TEMBO GOLD CORP. (formally Lakota Resources Inc.)

Condensed Consolidated Interim Financial Statements
March 31, 2012

(Unaudited)

Management's Comments on the Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Tembo Gold Corp. as at and for the three months ended March 31, 2012 and 2011 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

TEMBO GOLD CORP. (Formally Lakota Resources Inc.)
Condensed Consolidated Interim Statement of Financial Position (Unaudited)
Expressed in Canadian Dollars
March 31, 2012

	Mar. 31, 2012	Dec. 31, 2011
Assets		
Current assets		
Cash	**$ 10,326,686**	$ 11,922,560
HST/GST receivable	**97,808**	83,637
Accounts receivable	**45,737**	-
Prepaid expenses	**184,025**	159,049
Total current assets	**10,654,256**	12,165,246
Non-current assets		
Property and equipment (Note 3)	**352,954**	336,452
Exploration and evaluation assets (Note 4)	**3,585,009**	1,799,548
Total non-current assets	**3,937,963**	2,136,000
Total assets	**$ 14,592,219**	$ 14,301,246
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	**$ 970,102**	$ 826,293
Total current and total liabilities	**970,102**	826,293
Shareholders' equity		
Share subscription payable	**6,480**	45,000
Share capital (Note 6(a))	**32,320,844**	30,630,431
Contributed Surplus (Note 6(c))	**7,255,293**	6,636,787
Deficit	**(24,783,833)**	(23,837,265)
Accumulated other comprehensive loss	**(1,176,667)**	-
Total shareholder's equity	**13,626,117**	13,474,953
Total equity and liabilities	**$ 14,592,219**	$ 14,301,246

Corporate information and going concern (Note 1)

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

Approved by the Board of Directors on May 30, 2012:

(signed)"David Scott"	*(signed)"David Anthony"*
David Scott	David Anthony
Director	Director

TEMBO GOLD CORP. (Formally Lakota Resources Inc.)
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss (Unaudited)
Expressed in Canadian Dollars

	Three months ended Mar. 31,	
	2012	2011
Expenses		
Professional fees	**$ 41,942**	$ 96,293
Salaries and wages	**73,692**	8,140
Management fees (Note 14)	**82,730**	5,600
Office overhead and corporate services	**308,020**	39,721
Exploration expenditures	**-**	368
Transfer agent fees	**4,081**	-
Travel	**55,764**	4,123
Consulting fees (Note 14)	**27,329**	15,133
Insurance	**1,529**	-
Amortization	**16,931**	-
Stock based compensation (Note 7)	**383,518**	-
Current taxes	**-**	28,652
Loss (gain) on foreign exchange	**(3,968)**	10,198
	$ 991,568	208,228
Other income		
Option payments	**(45,000)**	(43,048)
Net loss for the period	**946,568**	165,180
Other comprehensive (income) loss		
Foreign exchange differences on translation of foreign operations	**1,176,667**	-
Comprehensive loss for the period	**$ 2,123,235**	$ 165,180
Loss per common share, basic and diluted (Note 9)	**$ (0.02)**	$ (0.00)

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

TEMBO GOLD CORP. (Formally Lakota Resources Inc.)
Condensed Consolidated Interim Statement of Changes in Shareholder's Equity (Unaudited)
Expressed in Canadian Dollars

