TEMBO GOLD CORP
(Formally Lakota Resources Inc.)

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2012

**Date of Report: August 23, 2012**

## General

The following Management's Discussion and Analysis ("MD&A") of Tembo Gold Corp. (the "Company" or "Tembo") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2012 with a comparative period for the year ended December 31, 2011, and the notes thereto. The Company's condensed consolidated interim financial statements have been prepared in accordance with International financial reporting standards ("IFRS"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of August 23, 2012, and all information is current as of such date. Readers are encouraged to read the Company's public information filings on SEDAR at www.sedar.com.

This discussion provides management's analysis of Tembo's historical financial and operating results and provides estimates of Tembo's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, reliance should not be placed on forward-looking statements. Tembo's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, if any, that Tembo will derive there from. Tembo disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable law.

## Corporate Overview

Tembo Gold Corp. (formally Lakota Resources Inc.) (the "Company" or "Tembo") was incorporated on March 3, 1937 under the laws of the Province of Ontario, Canada. The principal business of Tembo is the acquisition, exploration and development of gold resource properties in Tanzania, East Africa. The company's flagship asset is the Tembo gold property located in the prolific Lake Victoria goldfield district, a geological terrain and mining belt hosting several multi-million ounce gold deposits.

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.

(Formally Lakota Resources Inc.)

## Overview of Significant Corporate Events

In 2009 the Company was unable to complete its annual financial statements for the 2008 financial year, and on May 19, 2009, the Ontario Securities Commission ("OSC") imposed a cease trade order on the shares of Lakota and the TSX Venture Exchange delisted the shares from trading on July 13, 2009. Shortly after the OSC cease trade order, British Columbia Securities Commission and Alberta Securities Commission issued their cease trade orders.

On October 28, 2009, the Company announced that all of the directors and management resigned and were replaced by Mr. Paul Conroy, Mr. Raymond Hodgkinson and Mr. Derek Batorowski. Mr. Paul Conroy has been appointed President and Chief Executive Officer of Lakota.

The replacement of the board and management was completed in conjunction with the completion of a loan agreement between Lakota and BEC International Company ("BEC"), in order to allow Tembo to complete proposal proceedings pursuant to the Bankruptcy and Insolvency Act (Canada) (the "BIA"), and to allow the Company to continue its operations. The Company successfully completed restructuring proceedings under the BIA on October 8, 2009. BEC is a Saskatchewan-based investment firm that owned approximately 9% of the shares of Lakota. BEC advanced a total of $1,300,000 to the Company. This loan was repaid by issuance of Company's common shares.

Given its severe financial difficulties, on August 4, 2009, the Company initiated proposal proceedings pursuant to the BIA with the intention of selling all or substantially all of its assets to Whippoorwill Holdings Limited and utilizing the proceeds to advance a proposal to its creditors to compromise their claims (the "Original Proposal"). At the time the Original Proposal was advanced, Farber & Partners Inc. was appointed as proposal trustee (the "Trustee") of the Company pursuant to the BIA. The Original Proposal would have resulted in a significant loss for creditors and would have left the Company with no assets, effectively wiping out the shareholders.

In August, 2009, after learning of the Original Proposal, BEC offered to make the BEC Loans available to Lakota to enable it to make what BEC was certain was a superior BIA proposal (the "BEC Proposal") to Lakota's creditors. The BEC Proposal provided for, among other things, the completion of the BEC Loans in an amount sufficient to allow distributions to Lakota's creditors in an amount greater than that provided for in the Original Proposal. The BEC Proposal also contemplated the replacement of the board and management of the Company. Most importantly, it allowed Lakota to retain all of its assets.

Lakota was eventually persuaded that the BEC Proposal was both superior to the Original Proposal and capable of being implemented in a timely fashion. Lakota therefore terminated its arrangements with Whippoorwill Holdings Limited and agreed to take the BEC Proposal to Lakota's creditors. At a meeting of Lakota's creditors on August 27, 2009, a sufficient double majority (as required under the BIA) of the creditors of the Company voted in favour of the BEC Proposal. Approval of the BEC Proposal was obtained from the court on September 14, 2009.

The BEC Proposal contemplated a compromise of the claims of all creditors of Lakota (other than the BEC Loans, the claims of certain government creditors, and the claims of professionals for their fees associated with the proposal proceeding). All such creditors would be paid a distribution and their claims against Lakota will be extinguished. The BEC Loans are secured by all of the assets of Lakota, including the shares of its Tanzanian subsidiaries.

