TEMBO GOLD CORP. (formally Lakota Resources Inc.)

Annual Consolidated Financial Statements
December 31, 2011

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Tembo Gold Corp. (formally Lakota Resources Inc.) (the "**Company**") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated 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. The significant accounting policies of the Company are summarized in Note 2 to the consolidated financial statements.

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 consolidated 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 consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated 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 consolidated 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 consolidated 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.

(signed) David Scott

David Scott
President and Chief Operating Officer

(signed) John Seaman

John Seaman
Chief Financial Officer

April 27, 2012

SIEVERT & SAWRANTSCHUK LLP
CHARTERED ACCOUNTANTS

43 Colborne Street, PH
Toronto, Ontario M5E 1E3
Tel: (416) 979-7444 Fax: (416) 979-8432
e-mail: ssca@sievert.on.ca
www.sievert.on.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Tembo Gold Corp.:

We have audited the accompanying consolidated financial statements of Tembo Gold Corp**.** and its subsidiaries which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010, and January 1, 2010, and the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ending December 31, 2011 and December 31, 2010 and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tembo Gold Corp. and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010, and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Tembo Gold Corp.'s ability to continue as a going concern.

April 27, 2012
Toronto, Canada

Sievert & Sawrantschuk LLP
Chartered Accountants, Licensed Public Accountants

TEMBO GOLD CORP. (Formally Lakota Resources Inc.)
Consolidated Statement of Financial Position
Expressed in Canadian Dollars
December 31, 2011

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Assets		(Note 20)	(Note 20)
Current assets			
Cash	**$ 11,922,560**	$ 3,364	$ 30,309
HST/GST receivable	**83,637**	38,539	30,289
Accounts receivable	**-**	7,255	23,096
Prepaid expenses	**159,049**	-	20,655
Total current assets	**12,165,246**	49,158	104,349
Non-current assets			
Property and equipment (Note 5)	**336,452**	1,294	11,611
Exploration and evaluation assets (Note 6)	**1,799,548**	941,175	941,175
Total non-current assets	**2,136,000**	942,469	952,786
Total assets	**$14,301,246**	$991,627	$1,057,135
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities (Note 7)	**$ 826,293**	$1,495,693	$1,185,520
Loans payable (Note 8)	**-**	1,086,042	798,344
Due to related parties (Note 18)	**-**	60,000	10,000
Total current and total liabilities	**826,293**	2,641,735	1,993,864
Shareholders' equity			
Share subscription payable	**45,000**	-	-
Share capital (Note 9(a))	**30,630,431**	17,745,691	17,745,691
Contributed Surplus (Note 9(c))	**6,636,787**	2,911,445	2,911,445
Accumulated other comprehensive income(loss)	**-**	-	-
Deficit	**(23,837,265)**	(22,307,244)	(21,593,865)
Total shareholder's equity	**13,474,953**	(1,650,108)	(936,729)
Total equity and liabilities	**$14,301,246**	$991,627	$1,057,135

Going concern (Note 1)
Commitments and contingent liabilities (Note 17)
Post reporting date events (Note 19)

The accompanying notes are an integral part of these consolidated financial statements.
Approved by the Board of Directors on April 27, 2012:

(signed)"David Scott"
David Scott
Director

(signed)"David Anthony"
David Anthony
Director

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

For the year ended December 31,	2011	2010
		(Note 20)
Expenses		
Professional fees	**$ 308,017**	$ 123,279
Salaries and wages	**80,492**	34,404
Management fees (Note 18)	**456,901**	277,396
Office overhead and corporate services	**159,384**	57,474
Exploration expenditures	**5,824**	6,177
Transfer agent fees	**57,105**	-
Travel	**59,865**	25,942
Consulting fees (Note 18)	**142,983**	183,275
Insurance	**30,872**	20,655
Amortization	**63,389**	18,470
Stock based compensation (Note 18)	**191,092**	-
Loss (gain) on foreign exchange	**56,994**	(20,065)
	1,612,918	727,007
Other income		
Option payments	**43,345**	30,628
Gain on sale of equipment	**39,552**	-
Advance receivable write-off	**-**	(17,000)
Loss and comprehensive loss for the period	**$ (1,530,021)**	$ (713,379)
Loss per common share basic and diluted (Note 13)	**$ (0.11)**	$ (0.22)

