Shares | Share Capital | Share subscribed | Number of warrants | Reserve | Foreign currency translation | Deficit | Total Equity |
| **Balance as at December 31, 2013** | 122,957,634 | 37,090,252 | 280,000 | 84,628,679 | 13,127,543 | 616,308 | (30,746,239) | 20,367,864 |
| Private placement#1 - 1st tranche | 2,800,000 | (2,800) | (280,000) | 2,800,000 | 282,800 | - | - | - |
| Expiry of warrants | - | - | - | (4,754,880) | - | - | - | - |
| Tax effect of warrant expiry | - | - | - | - | (128,010) | - | - | (128,010) |
| Reduction of obligation share due to cancellation | - | 8,000 | - | - | - | - | - | 8,000 |
| Private placement#1 - 2nd tranche | 10,000,000 | (10,000) | - | 10,000,000 | 1,010,000 | - | - | 1,000,000 |
| Private placement#2 | 1,000,000 | 9,000 | - | 1,000,000 | 91,000 | - | - | 100,000 |
| Share issue costs | - | (20,596) | - | - | - | - | - | (20,596) |
| Loss and comprehensive income for the period | - | - | - | - | - | 371,508 | (621,440) | (249,932) |
| **Balance as at June 30, 2014** | 136,757,634 | 37,073,856 | - | 93,673,799 | 14,383,333 | 987,816 | (31,367,679) | 21,077,326 |
| Private placement#1 - 1st tranche adjustment | - | 2,800 | - | - | (2,800) | - | - | - |
| Private placement#1 - 2nd tranche adjustment | - | 10,000 | - | - | (10,000) | - | - | - |
| Expiry of warrants | - | - | - | (6,502,398) | - | - | - | - |
| Tax effect of warrant expiry | - | - | - | - | (378,160) | - | - | (378,160) |
| Share-based payments | - | - | - | - | 1,575 | - | - | 1,575 |
| Loss and comprehensive income for the period | - | - | - | - | - | 1,694,423 | (354,614) | 1,339,809 |
| **Balance as at December 31, 2014** | 136,757,634 | 37,086,656 | - | 87,171,401 | 13,993,948 | 2,682,239 | (31,722,293) | 22,040,550 |
| Loss and comprehensive income for the period | - | - | - | - | - | 1,576,962 | (376,899) | 1,200,063 |
| **Balance as at June 30, 2015** | **136,757,634** | **37,086,656** | **-** | **87,171,401** | **13,993,948** | **4,259,201** | **(32,099,192)** | **23,240,613** |

*See accompanying notes to the condensed consolidated interim financial statements*

(Incorporated under the laws of Ontario)

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three and six months ended June 30, 2015
(with comparative figures for the year ended December 31, 2014)

## 1. NATURE OF BUSINESS AND GOING CONCERN

Tembo Gold Corp. (the “Corporation” or "Tembo") is a public company incorporated on March 3, 1937 pursuant to the laws of the Province of Ontario, Canada. The Corporation is a publicly listed company with its common shares listed on the TSX Venture Exchange (The "TSX-V" or "Exchange") under the symbol TEM. The Corporation is in the exploration stage and is engaged principally in the acquisition and exploration of gold properties in Tanzania.

Effective September 26, 2011, the Corporation changed its name from Lakota Resources Inc., to Tembo Gold Corp., and consolidated its common shares on the basis of one new common share for every eighteen common shares outstanding. All share and per share amounts prior to September 26, 2011 have been retroactively adjusted to reflect the share consolidation.

These condensed consolidated interim financial statements have been prepared on the basis of a going concern, which presumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business.

**Going concern**

The Corporation, being in the exploration stage, is subject to risks and challenges similar to companies in a comparable stage of development. These risks include the challenges of securing adequate capital for exploration, development and operational risks inherent in the mining industry as well as global economic and gold price volatility. At June 30, 2015 the Corporation has not yet achieved profitable production and has accumulated losses of $32,099,192, and and a current working capital deficit of $243,906 which may cast substantial doubt on the Corporation's ability to continue as a going concern. The Corporation’s continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Corporation will attain profitable level of operation. These condensed consolidated interim financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of comprehensive loss classification that would be necessary should the Corporation be unable to continue as a going concern. These adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2014.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Corporation's consolidated financial statements for the year ended December 31, 2014, with the exception of certain amendments to accounting standards issued by the IASB, which were effective January 1, 2015. These amendments did not have a significant impact on the Corporation's unaudited condensed consolidated interim financial statements.

