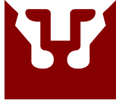

PACIFIC WILDCAT RESOURCES CORP.

a d v a n c e d   a n d   s t r a t e g i c   m i n e r a l s   a n d   m e t a l s

PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)

December 31, 2012

110-2300 Carrington Road
West Kelowna, British Columbia
Canada V4T 2N6

Tel 1 888-860-2666
Fax 250 -768-0020

Pacific Wildcat Resources Corp.
December 31, 2012
(Expressed in Canadian Dollars)

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- Consolidated Statements of Cash Flows
- Notes to the Consolidated Financial Statements

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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

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 statements of financial position as at December 31, 2012 and December 31, 2011, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 Canadian generally accepted auditing 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pacific Wildcat Resources Corp. and its subsidiaries as at December 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $8,078,649 during the year ended December 31, 2012 and at December 31, 2012 has a working capital deficiency of $2,858,016 and has an accumulated deficit of $14,430,392. These conditions, along with other matters as set forth in Note 2, 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

Vancouver, British Columbia
April 30, 2013

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PACIFIC WILDCAT RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31
(Expressed in Canadian dollars)

	Note		December 31 2012		December 31 2011
ASSETS					
Current					
Cash and cash equivalents		$	124,775	$	4,331,693
Receivables	7		151,367		62,658
Prepaid expenses			7,066		431,324
			283,208		4,825,675
Non Current					
Property, plant and equipment	8		2,409,833		2,328,182
Exploration and evaluation assets	9		58,153,039		6,379,558
Interest in mineral property option	5		—		14,552,732
		$	60,846,080	$	28,086,147
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Trade and other payables	10	$	461,136	$	669,137
Loans payable	11		905,088		—
Convertible notes payable	5,12		1,775,000		—
			3,141,224		669,137
Non Current					
Loans payable to related parties	16		1,913,286		—
Deferred income tax liability	17		—		774,000
Total liabilities			5,054,510		1,443,137
Shareholders' equity					
Share capital	13		48,139,317		25,098,903
Contributed surplus			6,022,079		5,255,495
Shares reserved to be issued			—		190,000
Subscriptions received in advance	13		—		2,426,425
Accumulated other comprehensive income			23,930		(3,953)
Non-controlling interest	5,13		16,036,636		—
Accumulated deficit			(14,430,392)		6,323,860)
Total shareholders' equity			55,791,570		26,643,010
		$	60,846,080	$	28,086,147

They are signed on the Company's behalf by:

"Terry Lyons"

Terry Lyons
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
For the years ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

	Note		December 31 2012		December 31 2011
Expenses					
General and administrative	15	$	1,718,417	$	1,388,325
Depreciation	8		47,899		102,044
Loss on foreign exchange			23,183		11,302
Pre-exploration expenditures			17,025		—
Share-based payments	14		639,220		1,249,783
Total expenses			(2,445,744)		(2,751,454)
Other Income (Expenses)					
Interest income			17,331		2,447
Interest expense on convertible notes payable			(53,412)		—
Interest expense on loans payable			(51,627)		—
Write-down of exploration and evaluation assets	9		(6,347,080)		(50,930)
Loss before income tax			(8,880,532)		(2,799,937)
Deferred income tax recovery (expense) (Note 17)			774,000		(406,061)
Loss after income tax			(8,106,532)		(3,205,998)
Other comprehensive item:					
Gain on reporting currency translation			27,883		79,337
Total other comprehensive loss			27,883		79,337
Total comprehensive loss for the year		$	(8,078,649)	$	(3,126,661)
Loss per common shares, basic and diluted	18	$	(0.04)	$	(0.03)

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
For the years ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