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

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

	Share Capital						
	Number of Shares	Amount	Number of Warrants	Contributed Surplus	Share subscription payable	Deficit	Total
Balance, Jan. 1, 2010	3,291,665	$17,745,691	-	$2,911,445	$ -	$(21,593,865)	**$(936,729)**
Loss for the period	-	-	-	-		(713,379)	**(713,379)**
Balance, Dec. 31, 2010	3,291,665	$17,745,691	-	$2,911,445	$ -	$(22,307,244)	**$(1,650,108)**
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**
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 year	-	-	-	-	-	(1,530,021)	**(1,530,021)**
Balance, Dec. 31, 2011	**38,774,882**	**$30,630,431**	**8,669,627**	**$6,636,787**	**45,000**	**$(23,837,265)**	**$13,474,953**

The Company did not have any Accumulated Other Comprehensive Income/loss during the period.

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

TEMBO GOLD CORP. (Formally Lakota Resources Inc.)

Consolidated Statement of Cash Flows
Expressed in Canadian Dollars

For the year ended December 31,	**2011**	2010
Cash flow from operating activities:		
Operating activities		
Loss for the year	**$ (1,530,021)**	$ (713,379)
Amortization	**63,389**	18,470
Stock-based compensation	**191,092**	-
Gain on sale of equipment	**(39,552)**	-
Advance receivable write-off	**-**	17,000
	(1,315,092)	(677,909)
Changes in non-cash working capital balances:		
Accounts receivable	**7,255**	(1,159)
HST/GST receivable	**(45,098)**	(8,250)
Prepaid expenses	**(159,049)**	20,655
Accounts payable and accrued liabilities	**(370,890)**	310,173
Total cash outflow from operating activities	**(1,882,874)**	(356,490)
Cash flow from financing activities:		
Proceeds from issue of shares, net of expenses	**14,873,990**	-
Proceeds of loan from investor	**200,000**	287,698
Advances (repayment) from related party	**(60,000)**	50,000
Share subscription payable	**45,000**	-
Total cash inflow from financing activities	**15,058,990**	337,698
Cash flow from investing activities:		
Additions to exploration and evaluation assets	**(858,373)**	-
Additions to property and equipment	**(398,547)**	(8,153)
Total cash outflow from operating activities	**(1,256,920)**	(8,153)
Total increase (decrease) in cash during the year	**11,919,196**	(26,945)
Cash, beginning of the year	**3,364**	30,309
Cash, end of the year	**$ 11,922,560**	$ 3,364

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 consolidated 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 consolidated 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

The consolidated financial statements of the Company for the year ending December 31, 2011 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). Previously, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("**pre-changeover Canadian GAAP**"). Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars.

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Actual results may differ from the estimates used by management. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) Basis of consolidation

These consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by the Company. The effects of all transactions between entities in the consolidated group are eliminated in full. The consolidated financial statements include the accounts of the Company and its 100% owned Tanzanian subsidiaries Lakota Resources (T) Limited and Lakota Mining Company Limited.

The Company and Lakota Resources (T) Limited jointly hold 100% interest in the following Tanzanian companies; Bemuda Limited, Parama & Company Limited, Mineral Industry Promotion and Consulting Company Limited, Reapa Business Associates Limited, Ikina Reefs Limited, Mwamba Resources Limited, and Kiganga & Associates Gold Mining Company Limited.

The Company and Lakota Resources (T) Limited jointly hold a 50% interest in Jope Business Associates Limited, with the other 50% interest being controlled by a Tanzanian national.

b) Presentation currency and foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency. The Company's functional currency is the US Dollar.

Foreign currency transactions are translated into the functional currency of each entity within the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of foreign currency denominated monetary items at reporting period end exchange rates are recognized in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates in effect at the time of the transaction (and are not retranslated at reporting period ends). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

c) Cash

Cash is comprised of cash held on deposit with a Canadian chartered bank and a Tanzanian bank.

d) Exploration and evaluation assets

Costs incurred prior to acquiring the legal right to explore an area of interest are expensed as incurred.