TEMBO GOLD CORP

(Incorporated under the laws of Ontario)

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three and six months ended June 30, 2015
(with comparative figures for the year ended December 31, 2014)

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Corporation's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in note 2 to the Corporation's consolidated financial statements for the year ended December 31, 2014.

The unaudited condensed consolidated interim financial statements of the Corporation for the period ended June 30, 2015 were approved and authorized by the Board of Directors on August 20, 2015.

**Statement of Compliance**

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

**Basis of Consolidation**

The Corporation's financial statements consolidate those of the parent Corporation and all of its subsidiary undertakings drawn up to June 30, 2015. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtains and exercises control through more than half of the voting rights. All subsidiaries have a year end of December 31. The Corporation's subsidiaries are:

| | Percentage of ownership | Jurisdiction | Principal activity |
|---|---|---|---|
| Lakota Mining Company Limited | 100% | Tanzanian | Mineral exploration |
| Lakota Resources (T) Limited | 100% | Tanzanian | Mineral exploration |
| Bemuda Limited | 100% | Tanzanian | Mineral exploration |
| Ikina Reefs Limited | 100% | Tanzanian | Mineral exploration |
| Kiganga and Associates Gold Mining Company Limited | 100% | Tanzanian | Mineral exploration |
| Mineral Industry Promotion and Consulting Company Limited | 100% | Tanzanian | Mineral exploration |
| Parama & Company Limited | 100% | Tanzanian | Mineral exploration |
| Reapa Business Associates Limited | 100% | Tanzanian | Mineral exploration |
| Mwamba Resources Limited | 100% | Tanzanian | Mineral exploration |
| Jope Business Associates Limited | 50% | Tanzanian | Mineral exploration |

All transactions and balances between the Corporation and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

## 3. RECENT ACCOUNTING PRONOUNCEMENTS

These unaudited condensed consolidated interim financial statements have been prepared on the basis of all IFRS and interpretations effective as at January 1, 2015.

Recent accounting pronouncements for changes in accounting standards effective in 2015, 2016, 2017, and 2018 are disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2014. The Corporation has adopted the new and revised accounting pronouncements that were effective as of January 1, 2015 and have determined that there is no significant impact of the changes on these unaudited condensed consolidated interim financial statements.

The Corporation has not applied the following revised or new IFRS that have been issued but were not yet effective at June 30, 2015.

**Accounting standards issued and effective January 1, 2016**

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the consolidated financial statements:

- Amendment to IFRS 11, Joint Arrangements which requires an acquirer of a joint operation in which the activity constitutes a business to apply all of the business combinations accounting principles and disclosures in IFRS 3 and IFRSs, except for those principles that conflict with the guidance in IFRS 11, to be applied prospectively.
- Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets prohibiting entities from using a revenue-based depreciation method for items of property, plant and equipment as well as intangible assets except in limited circumstances, to be applied prospectively.
- Amendments to IAS 27, Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture.

**Accounting Standards issued and effective January 1, 2017**

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the consolidated financial statements:

- IFRS 15, Revenue from Contracts with Customers establishes an single model in accounting for revenue arising from contracts with customers. This will supercede current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations

**Accounting standards issued and effective January 1, 2018**

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the consolidated financial statements:

(Stated in Canadian Dollars)

- IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities.