	Shares Amount	Shares to be Issued	Subscriptions Received in Advance	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
Balance, January 1, 2011	$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 issued for cash	11,470,894	—	(715,978)	—	—	—	—	10,754,916
Shares issued for Mineral Property Interest	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
Loss for the year	—	—	—	—	(8,106,532)	—	—	(8,106,532)
Share issued for cash	6,000,000	—	(2,426,425)	—	—	—	—	3,573,575
Exercise of warrants	8,182	—	—	—	—	—	—	8,182
Stock options exercised	89,639	—	—	(32,639)	—	—	—	57,000
Shares issued for Mineral Property Interest	17,175,712	—	—	—	—	—	—	17,175,712
Shares issued for compensation	190,000	(190,000)	—	—	—	—	—	—
Share issue costs	(423,119)	—	—	—	—	—	—	(423,119)
Stock based compensation	—	—	—	639,220	—	—	—	639,220
Fair value of agents warrants in connection with the private placement	—	—	—	14,095	—	—	—	14,095
Fair value of finder's warrants issued in connection with convertible notes payable	—	—	—	145,908	—	—	—	145,908
Adjustment on acquisition for non-controlling interest	—	—	—	—	—	—	16,036,636	16,036,636
Foreign exchange translation	—	—	—	—	—	27,883	—	27,883
Balance, December 31, 2012	$48,139,317	$ —	$—	$6,022,079	$(14,430,392)	$23,930	$16,036,636	$55,791,570

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

PACIFIC WILDCAT RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

	December 31 2012	December 31 2011
Cash flows from operating activities		
Loss for the year	$ (8,106,532)	$ (3,205,998)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation	47,899	102,044
Share based payments	—	71,000
Write-down on exploration and evaluation assets	6,347,080	50,930
Deferred income tax expense (recovery)	(774,000)	406,061
Interest on convertible notes payable	53,412	—
Interest on loans payable	51,627	—
Interest income	(17,331)	(2,447)
Stock based compensation	639,220	1,249,783
Financing costs on convertible notes payable	245,908	—
Changes in non-cash working capital balances:		
Receivables	(193,262)	(49,533)
Trade and other payables	(105,910)	274,526
Prepaid expenses	424,258	(294,500)
Total cash outflows from operating activities	(1,387,630)	(1,398,134)
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(120,977)	(1,625,143)
Cash acquired as part of assets acquisition	72,602	—
Interest income	17,331	2,447
Investment in exploration and evaluation assets	(2,907,691)	(2,066,886)
Interest in mineral property option	(4,915,374)	(5,589,588)
Total cash outflows from investing activities	(7,854,109)	(9,279,170)
Cash Flows From Financing Activities		
Proceeds from loans payable	905,088	—
Proceeds from convertible notes payable	1,000,000	—
Financing costs on convertible notes payable	(100,000)	—
Subscriptions received in advance	(2,426,425)	2,426,425
Issuance of shares	6,065,182	12,480,868
Share issuance costs	(409,024)	(881,772)
Due to related party	—	(133,809)
Net cash provided by financing activities	5,034,821	13,891,712
Effect of foreign exchange on cash	—	(21,217)
Increase (decrease) in cash and cash equivalents	(4,206,918)	3,193,191
Cash and cash equivalents, beginning of year	4,331,693	1,138,502
Cash and cash equivalents, end of the year	$ 124,775	$ 4,331,693

See Note 20 for Non-Cash Transactions

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

1. CORPORATION INFORMATION

Pacific Wildcat Resources Corp. ("PAW" or the "Company") is incorporated under the Business Corporations Act (British Columbia) and is primarily engaged in the acquisition and development of mineral properties located in Africa. The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's principal asset is the TML Licenses located in Mozambique and its ownership of 100% of Stirling Capital Limited and Cortec (Pty) Ltd., owners of a 70% interest Cortec Mining Kenya Limited, holder of the exploration rights to the Mrima Hill Niobium and Rare Earth Property, located in Kenya.

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 AND GOING CONCERN

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").

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2013.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities, which have been measured at amortized cost.

The consolidated 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 revenue from operations. The Company incurred a net loss of $8,078,649 during the year-ended December 31, 2012, as at December 31, 2012 has a working capital deficiency of $2,858,016 and has accumulated deficit of $14,430,392 and is expected to continue to incur losses. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. 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.

Accordingly, no adjustments to the carrying values of the assets and liabilities have been made in these consolidated financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These consolidated financial statements include the accounts of:

	% of ownership	Jurisdiction	Principal Activity
Tantalum Mineracao e Prespeccao Limitada ("TML")	100	Mozambique	Exploration
Stirling Capital Limited ("Stirling")	100	United Kingdom	Holding
Cortec (Pty) Ltd. ("Cortec UK")	100	United Kingdom	Holding
Cortec Mining Kenya Limited ("CMK")	70	Kenya	Exploration

All subsidiaries are entities that we control, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This control is evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements. For subsidiaries that we control, but do not own 100% of, the net assets and net profit (loss) attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated statements of financial position and consolidated statements of comprehensive loss.