	Share Capital							
	Number of Shares	Amount	Number of Warrants	Contributed Surplus	Equity subscription payable	Deficit	Currency translation adjustment	Total
Balance, Dec. 31, 2010	3,291,665	$17,745,691	-	$2,911,445	$ -	$(22,307,244)	$ -	**$(1,650,108)**
Loss for the period	-	-	-	-	-	(165,180)	-	**(165,180)**
Balance, Mar. 31, 2011	**3,291,665**	**$17,745,691**	**-**	**$2,911,445**	**$-**	**$(22,472,424)**	$ -	**$(1,815,288)**
Shares issued for debt	8,583,333	1,545,000	-	-	-	-	-	**1,545,000**
Share and warrants issued for cash	25,548,389	12,381,804	7,976,694	3,296,813	-	-	-	**15,678,620**
Shares issued as finder's fees	1,351,495	837,280	-	-	-	-	-	**837,280**
Finder's fee warrants	-	(237,437)	692,933	237,437	-	-	-	**-**
Share issue costs	-	(1,641,910)	-	-	-	-	-	**(1,641,910)**
Share subscription payable	-	-	-	-	45,000	-	-	**45,000**
Stock based compensation	-	-	-	191,092	-	-	-	**191,092**
Loss for the period	-	-	-	-	-	(1,364,841)	-	**(1,364,841)**
Balance, Dec. 31, 2011	**38,774,882**	**$30,630,431**	**8,669,627**	**$6,636,787**	**45,000**	**$(23,837,265)**	$ -	**$13,474,953**
Share and warrants issued for cash	1,448,296	987,846	701,000	389,154	(45,000)	-	-	**1,332,000**
Shares issued as finder's fees	127,660	63,390	-	-	-	-	-	**63,390**
Finder's fee warrants	-	(41,918)	63,830	41,918	-	-	-	**-**
Shares issued on exercise of warrants	837,475	887,011	(837,475)	(196,084)	-	-	-	**690,927**
Warrants subscription payable	-	-	-	-	6,480	-	-	**6,480**
Share issue costs	-	(205,916)	-	-	-	-	-	**(205,916)**
Stock based compensation	-	-	-	383,518	-	-	-	**383,518**
Foreign exchange on translation of foreign operations							(1,176,667)	**(1,176,667)**
Loss for the period	-	-	-	-	-	(946,568)	-	**(946,568)**
Balance, March 31, 2012	**41,188,313**	**$32,320,844**	**8,596,982**	**$7,255,293**	**$6,480**	**$(24,783,833)**	**(1,176,667)**	**$13,622,117**

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

TEMBO GOLD CORP. (Formally Lakota Resources Inc.)
Condensed Consolidated Interim Statement of Cash Flows (Unadited)
Expressed in Canadian Dollars

	Three months ended Mar. 31,	
	2012	2011
Cash flow from operating activities:		
Operating activities		
Loss for the period	**$ (946,568)**	$ (165,180)
Amortization	**16,931**	-
Stock-based compensation	**383,518**	-
Foreign exchange differences on translation of foreign operations	**(1,176,667)**	-
	(1,722,786)	(165,180)
Changes in non-cash working capital balances:		
Accounts receivable	**(45,737)**	2,358
HST/GST receivable	**(14,171)**	(11,717)
Prepaid expenses	**(24,976)**	-
Accounts payable and accrued liabilities	**143,808**	59,036
Total cash outflow from operating activities	**(1,663,862)**	(115,503)
Cash flow from financing activities:		
Proceeds from issue of shares, net of expenses	**1,228,014**	-
Proceeds from issue of warrants	**697,387**	-
Proceeds of loan from investor	**-**	200,000
Share subscription payable	**(38,520)**	-
Total cash inflow from financing activities	**1,886,881**	200,000
Cash flow from investing activities:		
Additions to exploration and evaluation assets	**(1,785,461)**	-
Additions to property and equipment	**(33,432)**	-
Total cash outflow from operating activities	**(1,818,893)**	-
Total increase (decrease) in cash during the period	**(1,595,874)**	84,497
Cash, beginning of the period	**11,922,560**	3,364
Cash, end of the period	**$ 10,326,686**	$ 87,861

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

1. CORPORATE INFORMATION AND GOING CONCERN

Tembo Gold Corp. (the "**Company**") is a public company incorporated on March 3, 1937 pursuant to the laws of the Province of Ontario, Canada. The Company is a publicly listed company with its common shares listed on the Toronto Stock Venture Exchange under the symbol TEM. The Company is in the exploration stage and is engaged principally in the acquisition and development of gold properties in Tanzania. The Company's head office address is, Suite 330, 808 4 Ave. SW, Calgary, Alberta, T2P 3E8.

Effective September 26, 2011, the Company 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 Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company, 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. The Company'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 Company 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 financial position classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2011.

b) New standards and interpretations not yet adopted

A number of new IFRS standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2012, and have not been applied in preparing these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated interim financial statements of the Company.