On October 8, 2009 the Trustee issued a Certificate of Full Performance on Proposal to certify that Lakota fully satisfied all of its requirements in the restructuring proceedings under the BIA. Following that date, the Trustee has been engaged in dealing with Lakota's creditors, and recently, has made significant distributions to all Lakota creditors with proven claims in the BIA restructuring.

On January 20, 2011, the Company filed its audited consolidated 2008 and 2009 annual financial statements together with the related interim reports up to and including September 30, 2010. The Company has also filed applications with the securities commissions of Alberta, British Columbia and Ontario to have the cease trade orders revoked. In addition, the Company has filed a technical report pursuant to National Instrument 43-101, Standard of Disclosure for Mineral Projects.

On June 10, 2011, the Company announced that all cease trade orders previously issued against the Company have been revoked by the relevant provincial securities regulators.

On July 15, 2011, the Company announced that its directors and officers resigned and Messrs. David Scott, David Anthony, Marc Cernovitch, Pierre Jullien, Robert Sedgemore and Colin Taylor were appointed to the Board of Directors. The new Board of Directors appointed Mr. David Anthony as Chairman, Mr. David Scott as President and CEO, Mr. John Seaman as CFO, Mr. Nick DeMare as Corporate Secretary and Mr. Marc Cernovitch as Vice President, Business Development. The shareholders of the Company approved these appointments at the Annual and Special Meeting held on August 31, 2011. The new team brings years of Tanzanian gold exploration and operations to the Company. In conjunction with the appointment of the new management, the Company also completed a private placement of 9,595,000 of its common shares to new management and other investors at a price of $0.18 per common share for gross proceeds of $1,727,100.

On July 28, 2011, the Company announced the completion of shares for debt settlement. As a result of this settlement, the Company settled $1,545,000, including the $1,300,000 owed to BEC, of its liabilities in exchange for the issuance of an aggregate of 8,583,333 common shares.

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"). In addition, the Company issued 259,053 FF Warrants to the related parties. All warrants are exercisable into common shares at a price of $0.81 per common share for a period of two years.

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.

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.

Having met all the requirements of the TSX Venture Exchange's ("TSXV") conditional listing approval issued on December 21, 2011, the Company's common shares were listed on the TSXV on February 22, 2012 under the symbol "TEM". The TSXV issued its Final Exchange Bulletin on February 21, 2012, confirming the Company status as a Tier 1 Mining Issuer.

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## Operational Highlights Q2 2012

### EXPLORATION ACTIVITIES

The Company's main asset is the Tembo Gold Project in northwest Tanzania that comprises 38 contiguous Prospecting Licenses and license applications covering approximately 110km$^2$. The Company's wholly owned Tanzanian registered subsidiaries are the sole 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 volcanic and sedimentary rocks that have been intruded by a variety of Archean granitic plutons as well as younger dolerite dykes and possible kimberlites.

On February 20, 2012, the Company filed a NI 43-101 compliant report, "Report on the Tembo Gold Project", revision dated January 18, 2012, available on SEDAR at www.sedar.com. The report recommended that a staged, success contingent, gold focused exploration program be implemented in order to test the Bulyanhulu shear and to further test other gold anomalous zones on the property. The estimated cost of the first stage drilling program is $US 6,421,000.

During the fourth quarter of 2011, the Company initiated the proposed work program as contemplated in the NI 43-101 report, by collating, re-processing and re-interpreting of all earlier data; airborne magnetics, soil geochemistry, pitting, RAB/aircore, reverse circulation and diamond drilling. While this was underway, initial follow-up reconnaissance mapping was initiated and a Laser Imaging, Detection and Ranging ("**LIDAR**") survey was contracted to provide a better understanding and definition of the extent of artisanal mining activity within the property boundary. To support the Company's own technical team, Mineral Company, an experienced and trustworthy exploration contractor, was recruited in order to provide the geological personnel and expertise for the project, including database management.

RC and diamond drilling programs conducted prior to 2009 returned excellent results, confirming the presence of high-grade, potentially economic mineralization. These results confirmed the presence of gold in many northwest trending structures that correspond to magnetic lineaments. It is clear that

the geology of the adjacent Bulyanhulu mining license continues to the northwest into the Tembo Project area, and is associated with abundant evidence of gold mineralization.