Foreign Currency Transactions

The functional and presentation currency of the parent Company, Stirling, Cortec UK and CMK is the Canadian dollar, and the functional currency of TML is the U.S. dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at carrying value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of operations.

Where the functional currency is different from the presentation currency, the assets and liabilities of that subsidiary are translated into Canadian dollars using the exchange rate at the reporting date and the income statement is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation from the functional currency to the presentation currency are charged to other comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits 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.

Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

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

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

Mineral Exploration and Evaluation Expenditures (cont'd)

Acquisition costs

The fair value of all consideration paid to acquire an exploration and evaluation asset is capitalized, including amounts arising under option agreements. Consideration may include cash, loans or other financial liabilities, and equity instruments including common shares and share purchase warrants.

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, payments made to contractors and depreciation on plant and equipment 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, acquisition costs and exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure and acquisition costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

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 will be considered to be a mine under development and will be 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.

Farm-Out Arrangements

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess accounted for as a gain on disposal.

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)

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss and is provided at the following rates:

	Percentage
Field equipment	12.5 - 30
Furniture and fixtures	12.5 - 20
Computer equipment	30
Vehicles	25 - 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.

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 the following category 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 is as follows:

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

Financial Assets (cont'd)

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. Cash and cash equivalent is included in this category.

Derivatives

These assets are derivative financial assets which include investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivates that are linked to and must be settled by delivery of such an unquoted equity instrument, which shall be measured at fair value at the initial date and at cost after the initial recognition. As of December 31, 2012, the Company has $Nil in derivates asset (2011 - $14,552,732).

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. 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, loans payable, notes payable and loans payable to related parties are included in this category.

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 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.

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities, include restoration, reclamation and re-vegetation of the affected exploration sites.

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

Rehabilitation Provision (cont'd)

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur. As at December 31, 2012 and 2011, the Company had no rehabilitation provisions.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalized as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short-term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the "probable economic benefits" test and also are rarely debt funded. Any related borrowing costs incurred during this phase are therefore recognized in profit or loss in the period they are incurred.

Income Taxes

Income tax expense comprises 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 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.

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

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 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.

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 over the vesting period 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, being the period during which all the vesting conditions are to be satisfied. The fair value of the options granted to employees or options granted to non-employees where fair value of the goods or services received cannot be reliably estimated 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.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, together with any consideration paid.

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. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Options and Equity Instruments 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. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using an appropriate valuation model.

Related Party Transactions and Key Management

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. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors.

3. SUMMARY OF 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 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.

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.

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 JUDGMENTS, 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.

Judgments

Information about critical judgements 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 discussed below:

i) 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 transfer and title may be affected by undetected defects.

ii) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the year the new information becomes available. The Company has determined that there are currently no indicators of impairment.

iii) Income Tax

The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which a deductible temporary differences can be utilized.

iv) Accounting of acquisition

Judgment is required in determining whether a transaction or an event is a business combination or an asset acquisition. Significant areas requiring the use of management judgment relate to determining if the acquired entity has the economic resources available using the existing system or infrastructure to create economic benefits.

v) Accounting Estimates

Significant judgment is required in determining the fair values in an acquisition; the consideration is measured at fair values of assets given, liabilities incurred or assumed and equity instruments issued by the Company in exchange for control. The fair value of the equity instruments issued requires determining the appropriate share price, valuation model and appropriate inputs such as volatility and market interest rates.

In measuring the valuation between liability and equity components, the Company measures the present value of the convertible note payable by using discount rates that is estimated based on market interest rates at the time of issuance. The effective interest rate is used to calculate the interest implicit in the convertible note payable and allocates the residual value to the equity component. As of December 31, 2012, the Company has not bifurcated the liability and equity components on the convertible notes payable as the fair values on the equity component are immaterial and all proceeds have been allocated to the liability component.