Exploration and evaluation assets are intangible assets. Exploration and evaluation assets represent the costs incurred on the exploration and evaluation of potential mineral resources, and include costs such as exploratory drilling, sample testing, activities in relation to the evaluation of technical feasibility and commercial viability of extracting a mineral resource, and general and administrative costs directly relating to the support of exploration and evaluation activities. Exploration and evaluation expenditure for an area of interest is carried forward as an asset provided that one of the following conditions is met. The carrying amount of such costs is expected to be lower than the recoverable amount through successful exploration and development of the area of interest or alternatively, by its sale; or, exploration and evaluation activities in the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or are planned for the future.

Purchased exploration and evaluation assets are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. They are subsequently stated at cost less accumulated impairment. Exploration and evaluation assets are not amortized.

Although the Company has taken steps to verify the title to the exploration and evaluation assets in which it has an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

e) Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an item of property and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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 assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

f) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

g) Rehabilitation provision ("asset retirement obligation" or "ARO")

The Company recognizes provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for rehabilitation is recognized at its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding provision is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset. The carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

As at December 31, 2011, December 31, 2010 and January 1, 2010, the Company did not have any asset retirement obligations.

h) Financial instruments

Financial assets and financial liabilities are recognized 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 plus transactions costs, except for financial assets and liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are subsequently measured as described below.

i) Financial assets

For the purpose of subsequent measurement, financial assets 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; and
- available-for-sale financial assets

The category determines how the asset is subsequently measured and whether any resulting income or expense is recognized 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 considered impaired when there is objective evidence that a financial asset or a group of financial assets has been impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

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 amortized cost using the effective interest method, less provision for impairment.

Loans and receivables comprise harmonized sales tax, and goods and services tax receivable.

Financial assets at fair value through profit or loss

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. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. Financial assets at fair value through profit of loss comprise cash.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Company currently does not have any financial assets in this category.

Held-to-maturity investments

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.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined for example 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 recognized in profit or loss.

The Company currently does not have any financial assets in this category.

Available-for-sale financial assets

Available-for-sale 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.
Available-for-sale financial assets are measured at fair value. Gains and losses are recognized 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 recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized 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 is recognized in profit or loss.

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

The Company currently does not have any financial assets in this category.

ii) Financial liabilities

Financial liabilities are measured subsequently at amortized 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 and losses recognized in profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's financial liabilities measured at amortized cost include accounts payables and accrued liabilities. The Company currently does not have any financial liabilities held for trading or designated at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

i) Impairment of Assets

i) Financial assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The amount of the impairment loss is recognized in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

ii) Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the 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. Where the asset does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Recoverable amount is the higher of fair value less costs to sell, and value in use. 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where 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 to an amount that 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 periods. A reversal of an impairment loss is recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

j) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the 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 income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

k) Share-based payments

i) Stock options

The fair value of stock options granted to directors, officers, employees, and consultants is measured at grant date using the Black-Scholes valuation model using assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, expected forfeitures and expected life of the options. The fair value of this share-based payment is recognized as a charge to the Consolidated Statements of Loss and Comprehensive Loss with a corresponding credit to contributed surplus on the Consolidated Statements of Financial Position. The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are transferred from contributed surplus to capital stock. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

ii) Share-based payments to non-employees

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument, measured at the date the Company obtains the goods or the counterparty renders the service. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

Where equity-settled transactions are entered into with non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments to non-employees are measured at the fair value of the goods or services received.

Upon exercise of stock options, the proceeds received are allocated to share capital along with any value previously recorded in contributed surplus relating to those options. The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

l) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or is a member of the key management personnel of the reporting entity. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between said parties. Such transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

m) Earnings/loss per share

The Company presents basic and diluted earnings/loss per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated 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, which comprise share options granted. In periods where the Company reports a comprehensive loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic and diluted earnings (loss) per share are the same.

n) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

o) Standards, amendments and interpretations not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

i) IFRS 9, Financial Instruments

IFRS 9 was issued in November 2009 and reflects the first phase of the IASB's work on the replacement of IAS 39 Financial Instruments, Recognition and Measurement. The standard revises and limits the classification and measurement models available for financial assets and liabilities to amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently assessing the impact of the new standard on its consolidated financial statements, but does not anticipate that the adoption of the standard will have a significant impact.