LIDAR SURVEY

The survey was conducted during fourth quarter of 2011 by AOC Geomatics Pty Limited, Tembo Gold's geological contractors, The Mineral Company, completed the interpretation and final processing. The survey provided high-resolution color ortho-rectified imagery and a digital elevation model with a 10 cm ground resolution of the area. The purpose of the survey was to provide the project with a baseline dataset of the topography and infrastructure, define the extent of artisanal workings, and assist in the identification of individual pits and shafts within the mining areas.

The outputs of the LIDAR survey reveal the full extent of the artisanal mining on the Tembo project. Comparisons with earlier data clearly demonstrate a close spatial relationship between gold in soils and surface regolith, linear magnetic structures and extensive artisanal mining. The lateral extent of hard rock mining activity is no less than 11km, with individual workings generally extending 500 m to 1,500 m in strike length. This hard rock mining activity is present along approximately 10% of the potential target structures corresponding with and reflected in the magnetic lineaments. Most importantly the artisanal activity is also focused along northeast and east-west trending structures.

The restrictions inherent in the largely covered nature of the terrain, up to 10m in places, dictates drilling as the primary exploration tool to test those structures that have been currently and historically mined, as well as their extensions and the many sub-parallel and conjugate structures that have not been mined and untested.

The survey interpretation and follow-up field mapping has revealed two prominent domains of identifiable artisanal gold mining;

- North of Nyakagwe Hill
- Between Nyakagwe Hill and the Bulyanhulu River

Within each of these domains there are at least three distinct orientations of gold mineralized structures;

- 060-075°, northeast-southwest
- 290-315°, northwest-southeast
- 080-115°, east-west.

A total of 11,100 pits and shafts have been identified of greater than 20 cm in depth, with 2,868 of these shafts down to bedrock and having workings varying in depth to 90 m. Average depth of mining is understood to be between 30 m and 50 m, the most important constraint being the ground water level and seasonal flooding.

Resulting from the collation of this LIDAR imagery and the historical exploration results, seven principle targets have been identified for drilling during 2012. These are:

- **Ngula 1**. A southern and northern area of east-west trending workings set 300m apart having a combined strike length of more than 2 km.

- **Ngula 2**. Three separate artisanal workings all on a northeast trend with a combined 900m of strike.

- **Nyakagwe East**. Four closely spaced (within 90m of each other) parallel workings with a combined strike of approximately 1.7km.

- **Nyakagwe Village**. A single zone with semi-continuous mining over a strike 1.7km along an east-west trend and a second area of mining of about 300 m along a possible north-south trend.

- **Mgusu**. A complex of east west, northeast and southeast trending intersecting structures totaling 3.1km.

- **Buly Trend**. The northwest trending Bulyanhulu structure magnetic lineament, host to Reef 1, extends for 1.3km onto the Tembo project and has approximately 250m of artisanal mining in hard rock associated with it.

- **Iyenze**. This Buly parallel structure has a 500m artisanal working straddling the Bulyanhulu-Tembo boundary with a magnetic lineament that extends for some 1.5km onto the Tembo project.

The information generated by the data review and LIDAR interpretation has provided the motivation for an extensive drilling program for the 2012 exploration year. A combined 90,000 meters of reverse circulation and diamond drilling on seven primary targets is planned. Drilling is currently underway with five diamond drill rigs and three reverse circulation drill rigs deployed. The Company is confident that it is targeting mineralization from the outset and anticipates conducting ore body modeling and gold deportment studies at key milestones in the future.

GRAB SAMPLES

A total of 32 artisanal shafts from various areas on current drill target areas were accessed and sampled in September 2011. A 20kg sample was taken across the full width of the current working face and sent to SGS Johannesburg for QEMSCAN analysis. The sampling was restricted to only safe and accessible shafts and there was no geological control as to whether the face was on ore or not. As these samples were not physically taken under controlled conditions, they must be considered as grab samples. Grades ranged from less than 0.5g/t gold to 58.47g/t gold, providing confidence in the information that artisanal miners are extracting ore at grades between 5g/t gold and 25g/t gold.