5. ACQUISITION OF SUBSIDIARY

The Company completed acquisition of 100% of the issued and outstanding shares of Stirling Capital Limited and Cortec (PTY) Ltd. (the "Acquisition") on September 12, 2012 (collectively referred to as the "UK Subsidiaries"). The acquisition was made pursuant to the July 22, 2010 Conditional Purchase Agreement (the "Acquisition Agreement") with Finebrook Investments Pty Ltd, as trustee for the O'Sullivan Superannuation Fund ("O'Sullivan Fund ") and Dunross Capital Ltd ("Dunross"). The UK Subsidiaries collectively have a 70% interest in Cortec Mining Kenya, a private Kenyan company that holds three prospecting licences in Kenya. The Acquisition was completed in two tranches of 7% and 93%.

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"). As at December 31, 2011 costs incurred were recorded as an interest in a mineral property option as noted herein below).

On December 14, 2011 and April 22, 2012 the Company and the Owners executed Amending Agreements wherein the parties 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 did not change.

The key terms of the Amended Agreements, which received acceptance of the TSX Venture Exchange on January 5, 2012, were as follows:

1) PAW will make cash payment of AUS$3,000,000 (paid) to the Owners on the earlier of:
    - two business days after the completion by PAW of a financing to raise minimum gross proceeds of $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 24,702,352 shares (issued 20,194,768 on January 5, 2012).
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 (extended by further amendment) through the issue of the balance of the Closing Shares of approximately 4,500,000 shares and the balance of cash due of approximately $10,960,147 to the Owners on the final closing in accordance with the terms and conditions of the Acquisition Agreement.

On July 3, 2012, subject to Exchange approval the Company and Vendors entered into a further agreement ("Amending Agreement") to settle the previously agreed cash consideration of $10,960,147 (AUS$10,579,830) that is payable to the Vendors on the closing of the Acquisition by a combination of the issuance of common shares and a convertible promissory note.

On July 12, 2012 The Company received the Exchange's conditional acceptance to amend the terms of the Acquisition Agreement. Accordingly the Company issued to the Vendors 4,507,584 PAW Shares at an issue price of $0.08 per share in accordance with the Acquisition Agreement. The overall total value of the consideration paid to the Vendors by the Company on completion of the Acquisition did not change. The Amending Agreement remained subject to the Company's shareholders approval (received on September 10, 2012).

On September 12, 2012 the Company completed the Final Closing of the Acquisition of the remaining 93% of the issued share capital of the UK Subsidiaries by issuing to the Vendors an aggregate of 92,592,244 common shares of valued at $8,333,302 (issue price of $0.09 per share) and issued to the Vendors a convertible promissory notes in the aggregate amount of $775,000 (See Note 12 Convertible Notes Payable). All securities issued to the Vendors on the final closing were subject to a hold period expired on January 13, 2013.

The Company determined that the UK Subsidiaries and CMK did not meet the definition of a business pursuant to IFRS and accordingly the purchase has been accounted for as an asset acquisition, with the primary asset acquired being a 70% interest in mineral properties located in Kenya.

5. ACQUISITION OF SUBSIDIARY (cont'd)

The following sets forth the purchase price allocation to the assets acquired and liabilities assumed:

Purchase Price:		
Cash	$	6,650,813
Convertible notes payable		775,000
Common shares		25,345,711
Subtotal		32,771,524
Drilling and exploration		2,748,714
Legal, professional and consulting costs		1,898,579
Total additional cost		4,647,293
Total consideration	$	**37,418,817**

Net assets acquired:		
Cash	$	72,602
Receivables		104,553
Property, plant and equipment		4,765
Exploration and evaluation assets		56,135,662
Trade Payables		(129,303)
Loans due to related parties (Note 16)		(1,835,457)
Non-controlling interest		(16,036,636)
Due to PAW		(897,369)
Total-net assets acquired	$	37,418,817

*Exploration and evaluation assets include:

Exploration and evaluation costs (CMK)	$	3,007,688
Purchase price	$	37,418,817
Adjustment for non-controlling interest	$	16,036,636
Adjust for net assets acquired	$	(327,479)
	$	56,135,662

5. ACQUISITION OF SUBSIDIARY (cont'd)

As at December 31, 2011 the Company accounted for its 7% interest in the two U.K. entities as a derivative financial asset carried at cost. On September 12, 2012 the Company purchased the remaining 93% interest and has included all of their assets and liabilities in its consolidated financial statements effective from that date.

