Condensed Consolidated Interim Financial Statements
(Unaudited)

(Stated in Canadian Dollars)

[formerly Lakota Resources Inc.]

June 30, 2012

NOTICE TO SHAREHOLDERS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012

TEMBO GOLD CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Tembo Gold Corporation 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 Company'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 Company, 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 Company 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 Company. 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 Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company'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 Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended June 30, 2012.

[formerly Lakota Resources Inc.]
(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(Stated in Canadian Dollars)
(Unaudited)

	June 30 2012 $	December 31 2011 $
ASSETS		
Current assets		
Cash and cash equivalents	**426,175**	11,922,560
Investments *[note 4]*	**4,608,585**	-
Accounts receivable	**116,195**	83,637
Prepaids and other current assests	**146,469**	159,049
Total current assets	**5,297,424**	12,165,246
Non-current assets		
Equipment *[note 5]*	**348,482**	336,452
Exploration and evaluation assets *[note 6]*	**9,053,738**	1,799,548
Total non-current assets	**9,402,220**	2,136,000
Total Assets	**14,699,644**	14,301,246
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**1,982,923**	826,293
EQUITY		
Share capital *[note 7]*	**32,366,641**	30,630,431
Contributed surplus *[note 7]*	**7,704,078**	6,636,787
Share subscription payable *[note 7]*	**-**	45,000
Accumulated other comprehensive loss	**(974,840)**	-
Deficit	**(26,379,158)**	(23,837,265)
Total equity	**12,716,721**	13,474,953
Total equity and liabilities	**14,699,644**	14,301,246

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 23, 2012

They are signed on the Company's behalf by:

"David Scott" Director   *"David Anthony"* Director

[formerly Lakota Resources Inc.]
(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	
	2012	2011	**2012**	2011
	$	$	$	$
EXPENSES				
Stock-based compensation	**461,392**	-	**844,910**	-
Office overhead and corporate expenses	**361,094**	1,988	**669,114**	41,709
Management fees	**133,392**	17,425	**216,122**	23,025
Salaries and wages	**126,114**	-	**199,806**	8,140
Professional fees	**145,949**	14,195	**187,891**	110,488
Travel	**91,182**	-	**146,946**	4,123
Depreciation	**18,285**	-	**35,216**	-
Consulting fees	**5,102**	14,103	**32,431**	29,236
Insurance	**8,210**	-	**9,739**	-
Foreign exchange - CDN operations	**(108,074)**	11,675	**(112,042)**	21,873
Transfer agent fees	**2,999**	-	**7,080**	-
Exploration expenditures	**-**	-	**-**	368
	1,245,645	59,386	**2,237,213**	238,962
Loss before the following	**(1,245,645)**	(59,386)	**(2,237,213)**	(238,962)
Option payments	**-**	-	**45,000**	43,048
Investment income	**29,502**	-	**29,502**	-
Write-down of mineral property [note 6]	**(379,182)**	-	**(379,182)**	-
Loss before income taxes	**(1,595,325)**	(59,386)	**(2,541,893)**	(195,914)
Income taxes				
Current tax expense	**-**	-	**-**	28,652
Loss before the period	**(1,595,325)**	(59,386)	**(2,541,893)**	(224,566)
Foreign exchange differences on translation of foreign operations	**201,827**	-	**(974,840)**	-
Total comprehensive loss for the period	**(1,393,498)**	(59,386)	**(3,516,733)**	(224,566)
Basic and diluted loss per share [note 9]	**(0.01)**	-	**(0.05)**	-

See accompanying notes to the condensed consolidated interim financial statements

[formerly Lakota Resources Inc.]
(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30

(Stated in Canadian Dollars)
(Unaudited)