Study of the material being removed from the artisanal workings suggests the nature of the geology of the zones being mined as mineralized brittle-ductile style shear structures with gold hosted in sulphide disseminations, stringers and masses within smokey black to white quartz veins, and sheared country rock consisting of mafic metavolcanic rocks. This is very similar in nature to the ore mined at the neighboring Bulyanhulu Mine of African Barrick Gold. The nature of these structures and the style of deformation, veining and mineralization provide encouraging indications that the mineralized zones at the Tembo Project are robust structures with strike lengths from 500 - 1,500 m (11 km in total), as evidenced by the extent of artisanal mining activity.

The tests indicate that gravity recovery plus direct cyanidation would be an effective method to recover the gold. The results indicate expected CIL recovery ranging from 86.13% to 96.64%. Direct cyanidation of the head samples indicates high gold recovery between 87.3% and 98.9%

EXPLORATION RESULTS

A phased drilling program was designed for the Project comprising approximately 115 diamond holes (27,500m) and 470 RC holes (60,000m). RC and diamond drilling commenced on Ngula 1 in January 2012, and at the time of writing holes had been drilled on all the proposed targets.

**Ngula 1.** Forty-nine diamond and ninety-three RC holes were planned for this target (Table 4). At the time of writing, sixteen diamond and thirty-six RC holes had been completed, 3,415m and 5,113m respectively.

On March 13, 2012 the Company announced the first assay results from its initial drilling at the Tembo Project.

Drilling at the first target, Ngula 1, consisted of 12 drill-holes, 6 reverse circulation and 6 diamond drill holes on alternate section lines 100m apart along a 500m strike length. The goal of the drill program was to test for multiple mineralized structures at 50m and 100m depths beneath artisanal workings. Further drill holes have continued to test the structures associated with this target and on June 7, 2012 further results were announced.

Highlights of drilling results at Ngula 1 include:

- TDD0004: 3.13g/t Au over 25.89m including 8.87g/t Au over 3.89m;
- TDD0005: 10.76g/t Au over 4.00m, including 93.3 g/t Au over 0.38m and;
- TDD0012: 8.6g/t Au over 0.98m from 171.92m;
- TDD0054: 8.90g/t over 9.00m from 116.95m
- TRC0013R: 17.23g/t Au over 4.00m, including 48.8g/t Au over 1.00m from 19.00m and 13.00g/t Au over 1.00m from 104m;
- TRC0014: 19.80g/t Au over 1.00m from 114.00m and 10.00g/t over 1.00m from 122.00m.

The initial drilling targeted a southern dominant east-west structure at 50 m and 100 m depths, with all holes being extended to between 200 m and 300 m in order to intersect a second east-west structure and test for potential deeper structures. All drill holes were drilled at -60° inclination to the north as initial interpretation of artisanal workings suggested that mineralization dips steeply to the south.

At this locality drilling core structural analysis suggests that three structural directions (east-west, northwest, and northeast) are mineralized, with two sub-parallel east-west zones of artisanal mining intersecting northwest and northeast zones within the target area. Multiple intersections indicate that many of the identified structures are gold bearing. The wide mineralization (3.13g/t Au over 25.89 m of core length) encountered in TDD0004 reinforces the possibility of encountering wide lower grade potentially open pittable resources in addition to the high grade narrow structures typical of the nearby Bulyanhulu mine of African Barrick Gold.

**Ngula 2.** Surface geological mapping and a review of the artisanal mining indicate the possibility of more than one trend. To test this possibility, four diamond holes were planned from the same location in the middle of the artisanal workings, approximately orthogonal to potential mineralized trends. An additional 26 diamond holes were tentatively planned on northwest trending lines. At the time of writing, the initial 4 diamond holes have been completed (1 179m) but returned no significant results.

**Nyakagwe East.** Extensive artisanal mining with numerous shafts in excess of 20m characterizes Nyakagwe East. Historic diamond and RC drilling returned significant gold intersections from two sub-parallel, northwest-southeast trending mineralized, zones. The planned drilling program included approximately 32 diamond holes to be drilled to intersect these sub-parallel mineralized zones. The planned program also included six fence lines comprising 123 RC holes to intersect potential continuation along strike. Seven diamond (2 147.32m) and 30 RC (3 565.00m) have been completed.