		Mrima Hill Acquisition
Balance January 1, 2011	$	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
Balance December 31, 2011		14,552,732
Cash payments to vendors		3,987,700
Shares issued to vendors		17,175,711
Drilling and exploration		1,569,543
Legal, professional and consulting costs		133,131
Subtotal	$	37,418,817
Adjust to acquisition costs		(37,418,817)
Balance at December 31, 2012	$	—

6. CASH AND CASH EQUIVALENTS

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

7. RECEIVABLES

	December 31 2012	December 31 2011
Sales taxes receivable	$ 151,367	$ 62,658

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

8. PROPERTY, PLANT AND EQUIPMENT

	Assets under Construction	Plant & Field Equipment	Furniture & Equipment	Office Equipment	Vehicles	Total
Cost						
Balance at January 1, 2011	$ —	$ 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
Assets acquired	34,664	81,569	5,126	17,655	3,874	142,888
Effect of foreign currency translation	—	(13,338)	—	—	—	(13,338)
Balance December 31, 2012	**$ 1,452,991**	**$ 1,132,458**	**$ 17,083**	**$ 72,880**	**$ 23,829**	**$ 2,699,241**
Depreciation						
Balance at January 1, 2011	$ —	$ 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
Depreciation for the year	—	16,539	4,603	20,754	6,003	47,899
Balance December 31, 2012	**$ —**	**$ 229,765**	**$ 10,817**	**$ 28,998**	**$ 19,828**	**$ 289,407**
Carrying amounts						
Carrying value at December 31, 2011	$ 1,418,327	$ 851,001	$ 5,743	$ 46,981	$ 6,130	$ 2,328,182
Carrying value at December 31, 2012	**$ 1,452,991**	**$ 902,693**	**$ 6,266**	**$ 43,882**	**$ 4,001**	**$ 2,409,833**

9. EXPLORATION AND EVALUATION ASSETS

	Twigg Licences	TMP Licenses	Mrima Hill	Total
Costs				
Balance at January 1, 2011	$ 50,930	$ 4,226,018	$ —	$ 4,276,948
Acquisition costs	—	—	—	-
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
Acquisition costs (Note 5)	—	—	56,135,662	56,135,662
Exploration costs	—	1,533,547	392,981	1,926,528
Foreign exchange movement	—	58,371	—	58,371
Impairment	—	(6,347,080)	—	(6,347,080)
Balance at December 31, 2012	**$ —**	**$ 1,624,396**	**$ 56,528,643**	**$ 58,153,039**

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.

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 commenced August 7, 2009 being the date of which the Exchange issued its final acceptance bulletin in respect of the acquisition. The escrowed securities were released in stages with 10% of Escrowed Shares being released from escrow immediately and the balance being released in six equal instalments every six months thereafter. All shares as at December 31, 2012 had been released from escrow.

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

During the year ended December 31, 2012, the Company has completed an assessment on the TMP licenses and determined that the carrying amount exceeded the recoverable value, and wrote down the carrying the carrying value to its estimated fair value of $1,624,396 and recorded an impairment charge of $6,347,080 in the year.

Mrima Hill Project, Kenya

As described in Note 5, on September 12, 2012 the Company completed the acquisition of the UK Subsidiaries which collectively have a 70% interest in CMK a private Kenyan company that holds three prospecting licences in Kenya referred to as the Mrima Hill Property for total acquisition costs of $56,135,662. The three prospecting licences cover 142 hectares area located in the southern part of Kenya. Subsequent to December 31, 2012, the Republic of Kenya, Mines and Geology department issued a mining license to CMK with a term of 21 years for the development and mining of Niobium and Rare Earth elements at Mrima Hill.