ii) IFRS 10, Consolidated Financial Statements

IFRS 10 was issued in May 2011 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation - Special Purpose Entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

iii) IFRS 11, Joint Arrangements

IFRS 11 was issued in May 2011 and is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

iv) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 was issued in May 2011 and is new comprehensive standard that specifies disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off-balance-sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

v) IFRS 13, Fair Value Measurement

IFRS 13 was issued in May 2011 and defines fair value, sets out in a single standard a framework for measuring fair value, and specifying certain disclosure requirements about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

vi) IAS 27 – Separate Financial Statements

IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. This standard will not have an impact on the consolidated financial statements.

vi) IAS 28 – Investments in Associates and Joint Ventures

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company’s consolidated financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

a) Exploration and evaluation assets

The application of the Company’s accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of loss and comprehensive loss in the period when the new information becomes available. The carrying value of these assets is detailed in Note 6.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued

b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized.

c) Contingencies

Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

d) Share-based payments

The Company utilizes the Black-Scholes Option Pricing Model to estimate the fair value of stock options granted to directors, officers and employees. The use of the Black-Scholes Option Pricing Model requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield, forfeiture rate, and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value.

e) Warrants

The valuation of warrants includes estimates of risk-free interest rates, volatility of the Company’s share price and expected life of the warrants. By their nature, these estimates are subject to measurement uncertainty and could materially impact the financial statements.

Expressed in Canadian Dollars

5. PROPERTY AND EQUIPMENT

Cost	Vehicles	Office furniture and equipment	Software	Exploration equipment	**Total**
Balance, Jan. 1, 2010	$ 111,293	$ 69,990	$ -	$ -	**$ 181,283**
Additions	8,153	-	-	-	**8,153**
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**
Accumulated amortization					
Balance, Jan. 1, 2010	$ 100,557	$ 69,115	$ -	$ -	**$ 169,672**
Additions	17,595	875	-	-	**18,470**
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**
Carrying amounts					
At January 1, 2010	$ 10,736	$ 875	$ -	$ -	**$ 11,611**
At December 31, 2010	1,294	-	-	-	**1,294**
At December 31, 2011	**1,294**	**36,879**	**37,233**	**261,046**	**336,452**

6. EXPLORATION AND EVALUATION ASSETS

The Company's carrying values of its mineral properties was $1,490,174 as of December 31, 2011, and $941,175 as of December 31, 2010, and January 1, 2010.

	Tembo Project
Balance, January 1 and 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**

During the year ended December 31, 2011, the Company sold its shares in the subsidiary Viking Yellowknife Gold Mines Limited, which were carried at $1, for $10, and a 1% Net Smelter Royalty to an aggregate of $1,000,000.

There were no indications of impairment of the Company's exploration and evaluation assets during the year ended December 31, 2011.

Expressed in Canadian Dollars

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	**$ 448,148**	$ 1,260,693	$ 1,185,520
Accrued liabilities	**378,145**	235,000	-
Total accounts payable and accrued liabilities	**$ 826,293**	$ 1,495,693	$ 1,185,520

8. LOANS PAYABLE

The loans payable represented monies advanced to the Company by BEC International Corp. ("**BEC**"), a significant shareholder and creditor of the Company. The loans were non-interest bearing, with no specific terms of repayment and were secured by a general assignment of the Company's assets. The loans were settled through the issuance of 7,222,222 of the Company's common shares, see Note 9(a)(2).

9. SHARE CAPITAL

a) Common shares

Authorized		
An unlimited number of common and preferred shares		
Issued	**Number of Shares**	**Amount**
Balance, January 1 and 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**

(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

9. 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.

b) Warrants

Expiry date	Exercise Price	Financing Warrants	Finder's Fee Warrants	**Total Warrants**
September 16, 2013	$ 0.81	2,175,944	388,580	**2,564,524**
November 22, 2013	$ 1.00	-	196,010	**196,010**
November 22, 2014	$1.75	3,470,000	-	**3,470,000**
December 29, 2014	$1.75	2,330,750	-	**2,330,750**
December 29, 2013	$1.00	-	108,343	**108,343**
Balance, December 31, 2011		7,976,694	692,933	**8,669,627**

c) Contributed surplus

The Company's balance in contributed surplus was $2,911,445 on December 31, 2010 and $6,636,787 on December 31, 2011.

Balance, January 1 and December 31, 2010	**$ 2,911,445**
Warrants	**3,296,813**
Finder's fee warrants	**237,437**
Stock based compensation	**191,092**
Balance, December 31, 2011	**$ 6,636,787**

Expressed in Canadian Dollars

10. SHARE-BASED PAYMENTS

a) Stock option plan

As at December 31, 2011, the Company had the following common stock purchase options outstanding.