In the current Phase 1 program, eight diamond drill holes totaling 2,445m targeted an extensive area of artisanal mining along a northern and southern set of structures, both of which were previously drilled in 2008. In addition 38 reverse circulation holes totaling 4,503m have been drilled. All holes along strike of the known structures consistently intersected gold mineralization and the zones are considered to be open along strike and down dip and warrant further follow-up drilling. The recent drilling identified 1,000m of mineralized strike length with grades as high as 61.80 g/t gold. All diamond drill holes encountered gold mineralization along a principle structure with multiple gold bearing structures identified in several holes at depth.

**Nyakagwe East Drill Highlights:**
**2012 Drill Results**

1.10 TDD0019: 4.69g/t gold over 1.67m from 67.35m
2.10 TDD0029: 61.80g/t gold over 0.68m from 277.24
3.10 TDD0030: 2.62g/t gold over 3.29m from 48.21m
4.10 TDD0104: 4.72g/t gold over 2.11m from 66.80m
5.10 TRC0233: 5.66g/t gold over 1.00m from 84.00m
6.10 TRC0234: 5.46g/t gold over 2.00m from 109.00m
7.10 TRC0347: 6.48g/t gold over 2.00m from 8.00m

**Historical 2008 Diamond Drill Results**

1.4 DD001: 10.25g/t gold over 3.50m from 38.50m
2.4 DD004: 2.45g/t gold over 4.72m from 87.03m
3.4 DD005: 9.73g/t gold over 3.40m from 81.94m
4.4 DD008: 2.65g/t gold over 3.60m from 84.00m
5.4 DD009: 2.07g/t gold over 3.26m from 142.19m
6.4 DD011: 10.4g/t gold over 1.50m from 45.10m and 2.05 g/t gold over 2.50m from 57.95m
RC056: 36.70g/t gold over 1.00m

**Nyakagwe Village** Fourteen diamond holes were planned to investigate the open pit exploited by artisanal miners. Six holes have been completed and results are awaited.

**Mgusu.** Mgusu encompasses the southern slopes of Nyakagwe Hill and a number of dispersed artisanal workings. Four RC fence lines were planned through these areas of artisanal workings to identify trends interpreted from the airborne geophysics. Drilling has commenced.

**Iyenze/Bulyanhulu.** The area was historically defined by elevated gold grades in soil sampling and RC drilling. Abandoned artisanal workings are present within the target area. This target is on the boundary of the Bulyanhulu Gold Mine license area and may be an extension of the prospective geology.

An RC drilling program consisting of four lines of two holes each was planned to intersect the interpreted geophysical trends. Four further lines of fence holes to identify further mineralized structures would complete the RC drilling program. A total of 103 heel-toe RC holes were planned.

All drill core is being oriented using a Reflex instrument to facilitate structural logging and analysis. Preliminary indications are that mineralization may be associated with north and south dipping structures and as such additional diamond drill-holes have been planned from the north to improve the intersection angle through structures with a northern dip and provide additional 3-D information.

**FOLLOW-UP DRILLING PROGRAM**

The Company plans to continue testing the targets identified and to further test the zones at Ngula 1 and Nyakagwe East along which significant drill intersections were achieved during the Phase 1 drilling program. The focus will be to test the lateral extent and depth continuity of mineralization at both targets. Drilling will continue to test the extensive areas of artisanal mining activity at Mgusu, Nyakagwe Village and Ngula 2 with diamond drilling, and test the Buly trend and Iyenze targets with reverse circulation drilling.

**PROSPECTING LICENSES**

The Company currently has 33 active licenses and 5 prospecting license applications under consideration, together covering an area of approximately 110km$^2$. Most importantly, most of the greenstone geological area within the project boundary and all of the Company's priority targets for the 2012 exploration program and future potential targets are now included in the active PL area.

## Quality Control & Assurance

Reverse circulation chip and diamond drill core sampling is conducted under NI 43-101 quality assurance and quality control reporting standards. QA/QC procedures include the insertion of alternate gold standard and blank samples into the sample stream as every twentieth sample by Tembo geologists. Duplicate analytical determinations are conducted on all sample pulps where the original assays are greater than 0.5g/t Au. Gold analysis is completed at the SGS Laboratory in Mwanza, Tanzania, an accredited affiliate company of the SGS Group. A Chain of Custody protocol for the handling of samples from the Project to the laboratory is rigorously followed.