10. TRADE AND OTHER PAYABLES

		December 31 2012		December 31 2011
Trade payables	$	319,689	$	669,137
Interest payable on notes payable	$	51,627	$	—
Interest payable on convertible notes payable	$	53,412	$	—
Due to related parties (Note 16(c))	$	36,408	$	—
Total	$	461,136	$	669,137

11. LOANS PAYABLE

As of December 31, 2012, the Company has loans payable of $466,199 owing to non-related parties and $438,889 owing to related parties.

i) Non-related parties

a) On June 7, 2012, the Company entered into an unsecured loan with a private investor for $51,689 (AUS$50,000). The principal plus interest of 12% per annum was due on or before December 7, 2012. The Company intends to settle the principal plus interest payable by the issue of units. On April 26, 2013, the Company received Exchange approval and settled the debt through the issuance of units, see Note 23 (c)(i) for events after the reporting date.

b) On June 12, 2012, the Company entered into an unsecured loan with a private investor for $50,000. The principal plus interest of 12% per annum was due on or before December 12, 2012. The Company intends to settle the principal plus interest payable by the issue of units. On April 26, 2013, the Company received Exchange approval and settled the debt through the issuance of units, see Note 23 (c)(i) for events after the reporting date.

c) On June 19, 2012, the Company entered into an unsecured loan with a private investor for $200,000. The principal plus interest of 12% per annum was due on or before December 19, 2012. The Company intends to settle the principal payable by the issue of units and the interest from available funds. On April 26, 2013, the Company received the Exchange approval and settled the debt through the issuance of units, see Note 23 (c)(i) for events after the reporting date.

d) On July 27, 2012, the Company entered into an unsecured loan with a private investor for $112,821(AUS$109,156). The principal plus interest of 12% per annum was due on or before December 27, 2012. The Company intends to settle the principal payable by the issue of units and the interest from available funds. On April 26, 2013, the Company received Exchange approval and settled the debt through the issuance of units, see Note 23 (c)(i) for events after the reporting date.

e) On September 6, 2012, the Company entered into an unsecured loan with a private investor for $51,689 (AUS$50,000). The principal plus interest of 12% per annum was due on or before December 6, 2012. The Company intends to settle the principal payable by the issue of units and the interest from available funds. On April 26, 2013, the Company received Exchange approval and settled the debt through the issuance of units, see Note 23 (c)(i) for events after the reporting date.

ii) Related parties

a) On June 5, 2012, the Company obtained an unsecured loan of $75,000 from Townsend Family Trust, a trust owned by the CEO of the Company. The loan bears interest of 12% compounded monthly and was due 6 months from the date of the loan agreement. Subsequent to the year ended December 31, 2012, the Company repaid the principal and accrued interest owing.

b) On June 19, 2012, the Company obtained an unsecured loan of $250,000 from Red Island Resources, a private company a director of the Company, David Paull has an interest in. The loan bears interest of 12% compounded monthly and was due 6 months from the date of the loan agreement. The Company intends to settle the principal payable and the interest from available funds. On April 26, 2013, the Company received Exchange approval and settled the debt through the issuance of units, see Note 23 (c)(i) for events after the reporting date.

11. LOANS PAYABLE (cont'd)

ii) Related parties (cont'd)

c) On June 7, 2012, the Company obtained an unsecured loan of $50,000 from Terry Lyons, a director of the Company. The loan bears interest of 12% compounded monthly and was due 6 months from the date of the loan agreement. The Company intends to settle the principal plus interest by the issue of share. On April 26, 2013, the Company received Exchange approval and settled the debt through the issuance of shares, see Note 23 (c)(i) for events after the reporting date.

d) During the months of September and October, 2012, the Company obtained several unsecured loans totaling $63,889 (AUS$61,813) from DJCA Pty, a company owned by Darren Townsend, the CEO of the Company. The loans bear interest at 12% per annum compounded monthly and were due 6 months from the date of the loan agreement. The Company intends to pay the principal plus interest payable when available funds are available.

12. CONVERTIBLE NOTES PAYABLE

a) Credit Facility

The Company has arranged financing by way of a non-revolving secured credit facility (the "Facility") in the aggregate amount of $2,100,000.

Under the terms of the Facility, an aggregate of $2,100,000 can be drawn down by the Company in 3 tranches of $500,000 each and a final tranche of $600,000 at specific drawdown dates over a period of nine months as follows:

(i) September 12, 2012 (drawn down on September 12, 2012);
(ii) December 31, 2012 (drawn down on November 26, 2012) or such earlier pursuant to the terms of the Facility;
(iii) March 31, 2013; and
(iv) June 12, 2013;

Each drawdown under the Facility plus accrued interest at 15% per annum will mature on the earlier of 12 months from the date of such drawdown and the date that the Company completes the sale of assets at a deemed value of not less than $3,000,000. Any amounts not drawn down on a drawdown date will bear a standby fee equal to 3% of the undrawn portion of drawdown amount is payable to the Lender on such applicable drawdown date. The Facility is secured by a charge on the physical assets of TMP and by a pledge of 100% of the shares in TMP.

