PACIFIC WILDCAT RESOURCES CORP.

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PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)

December 31, 2011

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Independent Auditor's Report

To the shareholders of Pacific Wildcat Resources Corp.

We have audited the accompanying consolidated financial statements of Pacific Wildcat Resources Corp. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2011, December 31, 2010 and at January 1, 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 financial statements that are free from material misstatement, 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 International Financial Reporting Standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 presentation of the financial statements.

We believe that the audit evidence we have obtained 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 Pacific Wildcat Resources Corp. and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit of $6,323,860. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO Canada LLP"
Chartered Accountants

April 30, 2012

Pacific Wildcat Resources Corp.
December 31, 2011
Expressed in Canadian Dollars

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PACIFIC WILDCAT RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Expressed in Canadian Dollars
For the year ended December 31, 2011

	Note	December 31 2011	December 31 2010	January 1 2010
ASSETS				
Current				
Cash and cash equivalents	5	$ 4,331,693	$ 1,138,502	$ 642,430
Receivables	6	62,658	13,125	3,337
Prepaids		431,324	136,824	13,632
		4,825,675	1,288,451	659,399
Non Current				
Property, plant and equipment	9	2,328,182	791,183	64,925
Exploration and evaluation assets	7	6,379,558	4,276,948	3,579,328
Interest in Mineral Property Option	8	14,552,732	793,144	-
Total assets		$ 28,086,147	$ 7,149,726	$ 4,303,652
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Trade and other payables	10	$ 669,137	$ 528,420	$ 133,384
Non current				
Deferred income tax liability	15	774,000	367,939	367,939
Total liabilities		1,443,137	896,359	501,323
Shareholders' equity				
Share capital	11	25,098,903	5,151,852	2,320,140
Contributed surplus	11	5,255,495	3,467,689	3,323,726
Shares reserved to be issued		190,000	119,000	72,000
Subscriptions received in advance	21	2,426,425	715,978	-
Accumulated other comprehensive income		(3,953)	(83,290)	-
Accumulated deficit		(6,323,860)	(3,117,862)	(1,913,537)
Total shareholders' equity		26,643,010	6,253,367	3,802,329
Total liabilities and shareholders' equity		$ 28,086,147	$ 7,149,726	$ 4,303,652

Signed on behalf of the Board of Directors by:

"David Paull"
David Paull (Director)

"Darren Townsend"
Darren Townsend (Director)

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

PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Expressed in Canadian Dollars
For the year ended December 31, 2011

	Note		December 31 2011		December 31 2010
Expenses					
Administrative and general	13	$	1,388,325	$	831,420
Depreciation	9		102,044		94,409
Impairment	7		50,930		-
Loss on foreign exchange			11,302		11,620
Stock based compensation	12		1,249,783		277,430
Total expenses			(2,802,384)		(1,214,879)
Other Income					
Interest Income			2,447		10,554
Loss before income tax			(2,799,937)		(1,204,325)
Income tax expense			(406,061)		-
Loss after income tax			(3,205,998)		(1,204,325)
Other comprehensive loss:					
Gain (loss) on reporting currency translation			79,337		(83,290)
Total other comprehensive loss			79,337		(83,290)
Total comprehensive loss for the year		$	(3,126,661)	$	(1,287,615)
Loss per common share basic and diluted		$	(0.03)	$	(0.04)

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

PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in Canadian Dollars
For the year ended December 31, 2011

	Common shares amount	Shares to be issued	Subscriptions received in advance	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2010	$ 2,320,140	$ 72,000	$ —	$ 3,323,726	$ (1,913,537)	$ —	$ 3,802,329
Loss for the year					(1,204,325)	—	(1,204,325)
Exercise of warrants	1,719,530	—	—	(71,023)	—	—	1,648,507
Compensation warrants issued	—	—	—	2,403	—	—	2,403
Exercise of stock options	162,847	—	—	(64,847)	—	—	98,000
Share capital issued	712,996	—	—	—	—	—	712,996
Shares issued for assets	102,597	—	—	—	—	—	102,597
Finance expense	27,042	—	—	—	—	—	27,042
Compensation bonus shares issued	190,000	—	—	—	—	—	190,000
Shares to be issued	—	47,000	—	—	—	—	47,000
Share issue costs	(83,300)	—	—	—	—	—	(83,300)
Stock based compensation	—	—	—	277,430	—	—	277,430
Subscriptions received	—	—	715,978	—	—	—	715,978
Foreign exchange translation	—	—		—	—	(83,290)	(83,290)
Balance, December 31, 2010	$ 5,151,852	$ 119,000	$ 715,978	$ 3,467,689	$ (3,117,862)	$ (83,290)	$ 6,253,367
Loss for the year	—	—	—	—	(3,205,998)	—	(3,205,998)
Exercise of warrants	1,340,021	—	—	—	—	—	1,340,021
Exercise of finders warrants	16,577	—	—	—	—	—	16,577
Agents options exercised	155,819	—	—	(76,883)	—	—	78,936
Agents warrants exercised	1,695	—	—	—	—	—	1,695
Stock options exercised	383,625	—	—	(94,950)	—	—	288,675
Share capital issued	11,470,894	—	(715,978)	—	—	—	10,754,916
Shares issued for Interest in Mineral Property Option	8,170,000	—	—	—	—	—	8,170,000
Share issue costs	(1,591,580)	—	—	—	—	—	(1,591,580)
Shares to be issued	—	71,000	—	—	—	—	71,000
Stock-based compensation	—	—	—	1,249,783	—	—	1,249,783
Subscriptions received	—	—	2,426,425	—	—	—	2,426,425
Fair value of agents options granted	—	—	—	709,856	—	—	709,856
Foreign exchange translation	—	—	—	—	—	79,337	79,337
Balance, December 31, 2011	$ 25,098,903	$ 190,000	$ 2,426,425	$ 5,255,495	$ (6,323,860)	$ (3,953)	$ 26,643,010

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

PACIFIC WILDCAT RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian Dollars
For the year ended December 31, 2011

		December 31 2011		December 31 2010
Cash flows from operating activities				
Loss for the year	$	(3,205,998)	$	(1,204,325)
Adjustments to reconcile loss to net cash used in operating activities:				
Stock based compensation		1,249,783		277,430
Depreciation		102,044		94,409
Share based payments		71,000		322,796
Impairment		50,930		-
Income tax expense		406,061		-
Changes in non-cash working capital balances:				
Trade and other receivables		(49,533)		(130,201)
Trade and other payables		274,526		84,711
Prepaid expenses		(294,500)		84,562
Total cash outflows from operating activities		(1,395,687)		(639,742)
Cash Flows From Investing Activities				
Acquisition of property, plant and equipment		(1,625,143)		(716,848)
Investment in exploration and evaluation assets		(2,066,886)		(757,878)
Interest in Mineral Property Option		(5,589,588)		(643,541)
Total cash outflows from investing activities		(9,281,617)		(2,118,267)
Cash Flows From Financing Activities				
Subscriptions for the issuance of shares		2,426,425		715,978
Issuance of shares		12,480,868		2,488,948
Due to related party		(133,809)		133,809
Share issue costs		(881,772)		(83,300)
Net cash provided by financing activities		13,891,712		3,255,435
Effect of foreign exchange on cash		(21,217)		(1,354)
Increase in cash		3,193,191		496,072
Cash and equivalents, beginning of year		1,138,502		642,430
Cash and equivalents, end of year	$	4,331,693	$	1,138,502

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

1. CORPORATION INFORMATION

Pacific Wildcat Resources Corp. ("PAW" or the "Company") is governed by the Business Corporations Act *(British Columbia)* and is primarily engaged in the acquisition and development of mineral properties located in Africa. The Company is listed on the TSX Venture Exchange, having the symbol PAW.V as a Tier 2 issuer and its corporate office and principal place of business is located at 110 – 2300 Carrington Road, West Kelowna, B.C. Canada, V4T 1G3.