## Results of Operations

The following table provides selected financial information and should be read in conjunction with the Company's audited consolidated financial statements for the periods below.

| | Year ended December 31, 2011 $ (Under IFRS) | Year ended December 31, 2010 $ (Under IFRS) | Year ended December 31, 2009 $ (Under CDN GAAP) |
|---|---|---|---|
| **Operations** | | | |
| Total revenue | 82,897 | 30,628 | 45,126 |
| Loss for the year | 1,530,021 | 713,379 | 882,283 |
| Basic and diluted loss per share | 0.11 | 0.22 | 0.01 |
| **Balance Sheet** | | | |
| Working capital | 11,338,953 | (2,592,577) | (1,889,515) |
| Total assets | 14,301,246 | 991,627 | 1,057,135 |
| Total liabilities | 826,293 | 2,641,735 | 1,993,864 |

The year ended December 31, 2011 was the fourth reporting period completed using International financial reporting standards ("IFRS"). Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP.

## Summary of Quarterly Results

The following table sets out selected quarterly financial data for the most recently completed interim quarters:

| | 2012 | 2012 | 2011 | 2011 | 2011 | 2011 | 2010 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Quarter | Second | First | Fourth | Third | Second | First | Fourth | Third |
| | ($) | ($) | ($) | ($) | ($) | ($) | ($) | ($) |
| Revenue | 29,502 | 45,000 | 39,552 | - | - | 43,345 | - | - |
| Operating Expenses | 1,245,645 | 991,568 | 862,875 | 482,429 | 59,386 | 208,228 | 391,625 | 117,313 |
| Loss from operating activities | (1,245,645) | (946,568) | (823,026) | (482,429) | (59,386) | (165,180) | (408,625) | (117,313) |
| Comprehensive loss | (1,393,498) | (2,123,235) | (823,026) | (482,429) | (59,386) | (165,180) | (408,625) | (117,313) |
| Net loss per common share (basic and diluted) | (0.01) | (0.05) | (0.02) | (0.04) | (0.02) | (0.03) | (0.13) | (0.03) |

## Overall Performance

The comprehensive loss for the six months ended June 30, 2012 was $3,516,733 as compared to the comprehensive loss of $224,566 in the same period of the previous year. The reason for the significant increase in operating expenses is that during the first half of 2011, the Company had limited operations as management worked towards re-listing of the Company's common shares. During the second half of 2011, the Company successfully completed necessary steps to achieve its re-listing in the first quarter of 2012, and ultimately to continue with its exploration program on the Tembo Project.

The Company recorded $29,502 in investment income and $45,000 in option payments during the six months ended June 30, 2012 compared to $43,048 in option payments during the same period in the previous year.

Operating expenses were $2,237,213 during the six months ended June 30, 2012 which were $1,998,251 higher compared to the same period in the previous year. Most expense categories were higher during the current year which is reasonable given the increase in operating activities year over year. The significant changes included: stock-based payments of $844,910 for the six months ended June 30, 2012 compared to $nil in the same period of the previous year; office overhead and corporate expenses were increased from $41,709 to $669,114; salaries and wages was increased from $8,140 to $199,806, management fees was increased from $23,025 to $216,122; travel expense was increased from $4,123 to $146,946 and depreciation cost increased from $nil to $35,216. During the six months ended June 30, 2012, the foreign exchange – CDN operations was a credit of $112,042 compare to a debit of $21,873 in the same period of the previous year.

## Exploration and evaluation assets

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

| | Tembo Project |
|---|---|
| Balance, December 31, 2010 | $ 941,175 |
| Additions: | |
| Exploration | 69,951 |
| Technical services | 256,957 |
| Drilling | 566,332 |
| Travel | 46,507 |
| Field office | 40,208 |
| Total additions | $ 858,373 |
| Balance, December 31, 2011 | $ 1,799,548 |
| Additions: | |
| 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** |

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.

**JOINT VENTURE AND OPTION AGREEMENTS**

Tembo Project, Bulyanhulu Area, Tanzania

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 mie (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.

On October 1, 2004 the Company entered into an option agreement with a Tanzanian national, whereby the Company has the right to acquire a 100% interest in PL's 2296, 4576, 3343, and 4080 by making payments of US$78,000 over three years (US$78,000 paid), a payment of US$100,000 on commencement of commercial production and production payments equal to 1% NSR. The Company has an option to purchase the NSR interest for US$1,000,000.

On July 19, 2006 the Company entered into an agreement with Nyati Resources Ltd. for the purchase of three Primary Mining Licenses ("PML"'s) for a total consideration of US$75,000 (paid) and 100,000 (issued) common shares of the Company. Nyati Resources Ltd. is owned by a director of the Company's Tanzanian subsidiary, Lakota Resources (T) Limited.