	2012	2011
	$	$
OPERATING ACTIVITIES		
Total comprehensive loss for the period	**(3,516,733)**	(224,566)
Items not affecting cash		
Depreciation	**35,216**	-
Stock-based compensation	**844,910**	-
Foreign exchange differences on translation of foreign operations	**974,840**	-
	(1,661,767)	(224,566)
Net change in non-cash working capital balances related to operations	**448,746**	45,111
Cash used inoperating activities	**(1,213,021)**	(179,455)
INVESTMENT ACTIVITIES		
Exploration and evaluation expenditures, net	**(7,485,460)**	-
Purchase of investments	**(4,608,585)**	-
Purchase of property, plant and equipment	**(38,520)**	-
Cash provided by investment activities	**(12,132,565)**	-
FINANCING ACTIVITIES		
Proceeds of loan from investor	**-**	200,000
Proceeds from private placements	**1,332,000**	-
Proceeds from the exercise of share purchase warrants	**724,117**	-
Share issue costs	**(206,916)**	-
Cash provided by financing activities	**1,849,201**	200,000
Increase in cash during period	**(11,496,385)**	20,546
Cash and cash equivalents, beginning of period	**11,922,560**	3,364
Cash and cash equivalents, end of period	**426,175**	23,910

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Stated in Canadian Dollars)
(Unaudited)

Issued and outstanding:	Number of Shares	Share Capital	Shares subscribed	Reserves					Deficit	Total Equity
				Number of warrants	Contributed surplus	Agents Options	Equity subscription payable	Foreign currency translation		
Balance as at December 30, 2010	3,291,665	17,745,691	-	-	2,911,445	-	-	-	(22,307,244)	(1,650,108)
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	-	(165,180)	(165,180)
Balance as at June 30, 2011	3,291,665	17,745,691	-	-	2,911,445	-	-	-	(22,472,424)	(1,815,288)
Private placements	25,548,389	12,381,804	-	7,976,694	3,296,816	-	-	-	-	15,678,620
Shares issued for debt	8,583,333	1,545,000	-	-	-	-	-	-	-	1,545,000
Issued as finder's fees	1,351,495	837,280	-	-	-	-	-	-	-	837,280
Finder's fee warrants	-	(237,437)	-	692,933	237,434	-	-	-	-	(3)
Share-based payments	-	-	-	-	191,092	-	-	-	-	191,092
Share issue costs	-	(1,641,907)	-	-	-	-	-	-	-	(1,641,907)
Share subscriptions payable	-	-	45,000	-	-	-	-	-	-	45,000
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	-	(1,364,841)	(1,364,841)
Balance as at December 31, 2011	38,774,882	30,630,431	45,000	8,669,627	6,636,787	-	-	-	(23,837,265)	13,474,953
Shares and warrants issued for cash	1,448,296	987,846	(45,000)	701,000	389,154	-	-	-	-	1,332,000
Shares issued as finder's fee	127,660	63,390	-	-	-	-	-	-	-	63,390
Finder's fee warrants	-	(41,918)	-	63,830	41,918	-	-	-	-	-
Shares issued on exercise of warrants	878,175	932,811	-	(878,175)	(208,694)	-	-	-	-	724,117
Share issue costs	-	(205,916)	-	-	-	-	-	-	-	(205,916)
Share-based compensation	-	-	-	-	844,910	-	-	-	-	844,910
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(974,840)	(2,541,893)	(3,516,733)
Balance as at June 30, 2012	**41,229,013**	**32,366,644**	**-**	**8,556,282**	**7,704,075**	**-**	**-**	**(974,840)**	**(26,379,158)**	**12,716,721**

See accompanying notes to the condensed consolidated interim financial statements

[formerly Lakota Resources Inc.]
(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the six months ended June 30, 2012
(with comparative figures for the year ended December 31, 2011)

1. NATURE OF BUSINESS

Tembo Gold Corp. (the “Company” or "Tembo") 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 TSX Venture Exchange (The "TSX-V" or "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.

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 comprehensive loss classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The condensed consolidated interim financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The preparation of financial statements in conformity with IAS 34 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. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

Basis of Consolidation

The Company's financial statements consolidate those of the parent Company and all of its subsidiary undertakings drawn up to June 30, 2012. Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights. All subsidiaries have a year end of December 31. The Company'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
Inkina 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 Company 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 Company.