2. BASIS OF PREPARATION

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

This is the first time that the Company has prepared its consolidated financial statements in accordance with IFRS, having previously prepared its consolidated financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 18.

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2012.

These consolidated financial statements have been prepared on the historical cost basis.

The financial statements are presented in Canadian Dollars ("CDN"), which is also the Company's functional currency.

The preparation of 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Company has not generated revenues from its operations to date. The Company incurred a net loss of $3,205,998 during the year-ended December 31, 2011 and, as at that date the Company's accumulated deficit was $6,323,860 which casts material uncertainty and significant doubt over the Company's ability to operate as a going concern. The financial statements have been prepared on a going concern basis as, based on current fundraising and expenditure plans, management are confident that the Company will have sufficient cash resources to meet its obligations as they fall due for at least twelve months from the end of the reporting period. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements and in preparing the opening IFRS Statement of Financial Position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

Principles of Consolidation

These consolidated financial statements include the accounts of:

	% of Ownership	Jurisdiction	Principal Activity
Tantalum Mineracao e Prespeccao Limitada (TML)	100	Mozambique	Exploration

All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements.

Foreign currency transactions

Foreign Currencies

The functional and presentation currency of the Parent Company is the Canadian dollar.

Transactions in currencies other than the entity's functional currency are recorded at the rates of the exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date, and exchange differences arising on this retranslation are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company has determined that the functional currency of its wholly-owned subsidiary in Mozambique is the US dollar. The US dollar is the currency utilized to transfer funds by the Company and is also the reporting currency for the financial statements of TML. Expenses have been translated from the operating currency of Meticals to reporting currency of the US dollar using an average commercial bank rate for the year and assets and liabilities have been translated using a commercial bank rate as at December 31, 2011.

On consolidation the financial statements of TML have been translated into the Company's functional and presentation currency which is the Canadian dollar as follows:

The results of overseas operations are translated into Canadian dollars at rates approximating to those in effect when the transactions took place. All assets and liabilities of overseas operations are translated at the rate in effect at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the consolidated statements of comprehensive loss. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Property, Plant and Equipment

Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment (cont'd)

Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets when the asset is ready for use as intended by management as follows:

Plant and field equipment	20%
Furniture and equipment	20%
Computer equipment	30%
Vehicles	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

Financial instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Derivative financial asset measured at cost

These assets are derivative financial assets that are linked to and must be settled by delivery of equity instruments of another entity whose fair value cannot be reliably determined and have therefore been measured at cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial Assets (cont'd)

Impairment of Financial Assets
At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities
Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

Provisions

Provisions are recognized as liabilities when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as a separate asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with restoring mineral property exploration sites and the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operations of the assets. Such costs are discounted to their net present value and are provided for and capitalized at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end rate.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Capital

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

Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based Payments

The share option plan allows the Company's employees and non employees to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Related Party Transactions

Parties are considered to be 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. Parties are also considered to be 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 related parties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2011 or later years. None of these is expected to have a significant effect on the consolidated financial statements, except for the following:

The Company has early adopted amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition i.e. January 1, 2010.

The following standards and interpretations have been issued but are not yet effective:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is yet to assess the full impact of IFRS 9.

IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards, Amendments and Interpretations Not Yet Effective (cont'd)

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

4. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (cont'd)

Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure and its interest in mineral property option requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. 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 profit or loss in the year the new information becomes available. Management has determined that the fair value of the interest in mineral property option cannot be reliably determined.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. 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 only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of grant. This estimate also requires determining the most appropriate input to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

5. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earns interest at floating and fixed rates based on daily deposit rates.

6. RECEIVABLES

	December 31 2011	December 31 2010	January 1 2010
Sales taxes receivable	$ 62,658	$ 13,125	$ 3,337

Sales taxes receivable represent input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

Management considers that the carrying values of these receivables, which are expected to be recovered quarterly, are not materially different from their fair value because these amounts have short maturity periods on inception.

7. EXPLORATION AND EVALUATION ASSETS

	Twigg Licences	TMP Licenses	Total
Costs			
Balance at January 1, 2010	$ 32,312	$ 3,547,016	$ 3,579,328
Acquisition costs	18,618	-	18,618
Exploration costs	-	775,018	775,018
Foreign exchange movement	-	(96,016)	(96,016)
Balance at December 31, 2010	$ 50,930	$ 4,226,018	$ 4,276,948
Exploration costs	-	2,066,886	2,066,886
Impairment	(50,930)	-	(50,930)
Foreign exchange movement	-	86,654	86,654
Balance at December 31, 2011	$ -	$ 6,379,558	$ 6,379,558

Twigg License - Mozambique

In June 2008 the Company signed a heads of agreement with African Eagle Resources plc (“AFE”) covering the rights to a 145 square kilometer exploration license in northern Mozambique (the “Twigg Agreement”). This license area, which is currently held in the name of AFE’s wholly-owned subsidiary, Twigg Resources Ltd. (the “Twigg License”), is located immediately adjacent to TMP Licenses.

The Twigg Agreement stipulated the Company will commit to spend US$200,000 on an initial work program to be completed over an 18 month period. The conditions of this agreement have not been met and the license has now expired therefore the carrying value of this asset has been impaired at December 31, 2011.

7. EXPLORATION AND EVALUATION ASSETS (cont'd)

TMP Licenses – Mozambique

PAW entered into a definitive agreement dated April 7, 2009 and under the terms of the agreement PAW acquired 100% of the issued capital in TML ("TML Shares") from Bolan (the "Acquisition"). As a result of the Acquisition the Company has five licenses (the "TMP Licenses") on the Alto Lingonha belt of the Zambezi province in Mozambique which are all five year exploration licenses. For the mining of Tantalum, a royalty of 3% of sales revenue will be payable to the Mozambique Government.

As consideration PAW issued to Bolan's designates 22,510,000 common shares of PAW of which 18,008,000 are subject to an escrow agreement (the "Escrowed Shares"). The Escrowed Shares are subject to a three year staged release escrow commencing August 7, 2009 being the date of which the Exchange issued its final acceptance bulletin in respect of the acquisition. The escrowed securities will be released in stages with 10% of Escrowed Shares being released from escrow immediately and the balance being released in six equal installments every six months thereafter.