	Number of stock options	Weighted average exercise price ($)
Balance, January 1 and December 31, 2010	400,000	0.25
Expired and 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**
Exercisable, December 31, 2011	**125,000**	**0.54**

Date of Grant	**Number Outstanding at Dec. 31, 2011**	**Exercise Price**	**Weighted Average Remaining Contractual Life (Years)**	**Date of Expiry**	**Number Exercisable at Dec. 31, 2011**
Aug. 5, 2011	2,155,000	$0.20	2.9	Aug. 5, 2014	-
Sept. 30, 2011	500,000	$0.54	3.0	Sept. 30, 2014	125,000
	2,655,000	$0.26			125,000

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

(b) Stock based compensation expense

During the year ended December 31, 2011, the Company recognized $191,092 (2010 - $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
Exercise price	$0.20	$0.54
Share price	$0.18	$0.43
Risk-free interest rate	1.30%	1.02%
Expected volatility	133%	133%
Expected life	3 years	3 years
Forfeiture rate	0%	0%
Fair value per option	$0.13	$0.31

Expressed in Canadian Dollars

11. INCOME TAXES

The provision for income taxes differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	2011	2010
Statutory income tax rate	**28%**	30%
Current income tax		
Tax based on statutory income tax rate	**$ (353,564)**	$ (182,550)
Share issue costs	**(45,087)**	-
Non-deductible stock-based compensation	**53,506**	-
Non-deductible amortization of capital assets	**-**	(1,562)
Unrecognized tax asset	**345,145**	184,112
	$ -	$ -

The tax effects of temporary differences that would give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2011 and 2010 were as follows:

Future income tax assets	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Net operating losses carried forward	$ 1,565,669	$ 1,257,507	$ 1,278,479
Resource pools carried forward	161,025	395,381	395,381
Fixed assets	3,314	3,314	4,615
Share issue costs	390,577	-	-
	2,120,585	1,656,202	1,678,475
Valuation allowance	(2,037,210)	(1,572,827)	(1,595,100)
	83,375	83,375	83,375
Future income tax liabilities	(83,375)	(83,375)	(83,375)
Net future income tax asset/liability	$ -	$ -	$ -

Utilization of the net operating losses carried forward and the foreign exploration and development expenses are subject to limitations. The Company has placed a valuation allowance on its excess tax assets due to a lack of past taxable profits. It does not believe significant income tax obligations will occur in the near future.

As at December 31, 2011, the Company has, for tax purposes, non-capital losses available to carry forward to future years totalling $6,262,500 (Dec. 31, 2010 - $5,030,000, Jan. 1, 2010 - $5,114,000) expiring from 2014 to 2031. The benefit of these losses has not been recognized in the financial statements due to the uncertainty of future realization. The non-capital loss carry-forwards available to reduce future year’s income for tax purposes expire as follows:

Year of expiry	Dec. 31. 2001	Dec. 31, 2010	Jan. 1, 2010
2010	$ -	$ -	$ 697,500
2014	593,000	593,000	593,000
2015	411,000	411,000	411,000
2026	630,000	630,000	630,000
2027	1,098,500	1,098,500	1,095,500
2028	685,500	685,500	686,500
2029	997,500	997,500	997,500
2030	613,500	613,500	-
2031	1,232,500	-	-
Total non-capital loss carry-forwards	$ 6,267,500	$ 5,030,000	$ 5,114,000

Expressed in Canadian Dollars

12. 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:

		December 31, 2011	
	Canada	Tanzania	**Consolidated**
Current assets	$ 10,464,259	$ 1,700,987	**$ 12,138,418**
Equipment	-	336,452	**336,452**
Exploration and evaluation assets	-	1,490,173	**1,490,173**

		December 31, 2010	
	Canada	Tanzania	**Consolidated**
Current assets	$ 49,234	$ (76)	**$ 49,158**
Mineral properties	1	941,174	**941,175**
Equipment	-	1,294	**1,294**

13. LOSS PER SHARE

The calculation of basic and diluted loss per share for the period is based on 13,796,963 (2010 – 3,291,665) weighted average number of common shares, basic and diluted outstanding as of December 31, 2011.