The Company, through one of its Tanzanian subsidiaries, Bemuda Limited, holds a 100% interest in PL 2178/2003 at Tembo. A previous royalty agreement between the Company and a third party was terminated in consideration of the following cash payments: US$50,000 (paid), US$250,000 upon a production decision being made, and a total of US$4,750,000 in staged cash payments based on actual gold production - US$250,000 on an aggregate of 250,000 ounces, US$1,000,000 at 1.0mm ounces, US$1,500,000 at 1.5mm ounces, and US$2,000,000 at 2.0mm ounces. There are no current mining operations on this PL.

On January 29, 2007 the Company entered into an arms-length option agreement with a Tanzanian national, whereby the Company has the right to acquire a 100% interest in one PML (PML#1081) by payments of US$11,000 and the issuance of 10,000 common shares of the Company over a period of three years, subject to regulatory approval. Once the Company has made payments and issued the shares, the vendor will deliver documents to allow the PML to be surrendered to the Company. The terms of the agreement called for a payment of US$2,000 on signing (paid) and payments of US$2,500 (paid), US$3,000 and US$3,500 on the first, second and third anniversary dates. Also, the Company

was required to issue, upon regulatory approval, 3,000 common shares of the Company (issued) at a deemed price of $0.23 and to issue on the first, second and third anniversary dates 2,000 (issued), 2,500 and 2,500 common shares respectively.

Ikungu, Tanzania

The Ikungu project is in the fourth year of an option agreement with MDN Inc., where by MDN Inc. can earn up to a 70% interest in the project by making cash payments totaling US$215,000 and spending US$4,000,000 on the property within seven years. The first US$2,000,000 of exploration expenditures earns MDN Inc. a 60% interest and the second US$2,000,000 may earn an incremental 1% for each US$200,000 spent to a maximum of 70% interest in the property.

In October of 2010 MDN advised the Company that an initial expenditure in the amount of US$2,000,000 had been incurred, and on August 12, 2011 advised that a further US$2,000,000 had been expended and that MDN has therefore earned a 70% undivided interest in the property. The Company has elected not to participate in a joint venture on the property and contribute to further proposed exploration. In terms of the agreement with MDN, should MDN continue to explore the property and incur expenditure, the Company’s interest will be diluted. Once this dilution has reduced the Company’s interest to less than 10% the Company will be deemed to have withdrawn from the agreement and the remaining interest will be converted a Net Proceeds of Production royalty interest of 3%.

**Liquidity and Capital Resources**

The Company's cash and cash equivalents balance was $426,175 at June 30, 2012 compared to $11,922,560 at December 31, 2011. As at June 30, 2012 the Company also held $4,608,585 in guaranteed investment certificates. Current assets at June 30, 2012 were $5,297,424 compared to $12,165,246 at December 31, 2011 and total assets at June 30, 2012 were $14,699,644 compared to $14,301,246 at December 31, 2011.

*Operating Activities*

For the six months ended June 30, 2012, the Company used $1,213,021 in cash related to operating activities. The most significant non-cash charges to earnings include share-based payments of $844,910 and foreign exchange differences on translation of foreign operations $974,840. For the six months ended June 30, 2012, the majority of the cash used in operating activities can be attributed to funding of day to day operations.

*Investment Activities*

During the six months ended June 30, 2012, cash provided by investment activities was $12,132,565. There was no investment activities during the same period of the previous year. This change is a result of higher spending on exploration and evaluation assets, purchase of investments and purchase of equipment. The Company does not believe it is exposed to any material liquidity risks in relation to its investment activities.

*Financing Activities*

For the six months ended June 30, 2012, the Company generated cash of $1,849,201; this was attributed to net proceeds from the private placements completed during the period, and funds generated from the exercise of options and warrants.

## Segment reporting

| | As at June 30, 2012 | | |
|---|---|---|---|
| | **Canada** $ | **Tanzania** $ | **Consolidated** $ |
| Current assets | 5,040,580 | 256,844 | **5,297,424** |
| Equipment | - | 345,716 | **345,716** |
| Exploration and 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** |
| Exploration and evaluation assets | 309,375 | 1,490,173 | **1,799,548** |

## Outstanding share data

*Common Shares*

The Company's shares are listed on the TSX Venture Exchange under the symbol "TEM". Authorized share capital consists of an unlimited number of common shares without par value. As at August 23, 2012, 41,229,013 common shares were issued and outstanding.