PAW also granted Bolan (or such parties as assigned by Bolan) the right to explore and mine Gemstones on the TMP Property as defined by the Gemstone Right in the Definitive Agreement.

8. INTEREST IN MINERAL PROPERTY OPTION

		Mrima Hill Acquisition
Balance December 31, 2009	$	-
Cash payments to vendors		105,084*
Drilling and exploration		291,446
Legal, professional and consulting costs		396,614
Balance December 31, 2010	$	793,144
Cash payments to vendors	$	3,333,029*
Shares issued to vendors		8,170,000
Drilling and exploration		887,725
Legal, professional and consulting costs		1,368,834
Total December 31, 2011	$	**14,552,732**

Of the cash payments to vendors, $1,256,104 (year ended December 31, 2010 - $105,084) was spent on exploration.

Mrima Hill Project, Kenya

On July 22, 2010 the Company entered into a Conditional Purchase Agreement (the "Agreement") with Finebrook Investments Pty Ltd, as trustee for the O'Sullivan Superannuation Fund ("O'Sullivan Fund"), Stirling Capital Limited ("Stirling"), Dunross Capital Ltd ("Dunross") and Cortec (Pty) Ltd. ("Cortec UK") to acquire 100% of Stirling and Cortec UK (the "Acquisition"). Stirling and Corec UK collectively have a 70% interest in CMK, a private Kenyan company that holds three prospecting licences in Kenya, subject to certain conditions precedent. The Acquisition will be completed in two tranches of 7% and 93%.

8. INTEREST IN MINERAL PROPERTY OPTION (cont'd)

Mrima Hill Project, Kenya (cont'd)

On February 28, 2011 the Company closed the initial tranche of the Acquisition and acquired 7% of the issued share capital of each of Stirling and Cortec UK (the "Initial Closing"), to be held in escrow pending completion of the final tranche of the Acquisition, with the second tranche of 93% of the issued share capital of Stirling and Cortec UK to be acquired upon the satisfaction of certain condition precedents (the "Final Closing"). In consideration for the acquisition of the 7% interest in Stirling and Cortec UK, the Company paid to the O'Sullivan Fund and Dunross (the "Vendors") a total of Aus$1,128,000 was expended by the Vendors prior to June 30, 2011, on a work program on the Project; and issued to the Vendors an aggregate of 5,000,000 common shares in the capital of the Company.

On July 7, 2011 the Company received TSX Venture Exchange ("Exchange") approval to extend the term of the Acquisition, ("EA") wherein the overall total consideration for the purchase has not changed but the timing of the payments has been extended to allow the parties more time to obtain the next form of tenure for the property and for further exploration and metallurgical work to be conducted on the Mrima Hill property.

Key Terms of the EA are as follows:

Extension until 3rd January 2012

1) PAW to pay to the Owners an aggregate of 750,000 Australian Dollars ("A$") in cash and issue 4,000,000 common shares on the later of July 4, 2011 or five Business Days of the date of TSXV acceptance to such issuance (paid and issued);

2) PAW pay to the Owners an aggregate of A$1,250,000 in cash; A$300,00 to be paid prior to July 29, 2011 (paid) and $950,000 on the earlier of August 29, 2011 or two business days following the closing of a private placement to raise aggregate funds of $1,250,000. (paid);

3) PAW pay to the Owners A$500,000; $200,000 to be paid prior to July 30, 2011 and $300,000 on the earlier of August 29, 2011 or two business days following the closing of a private placement to raise aggregate funds of $1,250,000 (paid); as a further non-refundable Work Advance for funds to be used on the advancement of the Mrima Hill Project to: (a) complete an Environmental Impact Assessment Study on the Project; (b) undertake further drilling and assaying on the Project; and (c) submit an application for the Mining License.

The above of the cash payments, as shown in point 1 and 2 above, together with the issuance of common shares will be deducted from the total common shares and cash payment to be paid by PAW to the Owners under the original agreement on Closing.

Extension until Closing

On December 14, 2011 and April 22, 2012 the Company and the Owners executed Amending Agreements wherein the parties agreed to a Final Closing date of the Acquisition of the 7th May 2012. In addition the parties have also agreed to revise the schedule and timing of the payments to be made on the final closing of the Acquisition. The overall total consideration to be paid to the Owners by PAW has not changed.

8. INTEREST IN MINERAL PROPERTY OPTION (cont'd)

Mrima Hill Project, Kenya (cont'd)

The key terms of the Amendment Agreements, which was subject to acceptance of the TSX Venture Exchange (received January 5, 2012), are as follows:

1) PAW will make a cash payment of A$3,000,000 (paid subsequent to December 31, 2011) to the Owners on the earlier of:

   - two business days after the completion by PAW of a financing to raise minimum gross proceeds of CDN $4,000,000 (completed) and January 31, 2012.

2) The issuance to the Owners on January 3, 2012 of such number of common shares of PAW which when aggregated with the shares already issued to the Owners in connection with the Acquisition, does not exceed 19.9% of the non-diluted number of the issued and outstanding PAW shares as at that date, provided such Closing Shares issued does not exceed the aggregate number of 24,702,353 shares (issued 20,194,765 subsequent to December 31, 2011) to be issued to the Owners in connection with the Acquisition.

3) The final closing will take place on May 7, 2012.

Upon meeting all the remaining closing conditions, which the parties shall use their best endeavors to achieve, the parties have agreed to complete the Acquisition by May 7, 2012 through the issue of the balance of the Closing Shares of approximately 4,500,000 shares and the balance of cash due of approximately CDN$10.4M to the Owners on the final closing in accordance with the terms and conditions of the Acquisition Agreement.

At Final Closing, the Company will hold a 100% interest in Stirling and Cortec UK, who own an aggregate 70% interest in Cortec Kenya which holds the Mrima Hill Niobium and Rare Earth Project. The Owners shall then be entitled, at this time, to nominate a Director to the Board of Directors of the Company.

If the Conditions of the final closing are not met and no extension is negotiated then the Company's 7% interest in Stirling and Cortec UK will be forfeited.