14. 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 year ended December 31, 2011.

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.

Expressed in Canadian Dollars

15. FINANCIAL INSTRUMENTS

a) Categories of financial assets and liabilities

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

Account	Category	**Dec. 31, 2011**	Dec. 31, 2010
Cash	Financial assets at fair value through profit and loss	**$ 11,922,560**	$ 3,364
HST/GST receivable	Loans and receivables	**83,637**	38,539
Accounts receivable	Loans and receivables	**-**	7,255
Accounts payable and accrued liabilities	Other financial liabilities	**826,293**	1,495,693
Loans payable	Other financial liabilities	**-**	1,086,042
Due to related parties	Other financial liabilities	**-**	60,000

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
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 December 31, 2011, and December 31, 2010, with the exception of cash, which is measured as level 1.

16. 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.

16. FINANCIAL INSTRUMENT RISKS - continued

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 December 31, 2011. As at December 31, 2011, $83,637 (2010 - $38,539) 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 December 31, 2011, the Company had cash of $11,922,560 (2010 - $3,364) to settle current liabilities of $826,293 (2010 - $2,641,735). 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 interest rates, foreign currency exchange rates, and commodity prices.

(i) 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.

(ii) 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 December 31, 2011, 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.

(iii) 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.

Expressed in Canadian Dollars

17. 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.

18. 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, 2010, the Company received advances from related parties by virtue of common directors at the time of $60,000. The loans were repaid during the year ended December 31, 2011. Payables to related parties did not bear any interest, were unsecured and had no specific terms of repayment.

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 8 and 9(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.

b) Key management personnel compensation

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

	Year ended Dec. 31,2011	Year ended Dec. 31, 2010
Consulting fees	**$ 93,578**	$ -
Management fees	**414,274**	311,227
Director’s fees	**24,347**	
Stock based compensation	**191,092**	-
Total compensation	**$ 723,291**	$ 311,227

Of the $414,274 in Management fees, $90,666 remains in accounts payable (2010 - $302,698).

19. POST-REPORTING DATE EVENTS

On January 19, 2012, the Company granted stock options to its directors, officers, consultants and employees for the purchase of up to 1,040,000 common shares, exercisable at a price of $1.00 per share until Janury 14, 2015.

On February 21, 2012, the Company announced that it completed the closing of non-brokered private placement by issuing 1,402,000 units of the Company (the "Units") at a price of $1.00 per Unit. Each Unit consists of one common share and one half of one common share purchase warrant ("Warrant"). Each Warrant is exercisable into one common share at a price of $1.75 on or before December 29, 2014. In connection with the private placement, the Company paid commissions of $86,800 in cash and the issuance of 7,490 Units, and 94,290 non-transferable broker warrants ("Broker Warrants"). Each Broker Warrant entitles the holder to purchase one common share at a price of $1.00 and is valid for two years. In addition, the Company issued 26,940 Units as an overriding finder's fee.

Subsequent to December 31, 2011, 878,175 of Company's warrants were exercised for gross proceeds of $725,358.

20. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements for the year ending December 31, 2011 are the Company's first annual consolidated financial statements prepared in accordance with IFRS.

IFRS accounting policies are presented in Note 3 and have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information for the year ended December 31, 2010 and the preparation of an opening IFRS balance sheet on the Transition Date, January 1, 2010.

Guidance for the first time adoption of IFRS is set out in IFRS 1, First Time Adoption of International Financial Reporting Standards, which provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company has elected to apply the following IFRS 1 optional exemptions:

a) Optional exemptions

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Cumulative translation differences

IFRS 1 permits cumulative translation differences to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21. The effects of changes in foreign exchange rates, from the date a subsidiary or equity method investee was formed or acquired. The Company elected to reset all cumulative translation differences to zero to opening retained earnings at its transition date.

20. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

b) Reconciliations of pre-changeover Canadian GAAP Equity and Comprehensive Income to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The transition from Canadian GAAP to IFRS had no effect on the equity, comprehensive income and reported cash flows of the amounts previously reported by the Company in accordance with Canadian GAAP at December 31, 2011, December 31, 2010, and January 1, 2010

There are no differences between Canadian GAAP and IFRS in any of the account balances at December 31, 2011, December 31, 2010, and January 1, 2010, therefore the Company did not present a reconciliation of Canadian GAAP and IFRS differences.