## 4. SEGMENT REPORTING

The Corporation currently operates in one operating segment, the exploration of mineral properties in Tanzania. Management of the Corporation makes decisions about allocating resources based on the one operating segment. A geographic summary of identifiable assets, liabilities, and operating activities by country is as follows:

For the period ended June 30, 2015

| | Canada<br>$ | Tanzania<br>$ | **Total**<br>**$** |
|---|---|---|---|
| **Segmented Assets** | 18,101 | 23,533,892 | **23,551,993** |
| **Segmented Liabilities** | (115,935) | (195,445) | **(311,380)** |
| **Operating activities** | | | |
| Depreciation | - | 21,794 | **21,794** |
| Office overhead and corporate expenses | 17,289 | 43,811 | **61,100** |
| Professional fees | 52,726 | - | **52,726** |
| Consulting fees | - | 9,907 | **9,907** |
| Travel | 1,932 | - | **1,932** |
| Management fees | 140,762 | - | **140,762** |
| Insurance | 5,533 | - | **5,533** |
| Salaries and wages | - | 81,767 | **81,767** |
| Transfer agent fees | 2,065 | - | **2,065** |
| **Total** | **220,307** | **157,279** | **377,586** |

For the period ended June 30, 2014

| | Canada<br>$ | Tanzania<br>$ | **Total**<br>**$** |
|---|---|---|---|
| **Segmented Assets** | **1,651,883** | **19,782,615** | **21,434,498** |
| **Segmented Liabilities** | **2,964** | **(360,137)** | **(357,173)** |
| **Operating activities** | | | |
| Depreciation | - | 29,891 | **29,891** |
| Share-based payment | 1,575 | - | **1,575** |
| Office overhead and corporate expenses | 79,985 | 128,874 | **208,859** |
| Professional fees | 27,627 | 47,486 | **75,113** |
| Consulting fees | 120,540 | 424 | **120,964** |
| Travel | 11,720 | - | **11,720** |
| Management fees | 137,401 | - | **137,401** |
| Insurance | 10,799 | - | **10,799** |
| Salaries and wages | - | 144,654 | **144,654** |
| Transfer agent fees | 8,331 | - | **8,331** |
| **Total** | **397,978** | **351,329** | **749,307** |

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three and six months ended June 30, 2015
(with comparative figures for the year ended December 31, 2014)

### 5. INVESTMENTS

At June 30, 2015, no investments were held by the Corporation. (2014 - $301,512).

### 6. EQUIPMENT

| | Office furniture and equipment $ | Exploration equipment $ | Computer software $ | Vehicle $ | Total $ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance, June 30, 2014 | 120,520 | 361,863 | 53,856 | 20,264 | 556,503 |
| Balance, December 31, 2014 | 120,520 | 361,863 | 53,856 | 20,264 | 556,503 |
| **Balance, June 30, 2015** | **120,520** | **361,863** | **53,856** | **20,264** | **556,503** |
| **Accumulated depreciation** | | | | | |
| Balance, June 30, 2014 | 87,698 | 125,995 | 43,885 | 20,264 | 277,842 |
| Depreciation for the period | 11,443 | 15,214 | 9,971 | | 36,628 |
| Balance, December 31, 2014 | 99,141 | 141,209 | 53,856 | 20,264 | 314,470 |
| Depreciation for the period | 12,420 | 9,374 | - | - | 21,794 |
| **Balance, June 30, 2015** | **111,561** | **150,583** | **53,856** | **20,264** | **336,264** |
| **Carrying amounts** | | | | | |
| December 31, 2014 | 21,379 | 220,654 | - | - | 242,033 |
| **June 30, 2015** | **8,959** | **211,280** | **-** | **-** | **220,239** |

TEMBO GOLD CORP

(Incorporated under the laws of Ontario)

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three and six months ended June 30, 2015
(with comparative figures for the year ended December 31, 2014)

## 7. EXPLORATION AND EVALUATION ASSETS

The Corporation's carrying values of its mineral properties was $23,264,280 as of June 30, 2015, and $21,402,926 as of December 31, 2014.

| | | **Tembo Project** |
|---|---|---|
| Balance, December 31, 2013 | $ | 16,038,676 |
| Additions: | | |
| Assay and analysis | | 58,054 |
| Exploration | | 59,044 |
| Technical services | | 495,156 |
| Drilling | | 1,498,256 |
| Travel | | 58,031 |
| Acquisition | | 739,641 |
| Currency adjustment | | 2,456,068 |
| Total additions | | 5,364,250 |
| Balance, December 31, 2014 | $ | 21,402,926 |
| Additions: | | |
| Assay and analysis | | - |
| Exploration | | 29,990 |
| Technical services | | 110,448 |
| Drilling | | 38,707 |
| Travel | | 38,507 |
| Acquisition | | 31,748 |
| Currency adjustment | | 1,611,954 |
| Total additions | | 1,861,354 |
| **Balance, June 30, 2015** | **$** | **23,264,280** |