9. PROPERTY, PLANT AND EQUIPMENT

	Assets under Construction	Plant & Field Equipment	Furniture & Equipment	Office Equipment	Vehicles	Total
Cost						
Balance at January 1, 2010	$ —	$ 114,648	$ 1,305	$ 4,254	$ 19,955	$ 140,162
Assets acquired	—	806,186(1)	9,184	5,297	—	820,667
Balance at December 31, 2010	$ —	$ 920,834	$ 10,489	$ 9,551	$ 19,955	$ 960,829
Assets acquired	1,418,327	159,674	1,468	45,674	—	1,625,143
Effect of foreign currency translation		(16,281)				(16,281)
Balance December 31, 2011	**$ 1,418,327**	**$ 1,064,227**	**$ 11,957**	**$ 55,225**	**$ 19,955**	**$ 2,569,691**
Depreciation and impairment losses						
Balance at January 1, 2010	$ —	$ 72,908	$ 81	$ 395	$ 1,853	$ 75,237
Depreciation for the year	—	84,407	2,618	1,398	5,986	94,409
Balance at December 31, 2010	$ —	$ 157,315	2,699	$ 1,793	$ 7,839	169,646
Depreciation for the year	—	86,092	3,515	6,451	5,986	102,044
Effect of foreign currency translation	—	(30,181)	—	—	—	(30,181)
Balance December 31, 2011	**$ —**	**$ 213,226**	**$ 6,214**	**$ 8,244**	**$ 13,825**	**$ 241,509**
Carrying amounts						
Carrying value at January 131, 2010	$ —	$ 41,740	$ 1,224	$ 3,859	$ 18,102	$ 64,925
Carrying value at December 31, 2010	$ —	$ 763,519	$ 7,790	$ 7,758	$ 12,116	$ 791,183
Carrying value at December 31, 2011	**$ 1,418,327**	**$ 851,001**	**$ 5,743**	**$ 46,981**	**$ 6,130**	**$ 2,328,182**

(1) **On March 1, 2010 the Company purchased a nominal 20 to 30 dry tonne per hour tantalum treatment plant ("the Plant") and associated spare parts and accessories. The Company moved the Plant from Western Australia to Mozambique during the second half of calendar 2010. The consideration for the purchase of the Plant was the issuance of 512,985 fully paid shares (issued) in the Company to Avenger Investments Pty Ltd "Avenger") an unlisted Australian company. The shares were valued at the market price of the shares on the commitment date, which was $0.20 for a total cost of $ 102,597.**

10. TRADE AND OTHER PAYABLES

	December 31 2011	December 31 2010	January 1 2010
Trade payables	$ 669,137	$ 393,560	$ 132,332
Due to related parties	—	134,860	1,052
Total	$ **669,137**	$ 528,420	$ 133,384

11. SHARE CAPITAL AND RESERVES

a) Common Shares

The Company's authorized share capital is an unlimited number of common shares with no par value. The following outlines the changes in common share capital from January 1, 2010 to December 31, 2011:

	Number of Shares	Issue Price	Total
Balance, January 1, 2010	62,287,945	—	$ 2,320,140
Exercise of warrants	9,302,862	$0.15	1,395,429
Exercise of warrants	1,100,339	$0.23	253,078
Fair value of warrants	—	—	71,023
Exercise of stock options	500,000	$0.12	60,000
Exercise of stock options	200,000	$0.19	38,000
Fair value of stock options	—	—	64,847
Issuance for plant	512,985	$0.20	102,597
Private placement	3,961,088	$0.18	712,996
Finders' fees	150,235	$0.18	27,042
Share bonus	1,000,000	$0.19	190,000
Share issue costs	—	—	(83,300)
Balance, December 31, 2010	79,015,454	—	$ 5,151,852
Exercise of warrants	904,200	$0.23	$ 207,966
Exercise of finders' warrants	51,123	$0.23	11,758
Exercise of warrants	3,814,578	$0.30	1,144,373
Exercise of agents option	358,800	$0.22	78,936
Exercise of agents warrants	5,650	$0.30	1,695
Fair value of options exercised	—	—	94,950
Exercise of stock options	350,000	$0.25	87,500
Exercise of stock options	40,000	$0.12	4,800
Exercise of stock options	75,000	$0.185	13,875
Exercise of stock options	500,000	$0.23	115,000
Exercise of stock options	200,000	$0.30	60,000
Fair value of stock options	—	—	76,883
Private placement	22,727,272	$0.22	5,000,000
Private placement	1,000,000	$0.90	900,000
Private placement	8,570,606	$0.65	5,570,894
Shares issued for Interest in Mineral Property Option	5,000,000	$1.13	5,650,000
Shares issued for Interest in Mineral Property Option	4,000,000	$0.63	2,520,000
Share issue costs	—	—	(1,591,580)
Balance, December 31, 2011	126,612,683	—	$ 25,098,903

11. SHARE CAPITAL AND RESERVES (cont'd)

On January 10, 2011, the Company completed Tranche one of a brokered private placement (the "Offering"), which included the issuance of 7,262,400 units at a purchase price of $0.22 per unit for gross proceeds of $1,597,728. Each unit was comprised of one common share and one half of a non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a purchase price of $0.30 per share, at any time within eighteen months from issuance, subject to an accelerated expiry date in certain circumstances. No value has been attributed to the warrants as part of the unit offerings.

Macquarie Private Wealth Inc. ("Macquarie") received consideration for brokerage services provided to the Company in connection with Tranche one of the Offering, including a cash commission of $124,298 as well as an aggregate of 580,992 broker units. Each broker unit entitles Macquarie to purchase, at any time within eighteen months from the closing date of the Offering, one unit at a purchase price of $ 0.22 per unit. Each unit was comprised of one common share and one half of a non-transferable common share purchase warrant, which have the same terms as the warrants noted above.

On February 25, 2011, the Company closed the balance of the Offering, which included the issuance of a further 15,464,872 units at a purchase price of $0.22 per unit for gross proceeds of $3,402,271. Each unit was comprised of one common share and one half of a non-transferable common share purchase warrant, which have the same terms as the warrants noted above.

Macquarie was paid a cash commission of $266,541 in connection with the balance of the Offering, as well as issued an aggregate of 1,237,189 broker units. Each broker unit entitles Macquarie to purchase, at any time within eighteen months from issuance one unit at a purchase price of $ 0.22 per unit. Each unit was comprised of one common share and one half of a non-transferable common share purchase warrant, which have the same terms as the warrants noted above.

On January 21, 2011 the Company completed a non brokered private placement for 1,000,000 units at a price of $0.90 per unit for gross proceeds to the Company of $900,000. Each unit was comprised of one common share and one half of a non-transferable common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a purchase price of $1.10 per share, at any time within eighteen months from issuance.

On August 10, 2011 the Company completed a non-brokered private placement for 8,570,606 Units at a price of $0.65 for gross proceeds to the Company of $5,570,894. Each Unit consists of one common share and one half of one common share warrant (each whole warrant a "Warrant"), entitling the holder to acquire one additional common share at a price of $1.00 per share for 18 months from Closing. The Warrants are subject to an accelerated expiry which comes into effect once the shares trade above a weighted average price of $1.25 for any twenty consecutive trading-day period, subsequent to four months and a day from Closing ("Accelerated Expiry"). In the event of an Accelerated Expiry, the expiry date will be the earlier of the regular 18 month expiry date and 30 days from the date the Company advises the placees of the Accelerated Expiry. No value has been attributed to the warrants as part of the unit offerings.

Finders' fees of 6% cash and 6% warrants ("Finders Warrant") were paid on a portion of the Financing, in accordance with the policies of the Exchange. Each Finders Warrant entitles the holder to purchase one common share (a "Finders Share") at a price of $1.00 per Finder Share for a period of 18 months from issuance for aggregate cash payments of $312,856 and 481,317 Finders Warrants.

11. SHARE CAPITAL AND RESERVES (cont'd)

On May 11, 2010 pursuant to a non-brokered private placement the Company issued 3,961,088 units at a price of $0.18 per unit. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to acquire an additional common share at a price of $0.23 per share until May 11, 2011.