Expressed in Canadian Dollars

3. PROPERTY AND EQUIPMENT

Cost	Vehicles	Office furniture and equipment	Software	Exploration equipment	**Total**
Balance, Dec. 31, 2010	$ 119,446	$ 69,990	$ -	$ -	**$ 189,436**
Additions	-	45,552	49,644	316,793	**411,989**
Disposals	(99,182)	(41,573)			**(140,755)**
Balance, Dec. 31, 2011	**$ 20,264**	**$ 73,969**	**$ 49,644**	**$ 316,793**	**$ 460,670**
Additions	-	30,845	-	-	**30,845**
Balance, Mar. 31, 2012	**$ 20,264**	**$ 104,814**	**$ 49,644**	**$ 316,793**	**$ 491,515**

Accumulated amortization					
Balance, Dec. 31, 2010	$ 118,152	$ 69,990	$ -	$ -	**$ 188,142**
Additions	-	8,673	12,411	55,747	**76,831**
Disposals	(99,182)	(41,573)			**(140,755)**
Balance, Dec. 31, 2011	**$ 18,970**	**$ 37,090**	**$ 12,411**	**$ 55,747**	**$ 124,218**
Additions	219	4,054	3,103	6,967	**14,343**
Balance, Mar. 31, 2012	**$ 19,189**	**$ 41,144**	**$ 15,514**	**$ 62,714**	**$ 138,561**

Carrying amounts					
At December 31, 2011	**$ 1,294**	**$ 36,879**	**$ 37,233**	**$ 261,046**	**$ 336,452**
At March 31, 2012	**1,075**	**63,670**	**34,130**	**254,079**	**352,954**

4. EXPLORATION AND EVALUATION ASSETS

The Company’s carrying values of its mineral properties was $3,585,009 as of March 31, 2012, and $1,799,548 as of December 31, 2011.

	Tembo Project
Balance, December 31, 2010	**$ 941,175**
Additions:	
Exploration	69,951
Technical services	256,957
Drilling	566,332
Travel	46,507
Field office	40,208
Total additions	$ 858,373
Balance, December 31, 2011	**$ 1,799,548**
Additions:	
Acquisition	842,500
Technical services	172,435
Drilling	670,472
Travel	31,589
Field office	68,465
Total additions	$ 1,785,461
Balance, March 31, 2012	**$ 3,585,009**

Expressed in Canadian Dollars

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities include the following components:

	March 31, 2012	December 31, 2011
Trade payables	**$ 954,474**	$ 448,148
Accrued liabilities	**15,628**	378,145
Total accounts payable and accrued liabilities	**$ 970,102**	$ 826,293

6. SHARE CAPITAL

a) Common shares

Authorized		
An unlimited number of common and preferred shares		
Issued	**Number of Shares**	**Amount**
Balance, December 31, 2010	3,291,665	$ 17,745,691
Issued for cash (1)	9,595,000	1,727,100
Issued on cancellation of debt (2)	8,583,333	1,545,000
Issued for cash (3)	4,351,889	2,350,020
Issued for cash (4)	11,601,500	11,601,500
Issued as finder's fees	1,351,495	837,280
Issued as warrants	-	(3,296,813)
Issued as finder's fees (FF Warrants)	-	(237,437)
Share issue costs	-	(1,641,910)
Balance, December 31, 2011	**38,774,882**	**$ 30,630,431**
Issued for cash (5)	1,448,296	1,377,000
Issued as finder's fees	127,660	63,390
Issued as warrants	-	(389,154)
Issued as finder's fees (FF Warrants)	-	(41,918)
Issued on exercise of warrants	837,475	887,011
Share issue costs	-	(205,916)
Balance, March 31, 2012	**41,188,313**	**$ 32,320,844**

(1) On July 15, 2011, the Company completed a private placement offering of 9,595,000 common shares at $0.18 per share for gross proceeds of $1,727,100. The Company incurred $87,072 in finder's fees to certain related parties in respect to the offering, these fees were settled through the issuance of 483,734 common shares of the Company.