Tembo Gold Project

The Tembo Gold Project is located in northwest Tanzania, and is comprised of 38 contiguous Prospecting Licenses and license applications covering approximately 110 square kilometres. The Corporation's wholly owned Tanzanian registered subsidiaries are the sole licence holders. The project is located directly northwest of and adjacent to African Barrick Gold's Bulyanhulu mine.

## 8. CAPITAL AND RESERVES

### i. Authorized

The Corporation is authorized to issue an unlimited number of common and preferred shares.

### ii. Details of share issuances

***2014***

Private placement #1 - 1st Tranche

On January 8, 2014 the Corporation closed a non-brokered private placement through issuance of 2,800,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of $280,000. Each Unit consists of one common share and one common share purchase warrant (each a "Warrant"). Each such Warrant entitles the holder to purchase one common share of the Corporation at a price of $0.12 per common share until January 9, 2017. Securities issued under the Offering are subject to a hold period expiring May 10, 2014. The investors who subscribed for Units under this financing were NAMF II (Mauritius) Limited as to $218,400 and NAMF II South Africa Partnership as to $61,600 (collectively "NAMF"). NAMF is currently an insider of the Corporation and as a result of the financing is consider a "related party transaction" for the purposes of the Multilateral Instrument 61-101 ("MI 61-101). However, the financing is not subject to the minority approval and valuation requirements under MI 61-101 as there is an applicable exemption from these requirements as neither the fair market of the subject matter, nor the fair market value of the consideration, for the financing, insofar as it involves the interest parties, exceeds 25% of Tembo's market capitalization.

As of the private placement, NAMF collectively owns 37,800,000 Common Shares or approximately 30.1% of the outstanding Common Shares on a non-diluted basis. NAMF also owns 37,800,000 Warrants, and if exercised, an aggregate 75,600,000 Common Shares or approximately 46.2% of the outstanding Common Shares on a partially diluted basis.

Private placement #1 - 2nd Tranche

On February 8, 2014, the Corporation issued 10,000,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of $1,000,000. Each Unit consists of one common share and one common share purchase warrant (each a "Warrant"). Each such Warrant entitles the holder to purchase one common share of the Corporation at a price of $0.12 per common share until January 9, 2017. Securities issued under the Offering are subject to a hold period expiring June 15, 2014.

The investor who subscribed for Units under this financing is Concept Capital Management Ltd. ("CCM"). CCM is currently an insider of the Corporation and as a result of the financing is consider a "related party transaction" for the purposes of the Multilateral Instrument 61-101 ("MI 61-101). However, the financing is not subject to the minority approval and valuation requirements under MI 61-101 as there is an applicable exemption from these requirements as neither the fair market of the subject matter, nor the fair market value of the consideration, for the financing, insofar as it involves the interest parties, exceeds 25% of Tembo's market capitalization.

As of the private placement, CCM collectively owns 22,500,000 Common Shares or approximately 16.6% of the outstanding Common Shares on a non-diluted basis. CCM also owns 20,000,000 Warrants, and if exercised, an aggregate 42,500,000 Common Shares or approximately 27.3% of the outstanding Common

(Stated in Canadian Dollars)

Shares on a partially diluted basis.

Private Placement #2

On March 11, 2014, the Corporation issued 1,000,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of $100,000. Each Unit consists of one common share and one common share purchase warrant (each a "Warrant"). Each such Warrant entitles the holder to purchase one common share of the Corporation at a price of $0.125 per common share until March 11, 2017. Securities issued under the Offering are subject to a hold period expiring July 12, 2014.