The Company also issued 150,235 units in connection with services rendered in respect of the Financing. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to acquire an additional common share at a price of $0.23 per share until May 11, 2011. The units were recorded at $27,042 which was the fair value of the services received.

a) Preferred Shares

i. The Company is authorized to issue unlimited preferred shares "Class A" with a par value of $1.00 each, and

ii. The Company is authorized to issue unlimited preferred shares "Class B" without par value

There are no preferred shares outstanding at January 1, 2010, December 31, 2010 and December 31, 2011.

b) Escrowed Shares:

As at December 31, 2011 3,951,766 shares were held in escrow (year ended December 31, 2010 – 4,120,266), subject to release by regulatory approval.

c) Contributed Surplus:

		December 31 2011		December 31 2010		January 1 2010
Balance beginning of year	$	3,467,689	$	3,323,726	$	3,323,726
Warrants - Note 11		614,906		(68,620)		—
Share options - Note 12		1,172,900		212,583		—
Balance end of year	$	**5,255,495**	$	3,467,689	$	**3,323,726**

11. SHARE CAPITAL AND RESERVES (cont'd)

d) Share Purchase Warrants:

	Number	Weighted Average Share Price
Balance, January 1, 2010	8,397,653	$0.15
Issued	1,980,544	$0.23
Forfeited	(125,000)	$0.15
Exercised	(9,348,997)	$0.16
Balance, December 31, 2010	904,200	$0.23
Issued	16,148,934	$0.51
Exercised	(4,718,778)	$0.29
Balance, December 31, 2011	12,334,356	$0.58

At December 31, 2011 12,334,356 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date
500,000	1.10	July 20, 2012
1,299,400	0.30	July 10, 2012
6,249,653	0.30	August 25, 2012
3,902,553	1.00	February 3, 2013
375,000	1.00	February 5, 2013
7,750	1.00	February 8, 2013
12,334,356		

e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's Statement of Financial Position include "Contributed Surplus", "Accumulated Other Comprehensive Loss" and "Accumulated Deficit".

"Contributed Surplus" is used to recognize the value of stock option grants and share purchase warrants prior to exercise.

"Accumulated Deficit" is used to record the Company's change in deficit from earnings from year to year.

11. SHARE CAPITAL AND RESERVES (cont'd)

e) Agents Options

The following is a summary of changes in Agents Options from January 1, 2010 to December 31, 2011:

	Number	Weighted Average Share Price
Balance, January 1, 2010	—	—
Issued	—	—
Exercised	—	—
Balance, December 31, 2010	—	—
Issued	1,818,181	$0.22
Exercised	(358,800)	$0.22
Balance, December 31, 2011	1,459,381	$0.22

During the period ended December 31, 2011, a compensation charge of $397,000 associated with the grant of 1,818,191 Agent Options was recorded to share capital valued at the 6% cash component of the compensation.

The weighted average share price at the date of exercise of Agents Options during the year ended December 31, 2011 was $0.58 per share (year end December 31, 2010 - $nil).

At December 31, 2011, 1,459,381 Agents Options were outstanding. Each Option entitles the holders thereof the right to purchase one unit exercisable into one common share and one half of one non-transferable common share purchase warrant, at a weighted average exercise price of $0.22.

As at December 31, 2011 the following Agent's Options were outstanding:

Number	Exercise Price	Expiry Date
242,192	$0.22	July 10, 2012
1,217,189	$0.22	August 25, 2012
1,459,381		

11. SHARE CAPITAL AND RESERVES (cont'd)

g) Agents Warrants

The following is a summary of changes in Agents Warrants from January 1, 2010 to December 31, 2011:

Agents Warrants	Number	Weighted Average Share Price
Balance, January 1, 2010	1,030,209	$0.15
Issued	75,118	$0.23
Exercised	(1,054,204)	$0.15
Balance, December 31, 2010	51,123	$0.23
Issued	481,317	$1.00
Issued upon exercise of Agents Option	189,400	$0.30
Exercised	(56,773)	$0.24
Balance, December 31, 2011	665,067	$0.81

During the period ended December 31, 2011, a compensation charge of $312,856 (December 31, 2010 $2,403) associated with the grant of 481,317 finders warrants were recorded to share capital based on the fair value of the services received.

The weighted average share price at the date of exercise of Agents Warrants during the year ended December 31, 2011 was $1.06 per share (year end December 31, 2010 - $0.23).
At December 31, 2011 665,067 Agents Warrants were outstanding. Each Warrant entitles the holders thereof the right to purchase one common share.

Number	Exercise Price	Expiry Date
183,750	$0.30	July 10, 2012
148,740	$1.00	February 3, 2013
332,577	$1.00	February 4, 2013
665,067		

12. SHARE BASED PAYMENTS

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Vesting is determined by the Board of Directors.

The following is a summary of changes in options from January 1, 2010 to December 31, 2011:

During the Year ended December 31, 2011

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired	Forfeited	Closing Balance	Vested and Exercisable
8/29/2006	8/29/2011	$0.25	350,000	—	(350,000)	—	—	—	—
8/7/2009	8/7/2014	$0.12	1,850,000	—	(40,000)	—	—	1,810,000	1,810,000
4/13/2010	4/13/2015	$0.19	150,000	—	(75,000)	—	—	75,000	75,000
7/28/2010	7/28/2015	$0.19	1,200,000	—	—	—	—	1,200,000	1,200,000
7/28/2010	7/28/2012	$0.19	300,000	—	—	—	—	300,000	300,000
9/13/2010	9/13/2013	$0.23	500,000	—	(500,000)	—	—	—	—
10/19/2010	10/19/2011	$0.30	200,000	—	(200,000)	—	—	—	—
8/26/2011	8/26/2016	$0.65	—	3,250,000	—	—	—	3,250,000	3,250,000
8/26/2011	8/26/2013	$0.65	—	500,000	—	—	—	500,000	125,000
9/1/2011	9/1/2016	$0.65	—	300,000	—	—	—	300,000	300,000
			4,550,000	4,050,000	(1,165,000)	—	—	7,435,000	7,060,000
Weighted Average Exercise Price			$0.18	$0.65	$0.24	$0.00	$0.00	$0.42	$0.41

During the Year ended December 31, 2010

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired	Forfeited	Closing Balance	Vested and Exercisable
8/29/2006	8/29/2011	$0.25	350,000	—	—	—	—	350,000	350,000
8/7/2009	8/7/2014	$0.12	2,350,000	—	(500,000)	—	—	1,850,000	1,850,000
4/13/2010	4/13/2015	$0.185	—	150,000	—	—	—	150,000	150,000
7/28/2010	7/28/2015	$0.19	—	1,400,000	(200,000)	—	—	1,200,000	1,200,000
7/28/2010	7/28/2012	$0.19	—	300,000	—	—	—	300,000	75,000
9/13/2010	9/13/2013	$0.23	—	500,000	—	—	—	500,000	500,000
10/19/2010	10/19/2011	$0.30	—	200,000	—	—	—	200,000	200,000
			2,700,000	2,550,000	(700,000)	—	—	4,550,000	4,325,000
Weighted Average Exercise Price			$0.14	$0.20	$0.14	$0.00	$0.00	$0.18	$0.17

12. SHARE BASED PAYMENTS (cont'd)

a) Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended December 31, 2011 was $0.65 per option (December 31, 2010 - $0.20).