(2) On July 28, 2011, the Company issued an aggregate of 8,583,333 common shares in order to settle total debt of $1,545,000. The debt eliminated through this transaction consisted of $1,300,000 (7,222,222 common shares) BEC loan as well as $245,000 owed for certain consulting fees which was settled through the issuance of 1,361,111 of the Company's common shares. The conversion of all such debt was completed on the basis of one share for each $0.18 of debt.

Expressed in Canadian Dollars

6. SHARE CAPITAL - continued

(3) On September 16, 2011, the Company completed a private placement financing of 4,351,889 units ("Units") at $0.54 per Unit for total gross proceeds of $2,350,020. Each Unit is comprised of one common share and one-half of one common share purchase warrant (a "Warrant"). One full warrant entitles the holder to purchase one additional common share at a price of $0.81 per common share for a period of two years. In conjunction with this financing, the Company issued 259,053 finder's fee units (a "FF Unit") to certain related parties. Each FF Unit is comprised of one common share and one-half of one common share purchase warrant (a "FF Warrant"). One full FF Warrant entitles the holder to purchase one additional common share at a price of $0.81 per share for a period of 2 years from the closing of the financing. In addition, the Company issued 259,053 FF Warrants to the related parties under the same terms and conditions.

(4) On November 22, 2011, the Company completed a non-brokered private placement, and in addition on December 29, 2011, the Company completed the brokered portion of the same private placement. In total, the private placement consisted of 11,601,500 units ("Units") at $1.00 per Unit for total gross proceeds of $11,601,500. Each Unit is comprised of one common share and one-half of one common share purchase warrant (a "Warrant"). One full warrant entitles the holder to purchase one additional common share at a price of $1.75 per common share for a period of three years. In conjunction with this financing, the Company issued 608,707 finder's fee units (a "FF Unit") to certain related parties. Each FF Unit is comprised of one common share and one-half of one common share purchase warrant (a "FF Warrant"). One full FF Warrant entitles the holder to purchase one additional common share at a price of $1.00 per share for a period of 2 years from the closing of the financing.

(5) On February 17, 2012, the Company completed a private placement financing of 1,382,000 units ("Units") at $1.00 per Unit for total gross proceeds of $1,382,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant (a "Warrant"). One full warrant entitles the holder to purchase one additional common share at a price of $1.75 per common share on or before December 29, 2014. In conjunction with this financing, the Company issued 127,660 finder's fee units (a "FF Unit") to certain related parties. Each FF Unit is comprised of one common share and one-half of one common share purchase warrant (a "FF Warrant"). One full FF Warrant entitles the holder to purchase one additional common share at a price of $1.00 per share for a period of 2 years from the closing of the financing. On February 17, 2012, the Company also issued 66,296 common shares, and 10,000 common share purchase warrants for aggregate proceeds of $45,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.81 per common share on or before September 16, 2013.

b) Warrants

The following warrants were outstanding as at March 31, 2012:

Expiry date	Exercise Price	Financing Warrants	Finder's Fee Warrants	**Total Warrants**
September 16, 2013	$ 0.81	1,365,301	388,580	**1,753,881**
November 22, 2013	$ 1.00	-	191,678	**191,678**
December 29, 2013	$1.00	-	108,343	**108,343**
February 17, 2014	$ 1.00	-	63,830	**63,830**
November 22, 2014	$1.75	3,457,500	-	**3,457,500**
December 29, 2014	$1.75	3,021,750	-	**3,021,750**
Balance, December 31, 2011				**8,596,982**

The continuity of warrants issued and outstanding is as follows:

	Number of Financing Warrants	Number of Finder's Fee Warrants	**Total Warrants**
Balance, December 31, 2011	7,976,694	692,933	**8,669,627**
Issued	701,000	63,830	**764,830**
Exercised	(833,143)	(4,332)	**(837,475)**
Balance, March 31, 2012	7,844,551	752,431	**8,596,982**

Expressed in Canadian Dollars

6. SHARE CAPITAL - continued

c) Contributed surplus

The Company's contributed surplus balance was $7,255,293 on March 31, 2012 and $6,636,787 on December 31, 2011.