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

Business Combinations

For business combinations occurring since January 1, 2010, the requirements of IFRS 3 have been applied. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the

acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Joint operations

Operations that are jointly owned or jointly controlled by the Company and other venturers independent of the Company (joint ventures) are accounted for using the proportionate consolidation method, whereby the Company's share of the assets, liabilities, income and expenses is included line by line in the consolidated financial statements.

Unrealized gains and losses on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Amounts reported in the financial statements of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

Foreign currency translation

The condensed consolidated interim financial statements are presented in Canadian dollars (CDN), which is the Company's presentation currency. The Company's functional currency is the US dollar (USD).

Foreign currency transactions are translated into the functional currency of the respective Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Company's financial statements, all assets, liabilities and transactions of Company entities with a functional currency other than the CDN (the Company's presentation currency) are translated into CDN. The functional currency of the entities in the Company have remained unchanged during the reporting period.

Assets and liabilities have been translated into CDN at the closing rate at the reporting date. Income and expenses have been translated into the Company's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into CDN at the closing rate.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

• loans and receivables
• financial assets at fair value through profit or loss
• held-to-maturity investments
• available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

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 the recoverable amount of a financial asset or a group of financial assets exceeds its carrying amount. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'general and administrative costs', 'investment income' or 'other income'.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, and accounts receivable fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty may default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The Company's investments fall into this category of financial instrument.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

<u>Held-to-maturity investments</u>

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, 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 recognised in profit or loss.

<u>Available-for-sale financial assets</u>

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'general and administrative costs'.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, a a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment have been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its 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; or
• default of 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 the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit 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 decreases 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 loses 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.

Exploration and Evaluation

Exploration and evaluation assets include the costs of acquiring rights and licenses, costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset purchase. The Company follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenue received against the cost of related claims. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of comprehensive loss.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Equipment

Equipment is stated at historical cost less accumulated depreciation and any provision for impairment in value. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in buildings and equipment if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided at rates calculated to expense the cost of property and equipment, less their estimated residual value, using the straight-line method over a four year period. The rates generally applicable are:

Computer equipment	25%
Office equipment	12.5 -25%
Exploration equipment	25%
Vehicles	25%

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the equipment and are recognised in profit or loss within 'other income' or 'other expenses'.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less that its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares, contributed surplus, share options and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Company periodically issues units to investors consisting of common shares and warrants in non-brokered private placements. Each whole warrant issued entitles the holder to acquire a common share of the Company, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Company’s investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. “bifurcation”) of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

Share-based payment transactions

The Company operates equity-settled share-based remuneration plans for its employees, directors and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to 'reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit or other current tax activities, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of taxable income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Provisions

Provisions are recognized when the Company or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in the profit and loss.

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 outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration, and two geographical segments, Canada and Tanzania.

Significant accounting judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates 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 condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim 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 the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the recoverability of amounts receivable and deposits which are included in the condensed consolidated interim statement of financial position;

ii. the estimated useful lives of equipment and leaseholds which are included in the condensed consolidated interim statement of financial position and the related depreciation included in the condensed consolidated interim statement of comprehensive loss;

iii. the inputs used in accounting for share purchase option expense in the condensed consolidated interim statement of comprehensive loss; and

iv. the provision for income taxes which is included in the condensed consolidated interim statements of comprehensive loss and composition of deferred income tax liabilities included in the consolidated statement of financial position.

v. the recoverability of investments in mineral properties.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Operating expenses

Operating expenses are recognised in profit or loss upon utilization of the service or at the date of their origin.

3. RECENT ACCOUNTING PRONOUNCEMENTS

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

a) Accounting Standards Issued and Effective January 1, 2013

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

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;
- Defines the principle of control, and establishes control as the basis for consolidated;
- Sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and
- Sets out the accounting requirements for the preparation of consolidated financial statements

IFRS 10 supersedes IAS 27 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 arrangements in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with the type of joint arrangement.