The model inputs for options granted during the years ended December 31, 2011 and 2010 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
8/26/2011	8/26/2016	$0.55	$0.65	2.99%	5	79.05%	0%
8/26/2011	8/26/2013	$0.55	$0.65	1.52%	2	96.40%	0%
9/1/2011	9/1/2016	$0.63	$0.65	2.99%	5	76.84%	0%
4/13/2010	4/13/2015	$0.19	$0.19	1.75%	1	65.36%	0%
7/28/2010	7/28/2015	$0.23	$0.19	2.83%	5	65.36%	0%
7/28/2010	7/28/2012	$0.23	$0.19	2.83%	2	65.36%	0%
9/13/2010	9/13/2013	$0.23	$0.23	2.83%	3	44.70%	0%
10/19/2010	10/19/2011	$0.27	$0.30	2.83%	1	78.99%	0%

The expected price volatility is based on the historic volatility (based on the expected life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The weighted average share price at the date of exercise of options during the year ended December 31, 2011 was $1.04 per share (year end December 31, 2010 - $0.67).

b) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the year were $1,249,783 (2010- $277,430) of which $nil were capitalized as part of exploration and evaluation activities (2010-$nil).

c) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options at December 31, 2011 was 3.5 years (December 31, 2010 3 years)

13. ADMINISTRATIVE AND GENERAL EXPENSES

		December 31 2011		December 31 2010
General and Administrative				
Consulting fees – Note 14	$	481,795	$	490,758
Corporate relations		318,116		40,167
Filing fees		24,746		17,162
Office		164,511		51,157
Professional fees – Note 14		122,110		145,203
Transfer agent fees		24,752		13,883
Travel		252,295		73,090
	$	1,388,325	$	831,420

14. RELATED PARTY TRANSACTIONS

a) Rental Payments

Rental payments of $8,400 (year end December 31, 2011: $8,400) were paid to Minco Corporate Management Inc. a Company controlled by the Company's Chief Financial Officer;

b) Key Management Compensation

	December 31 2011	December 31 2010
Key management personnel compensation comprised :		
Consulting fees	$470,651	$280,576
Legal fees	$105,174	—
Share based payments	$817,759	$277,430
Total	$1,393,584	$558,006

i) Consulting fees of $211,778 (year ended December 31, 2010 - $196,293) were paid to Darren Townsend, President and Chief Executive Officer:

Consulting fees of $157,871 (year ended December 31, 2010 - $84,283) were paid to Minco Corporate Management Inc ("Minco"), a company providing accounting services, administration staff, corporate compliance services and CFO consulting fees controlled by Terese Gieselman, Chief Financial Officer and Secretary of the Company;

ii) Consulting fees and office administration fees of $101,002 (year ended December 31, 2010 - $24,109) were paid to DAPRB PTY LTD. a company controlled by David Paull director of the Company

iii) Legal fees of $54,453 (year ended December 31, 2010 - $nil) were paid to MacLeod Dixon for services provided by Darryll Levitt, a director of the Company.

iv) Legal fees of $50,721 (year ended December 31, 2010 - $nil) were paid to Yunis Shail Attorneys, a company controlled by Yunis Shaik, a director of the Company.

14. RELATED PARTY TRANSACTIONS (cont'd)

c) Related party liabilities included in trade and other payable:

Amounts due to:	Service for:	December 31 2011	December 31 2010
Minco Corporate Management Inc.	Consulting fees	$16,708	$132,000
Terry Lyons	Expenses	$7,773	—

15. INCOME TAX

Taxation in the Company and its subsidiary's operational jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	December 31, 2011 $	December 31, 2010 $
Profit/(loss) before income taxes	(2,799,937)	(1,204,324)
Recovery based on the statutory rate of 26.5% (2010: 28.5%)	(741,939)	(343,000)
Change in tax rates on deferred tax	22,000	30,000
Non-deductible expenses	303,000	71.000
Different tax rates in other jurisdictions	(3,000)	(3,000)
Share issue costs	(220,000)	(20,000)
Other	82,000	(353,000)
Changes in unrecognized deferred tax assets	964,000	618,000
Total income tax expense / (recovery)	406,000	-

Effective January 1, 2011, the Canadian Federal corporate tax rate decreased from 18% to 16.5% and the British Columbia provincial tax decreased from 10.5% to 10%.

The tax rate at 32.0% represents the federal statutory rate applicable for the 2011 taxation year for Mozambique.

15. INCOME TAX (cont'd)

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	December 31, 2011 $	December 31, 2010 $
Loss carry forwards	1,376,000	509,000
Exploration and evaluation assets	(774,000)	(367,939)
Start-up costs	101,000	190,000
Other deductible temporary differences	48,000	21,000
Share issue costs	221,000	62,000
Unrecognized deferred tax assets	(1,746,000)	(782,000)
Deferred tax liabilities	(774,000)	(367,939)

As at December 31, 2011, the Company has non-capital losses for Canadian and Mozambique income tax purposes that may be carried forward to reduce taxable income derived in future years, as summarized below:

Non-capital Canadian tax losses expiring as follows:

Year of Expiry	Canada	Mozambique
2015	$ -	$ 595,000
2016	-	1,403,000
2029	370,000	-
2030	925,000	-
2031	1,657,000	-
Total	$ 2,952,000	$ 1,998,000

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objective, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by management and reported to the Board if and when there are any changes or updates required.

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The overall objective of the Board is to set policies that seek to reduce risks as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

i. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of two types of risk: foreign currency risk and interest rate risk.

Foreign Currency Risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The company does not have significant exposure to foreign exchange rate fluctuation.

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

ii. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with financial institution of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represent the maximum credit exposure. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at each reporting date.

iii. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company would prepare annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

Further, when required the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

iv. Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash and cash equivalents and trade and other payables approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

v. Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurement are those derived from inputs other than quotes prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17. CAPITAL MANAGEMENT

The Company monitors its cash, common shares and stock options as capital. The Company's objectives when managing capital are to maintain a sufficient capital base in order to meet short-term obligations and at the same time preserve the investor confidence required to sustain future development and production of the business.

The company is not exposed to any externally imposed capital requirements.

18. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the year ended December 31, 2011 and December 31, 2010, the following transactions were excluded from the statements of cash flows:

i) The Company, pursuant to the Mrima Hill Acquisition Agreement, issued 9,000,000 (2010 – Nil) common shares valued at $8,170,000 (2010 -$Nil) as determined by their market prices when issued.

ii) Resource property and deferred acquisition costs include $Nil (2010: $205,272) through accounts payable and accrued liabilities.

iii) The Company issued Nil (2010 - 512,985 common shares valued at $102,597 for the acquisition of the Plant as described in Note 9.