**iii. Warrants**

The following Financing warrants were issued and outstanding as at June 30, 2015:

| Expiry Date | Exercise Price $ | Financing Warrants Opening Balance # | Warrants Issued # | Warrants Exercised # | Warrants Expired / Cancelled # | Closing Balance # |
|---|---|---|---|---|---|---|
| December 02, 2016 | 0.120 | 73,371,401 | - | - | - | **73,371,401** |
| January 09, 2017 | 0.120 | 12,800,000 | - | - | - | **12,800,000** |
| March 11, 2017 | 0.125 | 1,000,000 | - | - | - | **1,000,000** |
| | | **87,171,401** | **-** | **-** | **-** | **87,171,401** |
| Weight average exercise price | | 0.12 | - | - | - | **0.12** |

The following Financing warrants were issued and outstanding as at December 31, 2014:

| Expiry Date | Exercise Price $ | Financing Warrants Opening Balance # | Warrants Issued # | Warrants Exercised # | Warrants Expired / Cancelled # | Closing Balance # |
|---|---|---|---|---|---|---|
| April 25, 2014 | 0.80 | 2,948,000 | - | - | (2,948,000) | - |
| May 09, 2014 | 0.80 | 844,500 | - | - | (844,500) | - |
| May 23, 2014 | 0.80 | 225,000 | - | - | (225,000) | - |
| November 22, 2014 | 1.75 | 3,457,500 | - | - | (3,457,500) | - |
| December 29, 2014 | 1.75 | 3,044,898 | - | - | (3,044,898) | - |
| December 02, 2016 | 0.12 | 73,371,401 | - | - | - | 73,371,401 |
| January 09, 2017 | 0.12 | - | 12,800,000 | - | - | 12,800,000 |
| March 11, 2017 | 0.13 | - | 1,000,000 | - | - | 1,000,000 |
| | | **83,891,299** | **13,800,000** | **-** | **(10,519,898)** | **87,171,401** |
| Weight average exercise price | | 0.28 | 0.12 | - | 1.39 | 0.12 |

(Stated in Canadian Dollars)

The following Finder's Fee warrants were issued and outstanding as at December 31, 2014:

| Expiry Date | Exercise Price $ | Finder's Fee Warrants Opening Balance # | Warrants Issued # | Warrants Exercised # | Warrants Expired / Cancelled # | Closing Balance # |
|---|---|---|---|---|---|---|
| February 21, 2014 | 1.00 | 63,830 | - | - | (63,830) | - |
| April 25, 2014 | 0.80 | 102,500 | - | - | (102,500) | - |
| April 25, 2014 | 0.50 | 412,720 | - | - | (412,720) | - |
| May 09, 2014 | 0.50 | 110,790 | - | - | (110,790) | - |
| May 23, 2014 | 0.80 | 8,600 | - | - | (8,600) | - |
| May 23, 2014 | 0.50 | 38,940 | - | - | (38,940) | - |
| | | **737,380** | **-** | **-** | **(737,380)** | **-** |
| Weight average exercise price | | 0.59 | - | - | 0.59 | - |

For purposes of the warrants granted, the fair value of each warrant was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

| | **2015** | 2014 |
|---|---|---|
| Risk-free interest rate | **-** | 1.14% - 1.28% |
| Annualized volatility* | **-** | 117% |
| Expected dividend | **Nil** | Nil |
| Expected warrants life in years | **-** | 3 years |

** Volatility was estimated using an average of volatilities of comparative companies.*

**iv. Share purchase option compensation**

The Corporation has a stock option plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed five years.

The following table reflects the stock options outstanding as at June 30, 2015:

| **Expiry Date** | **Exercise Price** $ | **Opening Balance** # | **Granted** # | **Exercised** # | **Expired/ Cancelled** # | **Closing Balance** # |
|---|---|---|---|---|---|---|
| January 19, 2015 | 1.00 | 889,000 | - | - | (889,000) | **-** |
| February 04, 2015 | 1.00 | 250,000 | - | - | (250,000) | **-** |
| February 01, 2016 | 0.50 | 200,000 | - | - | - | **200,000** |
| November 20, 2018 | 0.10 | 400,000 | - | - | - | **400,000** |
| | | **1,739,000** | **-** | **-** | **(1,139,000)** | **600,000** |
| Weighted average exercise price | | 0.74 | - | - | 1.00 | 0.23 |

(Stated in Canadian Dollars)

The Corporation applies the fair value method of accounting for all stock based compensation awards. During the period ended June 30, 2015, the Corporation recognized $Nil (2014 - $1,575) of share-based payments for options granted under the Corporation's stock option plan. As at June 30, 2015, there were no unvested options (2014 - Nil).