IFRS 12, Disclosure of Involvement with Other Entities, requires the disclosure of information that enables users of consolidated 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 the following:

- 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 IAS2, Inventories, or value in use in IAS 36, Impairment Assets.

IAS 27, Separated Financial Statements, has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates 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 (associated or joint venture).

IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine, summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

4. INVESTMENTS

At June 30, 2012, the Company holds guaranteed investment certificates maturing within 340 days, yielding 1.35% (2011 - Nil).

5. EQUIPMENT

	Office furniture and equipment $	Exploration equipment $	Computer software $	Vehicle $	Total $
Cost					
Balance, December 31, 2011	44,523	310,884	48,717	3,435	407,559
Asset acquired	44,529	-	4,164	-	48,693
Balance, June 30, 2012	**89,052**	**310,884**	**52,881**	**3,435**	**456,252**
Accumulated depreciation					
Balance, December 31, 2011	8,838	49,285	12,648	1,783	72,554
Depreciation for the period	9,489	18,688	6,610	429	35,216
Balance, June 30, 2012	**18,327**	**67,973**	**19,258**	**2,212**	**107,770**
Carrying amounts					
December 31, 2011	35,685	263,046	36,069	1,652	336,452
June 30, 2012	**70,725**	**242,911**	**33,623**	**1,223**	**348,482**

6. EXPLORATION AND EVALUATION ASSETS

The Company's carrying values of its mineral properties was $9,053,738 as of June 30, 2012, and $1,799,548 as of December 31, 2011.

	Tembo Project
Balance, December 30, 2010	941,175
Additions:	
Assay and analysis	-
Exploration	69,951
Technical services	256,957
Drilling	444,750
Travel	46,507
Field office	40,208
Total additions	858,373
Balance, December 31, 2011	1,799,548
Additions:	
Assay and analysis	285,534
Exploration	185,942
Technical services	847,956
Drilling	4,814,211
Travel	253,013
Field office	207,262
Acquisition	945,806
Total additions	7,254,190
Balance, June 30, 2012	**9,053,738**

Tembo Gold Project

The Tembo Gold Project is located in northwest Tanzania, and is comprised of 42 contiguous Prospecting Licenses and licence applications covering approximately 110 square kilometres. The Company'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 (having a total resource of 20 million ounces of gold). Geologically, the Tembo Gold Project is situated in the Sukumaland greenstone belt, an Archean age succession of volcanics and sediments which have been intruded by a variety of Archean granitic plutons as well as younger dolerite dykes and possible kimberlites.

Exploration and evaluation asset write-down

During the period the Company wrote-down its remaining Canadian exploration and evaluation assets that had a carrying value of $379,182.

7. CAPITAL AND RESERVES

i. Authorized

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

ii. Details of share issuances

2012

Private placement

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.

2011

Private placement #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.

Debt settlement

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.

Private placement #2

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.

Private placement #3

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.

iii. Warrants

The following table reflects the continuity of warrants as of June 30, 2012:

Expiry Date	Exercise Price $	2012 Financing Warrants opening balance #	2012 Finder's Fee Warrants opening balance #	Warrant issued #	Warrant Exercised #	Warrant Expired #	June 30, 2012 Closing balance #
September 16, 2013	0.81	2,175,944	388,580	-	(861,343)	-	1,703,181
November 22, 2013	1.00	-	196,010	-	(4,332)	-	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	3,470,000	-	-	(12,500)	-	3,457,500
December 29, 2014	1.75	2,330,750	-	701,000	-	-	3,031,750
	-	**7,976,694**	**756,763**	**701,000**	**(878,175)**	**-**	**8,556,282**

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:

	2012	2011
Risk-free interest rate	1.03 - 1.07%	1.03 - 1.07%
Annualized volatility	133%	133%
Expected divide	nil	nil
Expected option life in years	1 - 2 years	2 - 3 years