*Warrants*

The following table reflects the share purchase warrants outstanding as at August 23, 2012:

| Expiry Date | Exercise Price | Warrants Outstanding |
|---|---|---|
| September 16, 2013 | 0.81 | 1,713,181 |
| November 22, 2013 | 1.00 | 191,678 |
| December 29, 2013 | 1.00 | 108,343 |
| February 17, 2014 | 1.00 | 63,830 |
| November 22, 2014 | 1.75 | 3,457,500 |
| December 29, 2014 | 1.75 | 3,021,750 |
| | | 8,556,982 |

*Stock Options*

The following table reflects stock options that have vested as at August 23, 2012:

| Expiry Date | Exercise Price | Options Granted | Options Vested |
|---|---|---|---|
| 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 |
| | | 4,084,000 | 4,084,000 |

## 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 Fees | **15,000** | 24,347 |
| Share-based compensation | **688,643** | 191,092 |
| Total | **$952,195** | $723,291 |

## Commitments

According to a royalty agreement related to the Tembo property, a US$250,000 payment is due upon a production decision being made, 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 September 30, 2011 the property does not contain any mining operations.

Based on an option agreement related to the Tembo property, the Company has an option to acquire 100% interest in one 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.

## Financial Instruments

Financial instruments consist of cash and cash equivalents, investments, accounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the short term to maturity, unless otherwise noted.

## Risk Factors

An investment in the Company involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating the Company and its business before making any investment decision in regards to the common shares of the Company. The Company's' business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not presently known to us may also impair business operations.

*Exploration and Mining Risks*
The Company is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position.

The Company relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

*Financing Risks*
The Company is limited in financial resources, and as a mineral exploration company has no source of operating cash flow. The Company has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfill our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future, or that the terms of such financing will be favourable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties.

*Regulatory Requirements*
Even if our mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Company may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

*Uninsurable Risks*
In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

*No Assurance of Titles*
It is possible that any of our properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

*Permits and Licenses*
The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at our projects will be granted.

*Competition*
The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Company for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing our investment capital.

*Environmental Regulations*
Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

*Stage of Development*
The Company is in the business of exploring for, with the ultimate goal of producing, mineral resources from our mineral exploration properties. None of our properties have commenced commercial production and we have no history or earnings or cash flow from our operations. As a result of the foregoing, there can be no assurance that we will be able to develop any of our properties profitably or that our activities will generate positive cash flow. We are unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of our management in all aspects of the development and implementation of our business activities.

*Markets for Securities*
There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

*Reliance on Key Individuals*
Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

*Geopolitical risks*
The Company may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Company cannot be predicted. Any changes in regulations or shifts in political attitudes that may result, among other things, in significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of the Company and may adversely affect its business. The possibility that future governments may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

## Financial instruments 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 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 dollar. Changes in the currency exchange rates between the Canadian dollar relative to the U.S dollar 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 approximately CDN$76,500

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

## 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<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 426,175 | | | 426,175 |
| Investments | 4,608,585 | | | 4,608,585 |
| | 5,304,760 | | | 5,304,760 |

## Off-Balance Sheet Arrangements

The Company has not participated in any off-balance sheet or income statement arrangements.

(Formally Lakota Resources Inc.)

## Changes in Internal Control Over Financial Reporting ("ICFR")

No changes occurred in the current period of the Company's ICFR that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

## Controls and Procedures

In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Company's management, including Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have evaluated the operating effectiveness of the Company's internal control over financial reporting. Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under, the supervision of, the CEO and CFO and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2012. Based on this assessment, management believes that, as of June 30, 2012, the Company's internal control over financial reporting is designed effectively.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding annual and interim financial statement disclosure. Management believes these disclosure controls and procedures have been effective during the period ending June 30, 2012

### Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com, or on the Company's web-site at www.Tembogold.com.

Mr. David Scott, Pr. Sci. Nat., President and CEO of Tembo Gold Corp. is the Qualified Person for the information contained in this MD&A and is a Qualified Person defined by National Instrument 43-101.

(Signed) John Seaman
Chief Financial Officer

Thunder Bay, Canada
August 23, 2012