The amounts drawn down under the Facility plus unpaid accrued interest are convertible into units of the Company at the option of the Lender, at any time prior to their respective maturity date. The conversion rate is fixed on the day immediately preceding the drawdown date, at the greater of $0.11 per unit and the closing market price of the common shares of the Company.

Each unit will consist of one common share of the Company and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a purchase price equal to the greater of $0.11 per unit and the closing market price of the common shares of the Company on the Exchange as of the date immediately preceding the date of issuance of such warrant, for a period of 12 months from the date of the issuance of the warrants.

The Company has agreed to pay to a finder (the "Finder") at arm's length to the Company and the Lender, a finder's fee on the date of each drawdown in cash equal to 10% of each respective amount drawdown, and will issue to the Finder such number of finder's options which entitle the Finder to purchase such number of common shares of the Company as is equal to 25% of the number of common shares that may be issued on conversion of each amount drawdown at an exercise price equal to the greater of $0.11 per share and the market price of the common shares of the Company on the Exchange as at the closing on the day immediately preceding the date of the drawdown, exercisable for a period of five years from the date of the respective drawdown. Upon the First Drawdown, the Company will pay to the Finder $50,000 in cash (paid) and issue to the Finder an aggregate of 1,136,363 finder's warrants (issued) exercisable at $0.11 per unit until September 12, 2017. The fair value of the finder's warrants was $78,234 and was estimated using Black-Scholes pricing model with the following assumptions:

12. CONVERTIBLE NOTES PAYABLE (cont'd)

a) Credit Facility (cont'd)

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
9/12/2012	9/12/2017	$0.09	$0.11	2.68%	5	108%	0%

Upon the Second Drawdown, the Company will pay to the Finder $50,000 in cash (paid) and issue to the Finder an aggregate of 1,136,363 finder's warrants (issued) exercisable at $0.11 per unit until November 26, 2017. The fair value of the warrants was $67,674 and was estimated using Black-Scholes pricing model with the following assumptions:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
11/26/2012	11/26/2017	$0.08	$0.11	2.30%	5	107%	0%

On November 26, 2012 the Company executed an amendment to the non-revolving credit facility agreement ("Amended and Restated Credit Agreement"). Under the terms of the Amended and Restated Credit Agreement PAW received the second drawdown amount of $500,000.

The total cash payments of $100,000 and the fair values of the finder's warrants of $145,908 was recorded as financing charges and included in the general and administrative costs (Note 15). The Company has credited the fair values of the finder's warrants to contributed surplus for the year ended December 31, 2012 (2011 - $Nil).

The key terms of the Amended and Restated Credit Agreement are:

1. The requirement to repay the convertible note by the December 17, 2012 if PAW's Tantalum Assets in Mozambique are sold prior to this date.
2. If the Tantalum Asset sale does not close by December 17, 2012 then PAW shall release the convertible note provider from any further obligations with respect to the outstanding instalments (Tranche 3 and 4) of the convertible note, and
3. If the Tantalum Asset sale does not close by December 17, 2012 then PAW and its subsidiaries shall, within a period no later than 3 weeks after the December 17, 2012, provide the convertible note provider and holder with security and charge over the Mozambican Tantalum Assets.

The Company did not complete the sale the Tantalum Assets in accordance with the Agreement, as such Tranche 3 and 4 of the convertible note are not available to the Company. The Company and the provider will look to complete the security charge over the Mozambican Tantalum Assets.

b) Vendors Convertible Note

On September 12, 2012 the Company issued to the Vendors (see Note 5) convertible promissory notes in the aggregate amount of $775,000 (the "Vendors Loan").

The notes bear interest at 1% per month, compounded monthly and the principal and the interest is convertible at any time by the Vendors into common shares of PAW at a price of $0.11 per share. If the Vendors do not elect to convert the Vendors Loans into common shares, then the principal and interest becomes due in cash on September 12, 2013. The notes are repayable at the Company's election at any time up to September 12, 2013 in cash.