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(Stated in Canadian Dollars)
(Unaudited)

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iv. Share purchase option compensation plan

The Company has a stock option plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Company. 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 Company 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, 2012:

Expiry Date	Exercise Price $	2012 Opening Balance #	Granted #	Exercised #	Expired/ Cancelled #	June 30, 2012 Closing Balance #
August 5, 2014	0.20	2,155,000	-	-	-	2,155,000
September 30, 2014	0.54	500,000	-	-	-	500,000
January 19, 2015	1.00	-	1,044,000	-	-	1,044,000
February 4, 2015	1.00	-	295,000	-	-	295,000
March 29, 2015	1.45	-	90,000	-	-	90,000
		2,655,000	**1,429,000**	**-**	**-**	**4,084,000**
Weighted average exercise price		0.26	1.03	0.23	0.25	0.23

The Company applies the fair value method of accounting for all stock based compensation awards. During the six months ended June 30, 2012, the Company recognized $844,910 (2011 - $Nil) of stock-based payments for options granted under the Company's stock option plan. All options granted on August 5, 2011, are subject to one year vesting hold provision. As at June 30, 2012,3,119,500 were not exercisable.

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

	2012	2011
Risk-free interest rate	1.02 - 1.30%	1.03 - 1.07%
Annualized volatility	133%	133%
Expected divide	nil	nil
Expected option life in years	3 years	3 years

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8. SEGMENT 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:

	As at June 30, 2012		
	Canada	**Tanzania**	**Consolidated**
	$	**$**	**$**
Current assets	5,040,580	256,844	**5,297,424**
Equipment	-	345,716	**345,716**
Explorationand evaluation assets	-	9,053,738	**9,053,738**

	As at December 31, 2011		
	Canada	**Tanzania**	**Consolidated**
	$	**$**	**$**
Current assets	10,464,259	1,700,987	**12,138,418**
Equipment	-	336,452	**336,452**
Explorationand evaluation assets	309,375	1,490,173	**1,799,548**

9. LOSS PER SHARE

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Company as the numerator, i.e. no adjustments to profit were necessary in 2012 or 2011.

	2012	2011
Numerator:		
Net earnings (loss)	**(2,541,893)**	(1,530,021)
Denominator:		
Weighted average number of common shares	**40,474,412**	13,796,963
Basic and diluted loss per share	**(0.05)**	(0.11)

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10. RELATED PARTY TRANSACTIONS

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).

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 a director of the Company's Tanzanian subsidiary is a shareholder.

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	June 30 2012 $	December 31 2011 $
Consulting fees	**32,431**	93,578
Management fees	**216,121**	414,274
Director's fees	**15,000**	24,347
Share-based compensation	**688,643**	191,092
	952,195	723,291

11. COMMITMENTS

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.

12. FINANCIAL RISKS AND RELATED RISKS

The Company's operations include the acquisition and exploration of mineral properties in Tanzania, East Africa. The Company 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 Company by those counterparties, less any amounts owed to the counterparty by the Company 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 Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company'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 Company 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, 2012, the Company 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 Company will not be able to meet its financial obligations as they fall due. The Company 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 Company 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 Company 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 Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional currency is the U.S dollar of the Company and reporting currency is the Canadian dollar, however it has operations primarily located in Tanzania, and as such is subject to fluctuations in that currency. There are no significant financial instruments denominated in U.S dollars. Changes in the currency exchange rates between the Canadian dollar relative to the U.S could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At June 30, 2012 a 100 basis point decrease/increase in the U.S dollar would result in a foreign exchange gain/loss of CDN$76,500.

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

13. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company'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 Company 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 Company may attempt to issue new shares and, acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company'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.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through 2012.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash and cash equivalents	**426,175**	**-**	**-**	**426,175**
Investments	**4,608,585**	**-**	**-**	**4,608,585**
	5,034,760	**-**	**-**	**5,034,760**