## 9. LOSS PER SHARE

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Corporation as the numerator, i.e. no adjustments to profit were necessary in 2015 or 2014.

| | **2015** | 2014 |
|---|---|---|
| Numerator: | | |
| Net earnings (loss) | **(376,899)** | (621,440) |
| Denominator: | | |
| Weighted average number of common shares | **136,757,634** | 133,583,190 |
| **Basic and diluted loss per share** | **-** | - |

## 10. RELATED PARTY TRANSACTIONS

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

| | Nature of transactions |
|---|---|
| Apex Investigation and Security Inc. | Management Consulting |
| David Scott | Management Consulting |
| 0753331 BC Ltd. | Management Consulting |

The Corporation’s related parties include directors and officers and companies which have directors in common. Transactions made with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

i) Included in operating expenses are amounts totaling $17,500 (2014 - $21,000) for management fees paid to Apex Investigation and Security Ltd., a company related to the Corporation through John Seaman, the former Chief Financial Officer.

ii) Included in operating expenses are amounts totaling $92,390 for management fees (2014 - $86,401) paid to David Scott, President, Chief Executive Officer, and a Director of the Corporation.

iii) Included in operating expenses are amounts totaling $30,000 (2014 - $30,000) for management fees paid to 0753331 BC Ltd., a company related to the Corporation through Marc Cernovitch, the Vice President of Corporate Development.

(Stated in Canadian Dollars)

Key management personnel remuneration includes the following expenses:

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| Management and consulting fees | **139,890** | 319,441 |
| Share-based payments | **-** | 1,575 |
| | **139,890** | 321,016 |

## 11. COMMITMENTS

(a) According to a royalty agreement related to the Tembo property, a US$250,000 payment is due from the Corporation to a certain third party upon certain events having occurred, a US$250,000 payment upon production of 250,000 ounces, a US$1,000,000 payment upon production of 1.0mm ounces, a US$1,500,000 payment upon production of 1.5mm ounces, and a final payment of US$2,000,000 upon production of 2.0mm ounces. At June 30, 2015 there have been no production decisions.

(b) Based on an option agreement related to the Tembo property, the Corporation has an option to acquire 100% interest in one Primary Mining License (“PML”). In order to complete the agreement, the Corporation is required to make aggregate payment of US$6,500 and issue 5,000 common shares at a deemed price of $0.23.

(c) On January 2, 2014, the Corporation's subsidiary, Tembo Gold (T) Ltd. entered into lease agreements for four vehicles. The commitment is for 36 months, and has total aggregate cost of approximately $195,000 USD.

The Corporation has commitments relating to lease agreements are as follows:

| | $ |
|---|---|
| 2015 | 32,713 |
| 2016 | 65,425 |
| | 98,138 |

## 12. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Tanzania, East Africa. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

[a] Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of off-set exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Trade credit risk

The Corporation is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior year.

ii) Cash and cash equivalents

In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of six months or less. Limits are also established based on the type of investment, the counterparty and the credit rate.

iii) Derivative financial instruments

As at June 30, 2015, the Corporation has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit risk, it will only enter into derivative financial instruments with highly rate investment grade counterparties.

[b] Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

[c] Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

[d] Currency risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional currency of the Corporation is the Canadian dollar and reporting currency is the Canadian dollar. However it has operations primarily located in Tanzania, and its subsidiaries' functional currency is the U.S. dollar. Changes in the currency exchange rates between the Canadian dollar relative to the U.S. could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At June 30, 2015 a 100 basis point decrease/increase in the U.S dollar would result in a foreign exchange gain/loss of CDN$12,317.

The Corporation does not invest in derivatives to mitigate these risks.

## 13. MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.