18. SEGMENT REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

Details of identifiable assets by geographic segments are as follows:

As at December 31, 2011	Canada	Mozambique	Kenya	Total
Property, plant and equipment	$ 68,634	$ 2,259,548	$ -	$ 2,328,182
Interest in Mineral Property Option	-	-	14,552,732	14,552,732
Exploration and evaluation assets	-	6,379,558	-	6,379,558
	$ 68,634	$ 8,639,106	$ 14,552,732	$ 23,260,472

As at December 31, 2010	Canada	Mozambique	Kenya	Total
Property, plant and equipment	$ 37,568	$ 753,615	$ -	$ 791,183
Interest in Mineral Property Option	-	-	793,144	793,144
Exploration and evaluation assets	-	4,276,948	-	4,276,948
	$ 37,568	$ 5,030,563	$ 793,144	$ 5,861,275

As at January 1, 2010	Canada	Mozambique	Kenya	Total
Property, plant and equipment	$ 35,638	$ 29,287	$ -	$ 64,925
Exploration and evaluation assets	-	3,579,328	-	3,579,328
	$ 35,638	$ 3,608,615	$ -	$ 3,644,253

19. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Loss Per Share	December 31 2011	2010
Loss attributable to ordinary shareholders	($3,205,998)	($1,204,324)
Weighted average number of common shares	113,248,238	70,317,305
Basic and diluted loss per share	($0.03)	($0.04)

The basic and diluted loss per share are the same as, given the losses incurred, there are no instruments that have a dilutive effect on earnings.

20. COMMITMENTS

On May 14, 2009 the Company entered into a consulting agreement (the "Townsend Contract") with Darren Townsend and DJCA Pty Ltd. (an Australian corporation of which Mr. Townsend is a director and beneficial owner) pursuant to which the Company has engaged the services of Mr. Townsend as the Company's President, Chief Executive Officer and a director of the Company. The Company shall pay Mr. Townsend on a monthly basis, a fee of $AUS17,000 for a minimum term of 3 years.

The Townsend Contract provides that Mr. Townsend/DJCA Pty Ltd is to be issued bonus shares wherein the Company granted Mr. Townsend a bonus of 2,000,000 common shares (the "Bonus Shares"). Exchange approval for the Bonus Shares was obtained on April 30, 2010. However, the services were provided from August 7, 2009, the date in which the Company entered into the Townsend Contract and completed the Company's Acquisition (Note 7). The Company has recognized the expense over the periods in which the services are received, as follows:

i) 1,000,000 shares on August 7, 2010 (issued), the first anniversary of the completion of the Company's Acquisition of TML. The shares were valued at the market price of the shares on the Exchange approval date, for an aggregate value of $190,000 with $48,000 expensed as management fees in the year ended December 31, 2009 and the remaining $142,000 being expensed as management fees in the year ended December 31, 2010.
ii) 1,000,000 shares on August 7, 2011 (outstanding), the second anniversary of the completion of the Company's Acquisition of TML. The shares were valued at the share price on the Exchange approval date for an aggregate value of $190,000, with $24,000 being expensed as management fees in the ended December 31, 2009, $95,000 expensed as management fees during the year ended December 31, 2010 and the remaining $71,000 being expensed as management fees in the year ended December 31, 2011. Shares to be issued were recorded as $119,000 at December 31, 2010 and $190,000 at December 31, 2011.

21. EVENTS AFTER THE REPORTING DATE

Private Placement Financing

On January 23, 2012 the Company completed a non-brokered private placement which resulted in the issuance of 17,142,857 Units at a price of $0.35 for gross proceeds to the Company of CDN $6,000,000 of which $2,426,425 was already received at the year end. Each Unit consists of one common share, one half of one common share warrant (each whole warrant a "$0.50 Warrant"), entitling the holder to acquire one additional common share at a price of $0.50 for 18 months from Closing and an additional one half of one common share warrant (each whole warrant a "$0.75 Warrant"), entitling the holder to acquire one additional common share at a price of $0.75 for 18 months from Closing. The $0.50 Warrants are subject to an accelerated expiry which comes into effect once the shares trade above a weighted average price of $0.60 for any twenty consecutive trading-day period, subsequent to four months and a day from Closing ("Accelerated Expiry"). The $0.75 Warrants are subject to an accelerated expiry which comes into effect once the shares trade above a weighted average price of $0.85 for any twenty consecutive trading-day period, subsequent to four months and a day from Closing ("Accelerated Expiry"). In the event of an Accelerated Expiry, the expiry date will be the earlier of the regular 18 month expiry date and 30 days from the date the Company advises the placees of the Accelerated Expiry.

Finders' fees of 6% cash and 6% warrants ("Finders Warrant") were paid on a portion of the Financing, in accordance with the policies of the Exchange. Each Finders Warrant entitles the holder to purchase one common share (a "Finders Share") at a price of $0.50 per Finder Share for a period of 18 months from issuance and on the same terms as the Warrants for aggregate cash payments of CDN $327,625 and 936,073 Finders Warrants.

21. EVENTS AFTER THE REPORTING DATE (cont'd)

Private Placement Financing (cont'd)

Net proceeds from the Private Placement will be used to advance the Mrima Hill Niobium and Rare Earth Project, advance the Muiane Tantalum Project and to make a payment of AUS $ 3,000,000 to the Vendors (paid) of the Mrima Hill Project as part of the Company's move towards closing the Mrima Hill Acquisition.

Stock Options

During January and February 2012, the Company issued 300,000 common shares pursuant to the exercise of stock options at a price of $0.19 per share giving proceeds of $57,000.

During January 2012, the Company issued 27,272 common shares pursuant to the exercise of share purchase warrants at a price $0.30 per share giving proceeds of $8,181.

22. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the year-ending December 31, 2011 are the first annual financial statements prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result the first date at which the Company has applied IFRS is January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company is December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following notes and tables:

<u>Optional Exemptions</u>

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

Business Combinations

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

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.

22. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Compound Financial Instruments

The Company has elected not to retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the date of transition to IFRS.

Changes in Existing Decommissioning, Restoration and Similar Liabilities

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1.

Cumulative Translation Differences

IFRS 1 allows the Company to set the currency translation adjustment, which is included in accumulated other comprehensive income, to zero at January 1, 2010 and adjust deficit by the same amount.

Extinguishing Financial Liabilities with Equity Instruments

The company has elected to apply the transitional provisions in IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments prospectively from the transition date. As a result any extinguishing financial liabilities with equity instruments prior to the transition date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

Investments in subsidiaries

The company's subsidiary is a first-time adopter later than its subsidiary. The company will measure the assets and liabilities of the subsidiary at the same carrying amounts as in the financial statements of the subsidiary, after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary.

Mandatory Exemptions

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with Canadian GAAP have not been reviewed for compliance with IAS 39.

Estimates

IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

Reconciliation of Canadian GAAP Equity and Comprehensive Income to IFRS

IFRS 1 requires a company to reconcile equity, comprehensive loss and cash flows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive loss have resulted in reclassifications of various amounts on the consolidated statements of cash flows.

22. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Reconciliation of Statement of Financial Position as at January 1, 2010 – Transition Date

		Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets				
Current				
Cash and cash equivalents		$ 642,430	$ —	$ 642,430
Receivables		3,337	—	3,337
Prepaid expenses and advances		13,632	—	13,632
		659,399	—	659,399
Property, plant and equipment		64,925	—	64,925
Exploration and evaluation assets		3,579,328	—	3,579,328
Total Assets		$ 4,303,652	$ —	$ 4,303,652
Liabilities				
Current				
Trade and other payables		$ 133,384	$ —	$ 133,384
Deferred income tax liability	(a)	473,700	(105,761)	367,939
Total Liabilities		607,084	(105,761)	501,323
Shareholders' equity				
Share capital		2,320,140	—	2,320,140
Shares to be issued	(c)	—	72,000	72,000
Contributed surplus		3,323,726	—	3,323,726
Accumulated other comprehensive income	(b)	(15,501)	15,501	—
Accumulated deficit		(1,931,797)	18,260	(1,913,537)
Total shareholders' equity		3,696,568	105,761	3,802,829
Total liabilities and shareholders' equity		$ 4,303,652	$ —	$ 4,231,652

22. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation of Statement of Financial Position as at December 31, 2010

December 31, 2010		Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets				
Current				
Cash and cash equivalents		$ 1,138,501	$ —	$ 1,138,501
Receivables		13,125	—	13,125
Prepaid expenses and advances		136,824	—	136,824
		1,288,450	—	1,288,450
Property, plant and equipment		791,183	—	791,183
Exploration and evaluation assets		4,276,948	—	4,276,948
Intangible assets		793,144	—	793,144
Total Assets		$ 7,149,725	$ —	$ 7,149,725
Liabilities				
Current				
Trade and other payables		$ 528,419	$ —	$ 528,419
			—	
Deferred income tax liability	(a)	937,000	(569,061)	367,939
Total Liabilities		1,465,419	(569,061)	896,358
Shareholders' equity				
Share capital	(c)	5,284,648	(132,796)	5,151,852
Shares reserved to be issued	(c)	(57,204)	176,204	119,000
Subscriptions received in advance		715,978	—	715,978
Contributed surplus		3,467,689	—	3,467,689
Accumulated other comprehensive income	(b)	(98,791)	15,501	(83,290)
Accumulated deficit		(3,628,014)	510,152	(3,117,862)
Total shareholders' equity		5,684,306	569,061	6,253,367
Total liabilities and shareholders' equity		$ 7,149,725	$ —	$ 7,149,725

22. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation of Statement of Comprehensive Loss as at December 31, 2010

		Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses				
Administrative and general	(c)	860,012	(28,592)	831,420
Depreciation		94,409	—	94,409
Loss on foreign exchange		11,620	—	11,620
Exploration evaluation		—	—	—
Stock based compensation		277,430	—	277,430
Total expenses		(1,243,471)	28,592	(1,214,879)
Other income				
Interest income		10,555	—	10,555
Loss before income tax		(1,232,916)	28,592	(1,204,324)
Income tax expense	(a)	(463,300)	463,300	—
Loss after income tax		(1,696,216)	491,892	(1,204,324)
Other comprehensive loss				
Gain (loss) on reporting currency translation		(83,290)	—	(83,290)
Total other comprehensive income		(83,290)	—	(83,290)
Total comprehensive loss for the period	$	(1,779,506)	$ 491,892	$ (1,287,614)
Loss per common share basic and diluted	$	(0.03)	—	(0.02)

22. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation of Statement of Cash Flow as at December 31, 2010

		Canadian GAAP		Effect of Transition to IFRS		IFRS
Cash flows from operating activities						
Loss for the year	$	(1,696,217)	$	491,892	$	(1,204,324)
Adjustments to reconcile loss to net cash used in operating activities:						
Stock based compensation		277,430		—		277,430
Depreciation		94,409		—		94,409
Future income tax expense		463,300		(463,300)		—
Share based payments		322,796		—		322,796
Changes in non-cash working capital balances:						
Trade and other receivables		(9,061)		—		(9,061)
Trade and other payables		27,507		—		27,507
Prepaid expenses		(119,907)		—		(119,907)
Total cash outflows from operating activities		(639,743)		28,592		(611,150)
Cash Flows From Investing Activities						
Acquisition of property, plant and equipment		(716,848)		—		(716,848)
Investment in exploration and evaluation assets		(757,878)		—		(757,878)
Changes in non-cash working capital balances:		(643,541)		—		149,603
Total cash outflows from investing activities		(2,118,267)		—		(2,118,267)
Cash Flows From Financing Activities						
Subscriptions for the issuance of shares		715,978		—		715,978
Issuance of shares		2,488,948		(28,592)		2,460,356
Due to related parties		133,809		—		133,809
Share issue costs		(83,300)		—		(83,300)
Net cash provided by financing activities		3,255,435		—		3,226,843
Effect of foreign exchange on cash		(1,354)		—		(1,354)
Increase(decrease) in cash		496,072		—		496,072
Cash and equivalents, beginning of period		642,430		—		642,430
Cash and equivalents, end of period	$	1,138,502	$	—	$	1,138,502

22. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Explanations for the Adjustments are as follows:

a) Reversal of Deferred Tax Liability

IAS 12 prohibits the recognition of a deferred tax asset or liability for temporary differences that arise from the initial recognition of an asset or liability in a transaction that does not affect accounting or taxable profit or loss, other than in a business combination (initial recognition exemption). The Company previously recognized deferred tax in respect of asset acquisitions in 2009 with respect to the acquisition of its subsidiary TML. As a result the Company had a reduction of approximately $105,761 to opening deficit as at transition January 1, 2010 and the related deferred income tax liability on conversion to IFRS. During the year ended December 31, 2010, the company had a further reduction of $463,300 to its income tax expense and deferred income tax liability.

b) Reversal of Cumulative Translation Adjustment

IFRS 1 allows the Company to set the currency translation adjustment, which is included in accumulated other comprehensive income, to zero at January 1, 2010 and adjust deficit by the same amount. If, subsequent, to adoption, a foreign operation is disposed of the translation differences that arose before the date of transition of IFRS will not affect the gain or loss on disposal. Upon the change to IFRS, the Company reversed the currency translation balance of $15,501 at January 1, 2010 and recorded a decrease in the deficit of $15,501.

c) Bonus Shares

IFRS 2 provides guidance for share based payments where the grant date may occur after the date that services have begun to be rendered. For the Townsend Contract, TSX approval was received on April 30, 2010 whereas the services being rendered commenced on August 7, 2009. Based on IFRS 2 guidance the service expense has been recognized from the period August 7, 2009 to the date of vesting. As a result the Company has recognized a $72,000 management charge to the opening deficit at January 1, 2010 and a credit to shares to be issued. In the year ended December 31, 2010 a reduction to management fees of $28,592 has been recognized with the opposing entry with equity.