Balance, December 31, 2011	**$ 6,636,787**
Warrants issued	**389,154**
Finder's fee warrants issued	**41,918**
Warrants exercised	**(196,084)**
Stock based compensation	**383,518**
Balance, March 31, 2012	**$ 7,255,293**

7. SHARE-BASED PAYMENTS

a) Stock option plan

As at March 31, 2012, the Company had the following common stock purchase options outstanding.

Date of Grant	Number Outstanding at Mar. 31, 2012	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Date of Expiry	Number Exercisable at Mar. 31, 2012
Aug. 5, 2011	2,155,000	$0.20	2.4	Aug. 5, 2014	-
Sept. 30, 2011	500,000	$0.54	2.5	Sept. 30, 2014	250,000
Jan. 19, 2012	1,044,000	$1.00	2.8	Jan. 19, 2015	261,000
Feb. 14, 2012	295,000	$1.00	2.9	Feb. 14, 2015	73,750
Mar. 29, 2012	90,000	$1.45	3.0	Mar. 29, 2015	22,500
	4,084,000				**607,250**

The continuity of options issued and outstanding is as follows:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2010	400,000	0.25
Cancelled	(400,000)	0.25
Granted	2,155,000	0.20
Granted	500,000	0.54
Balance, December 31, 2011	**2,655,000**	**0.26**
Granted	1,429,000	1.03
Balance, March 31, 2012	**4,084,000**	**0.53**
Exercisable, March 31, 2012	**607,250**	**0.23**

All options granted on August 5, 2011, are subject to a one year vesting hold provision.

Expressed in Canadian Dollars

7. SHARE-BASED PAYMENTS - continued

(b) Stock based compensation expense

During the period ended March 31, 2012, the Company recognized $383,518 (2011 - $Nil) of stock based compensation expense for options granted under the Company's stock option plan.

The fair value of stock options granted during the period was estimated on the dates of grant using the Black-Scholes option pricing model with the following assumptions:

Expiry date	Aug. 5, 2014	Sept. 30, 2014	Jan. 19, 2012	Feb. 14, 2012	Mar. 29, 2012
Exercise price	$0.20	$0.54	$1.00	$1.00	$1.45
Share price	$0.18	$0.43	$1.00	$1.00	$1.43
Risk-free interest rate	1.30%	1.02%	1.02%	1.02%	1.02%
Expected volatility	133%	133%	133%	133%	133%
Expected life	3 years	3 years	3 years	3 years	3 years
Forfeiture rate	0%	0%	0%	0%	0%
Fair value per option	$0.13	$0.31	$0.75	$0.75	$1.08

8. SEGMENTAL REPORTING

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

	March 31, 2012		
	Canada	Tanzania	**Consolidated**
Current assets	$ 9,949,446	$ 704,810	**$ 10,654,256**
Equipment	-	352,954	**352,954**
Exploration and evaluation assets	-	3,585,009	**3,585,009**

	December 31, 2011		
	Canada	Tanzania	**Consolidated**
Current assets	$ 10,464,259	$ 1,700,987	**$ 12,165,246**
Equipment	-	336,452	**336,452**
Exploration and evaluation assets	-	1,799,548	**1,799,548**

9. LOSS PER SHARE

The calculation of basic and diluted loss per share for the period is based on 39,724,959 (2011 – 3,291,665) weighted average number of common shares, basic and diluted outstanding as of March 31, 2012.

Expressed in Canadian Dollars

10. CAPITAL MANAGEMENT

The Company manages capital, based on its cash and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the period ended March 31, 2012.

The Company manages capital in proportion to risk and manages the mineral properties and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings for working capital, to support its ongoing exploration and development activities and ongoing working capital commitments.

11. FINANCIAL INSTRUMENTS

a) Categories of financial assets and liabilities

The Company's financial assets and liabilities are categorized as follows:

Account	Category	Mar. 31, 2012	Dec. 31, 2011
Cash	Financial assets at fair value through profit and loss	$ 10,326,686	$ 11,922,560
HST/GST receivable	Loans and receivables	97,808	83,637
Accounts receivable	Loans and receivables	45,737	-
Accounts payable and accrued liabilities	Other financial liabilities	970,102	826,293

The recorded amounts for cash and cash equivalents, goods and service tax receivable, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. Income earned on the Company's cash and cash equivalents has been disclosed in the consolidated statement of loss and comprehensive loss.

b) Fair Value Measurements

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The fair value of the Company's financial instruments recognized and measured at amortized cost approximates their fair value.

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value, is measured within a 'fair value hierarchy' which has the following levels:

i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
ii) Level 2: valuation techniques using inputs other than quoted prices included in Level 1that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

11. FINANCIAL INSTRUMENTS - continued

iii) Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company had no financial instruments that are carried and measured at fair value at March 31, 2012, and December 31, 2011, with the exception of cash, which is measured as level 1.

12. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. This note presents information about the Company's exposure to credit, liquidity and market risks arising from its use of financial instruments and the Company's objectives, policies and processes for measuring and managing such risks.

a) Credit risk

The Company's credit risk is primarily attributable to cash, goods and services tax receivable, and accounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash is on deposit with reputable financial institutions, from which management believes the risk of loss to be minimal. Goods and service tax receivable consist of goods and services tax due from the Federal Government of Canada and accrued interest. Goods and services tax receivable, and accounts receivable are in good standing as of March 31, 2012. As at March 31, 2012, $143,545 (2011 - $55,153) represents the maximum credit exposure.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2012, the Company had cash of $10,326,686 (2011 - $87,861) to settle current liabilities of $970,102 (2011 - $2,900,771). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as commodity prices, interest rates, and foreign currency exchange rates.

(i) Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

12. FINANCIAL INSTRUMENT RISKS - continued

(ii) 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 Company's interest rate risk is minimal as there are no interest-bearing outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time. Based on management's knowledge and experience of the financial markets, the Company believes that movements in interest rates that are reasonably possible over the next twelve months will not have a significant impact on the Company.

(iii) Foreign currency risk

The Company funds major exploration expenses in Tanzania and maintains a US dollar bank account in Tanzania. The Company's operating expenses are transacted in Canadian dollars and US dollars, therefore the Company's profitability and value of assets and liabilities are subject to fluctuation in exchange rates. The Company monitors this exposure, but has no hedge positions. At March 31, 2012, a 5% change in the value to the US dollar as compared to the Canadian dollar would result in a change in net income (loss) of approximately US$68,700.

13. COMMITMENTS AND CONTINGENT LIABILITIES

a) According to a royalty agreement related to the Tembo property, a US$250,000 payment is due from the Company 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 December 31, 2011 there has been no production decision.

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

14. RELATED PARTY TRANSACTIONS

a) Related party expenses

The Company'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.

During the year ended December 31, 2011, the Company received loan advances from BEC of $200,000 (2010 - $287,698). The aggregate loans advances of $1,300,000 were settled during the year ended December 31, 2011 through the issuance of 7,222,222 of the Company's common shares, see note 6(a)(2).

Expressed in Canadian Dollars

14. RELATED PARTY TRANSACTIONS - continued

During the year ended December 31, 2011, the Company settled US$65,000 debt owing to a director of its Tanzanian subsidiary. This debt was settled through the assignment of three used vehicles and office equipment as well as a US$25,000 cash payment. This transaction was measured at fair value.

During the period ended March 31, 2012, the Company incurred US$842,500 in acquiring Primary Mining Licenses from a company of which the Company's officer is a shareholder.

b) Key management personnel compensation

Key management are directors and officers of the Company and their remuneration earned and paid includes the following:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Salaries and other employment benefits	**$ 34,389**	$ -
Consulting fees	**9,596**	25,150
Management fees	**67,730**	-
Director's fees	**15,000**	-
Stock based compensation	**300,260**	-
Total compensation	**$ 426,975**	$ 25,150

15. POST-REPORTING DATE EVENTS

Subsequent to March 31, 2012, 40,700 of Company's warrants were exercised for gross proceeds of $34,430.