12. CONVERTIBLE NOTES PAYABLE (cont'd)

b) Vendors Convertible Note (cont'd)

As of December 31, 2012, the Company has $1,775,000 convertible notes payable (2011 - $Nil) as follows:

		December 31 2012		December 31 2011
Credit facility:				
Principal, due on September 12, 2013 plus interest at 15% per annum	$	500,000	$	—
Principal, due on November 26, 2013, plus interest at 15% per annum		500,000		—
		1,000,000		—
Vendors convertible notes:				
Due on September 12, 2013 plus interest at 12.68% per annum	$	387,500		—
Due on September 12, 2013 plus interest at 12.68% per annum		387,500		—
		775,000		—
Balance, at the end of the year	$	1,775,000	$	—

The Company has estimated the fair values of the credit facility and vendors convertible note using a valuation model with a discount rate of 20% and noted the equity component was immaterial.

13. SHARE CAPITAL AND RESERVES

a. Authorized Share Capital

The Company's authorized share capital consists of:

i) an unlimited number of common shares with no par value.

ii) An unlimited preferred shares "Class A" with a par value of $1.00 each

iii) An unlimited preferred shares "Class B" without par value

There are no preferred shares outstanding as at December 31, 2011 and 2012. The holders of common shares are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

13. SHARE CAPITAL AND RESERVES (Cont'd)

b. Common Shares

The following is a summary of changes in common share capital from January 1, 2011 to December 31, 2012:

	Number of Shares	Issue Price	Amount
Balance, January 1, 2011	79,015,454	—	$ 5,151,852
Exercise of warrants	904,200	$0.23	207,967
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 agents 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	$0.19	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
Shares issued for Interest in Mineral Property Option	20,194,768	$0.42	8,481,803
Shares issued for Interest in Mineral Property Option	4,507,584	$0.08	360,607
Shares issued for Interest in Mineral Property Option	92,592,244	$0.09	8,333,302
Private placement	17,142,857	$0.35	6,000,000
Share issue costs	—	—	(423,119)
Exercise of stock options	300,000	$0.19	57,000
Fair value of exercise of options	—	—	32,639
Exercise of warrants	27,272	$0.30	8,182
Adjustment for shares to be issued from prior year	1,000,000	$0.19	190,000
Balance, December 31, 2012	**262,377,408**	—	**$ 48,139,317**

13. SHARE CAPITAL AND RESERVES (Cont'd)

b. Common Shares (Cont'd)

Issued January 1, 2011 – December 31, 2011:

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.

13. SHARE CAPITAL AND RESERVES (Cont'd)

b. Common Shares (Cont'd)

Issued January 1, 2012 to December 31, 2012:

On January 5, 2012 the Company issued 20,194,768 common shares pursuant to the Acquisition as described in Note 5 and valued at $8,481,803 as determined by the market price when issued being $0.42 per common share.

On July 18, 2012 the Company issued 4,507,584 common shares pursuant to the Acquisition as described in Note 5 and valued at $360,607 as determined by the market price when issued being $0.08 per common share.

On January 23, 2012 the Company completed a private placement which resulted in the issuance of 17,142,857 units at a price of $0.35 per unit for gross proceeds to the Company of $6,000,000 of which $2,426,425 was received at December 31, 2011. Each unit consists of one common share and two separate one half of one common share purchase warrants with 17,142,857 half warrants having an exercise price of $0.50 and 17,142,857 warrants having an exercise price of $0.75. Each whole warrant with exercise price of $0.50 entitles the holder to acquire one additional common share at a price of $0.50 for 18 months from the date of closing date of the private placement. Each whole warrant with exercise price of $0.75 entitles the holder to acquire one additional common share at a price of $0.75 for 18 months from the closing date of the private placement. The warrants with exercise price of $0.50 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 warrants with exercise price of $0.75 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 the closing date of the private placement ("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.

In connection with the private placement, the Company paid finder's fees of $327,625 in cash and issued 937,573 Finders Warrants. 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 issued on the January 23, 2012 noted above. The Company also incurred professional fees of $81,399. The fair value of the Finders Warrants of $14,095 was estimated using Black-Scholes pricing model with the following assumptions:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
1/23/2012	7/23/2013	$0.07	$0.50	1.73%	1.5	133%	0%

On September 12, 2012 the Company issued 92,592,244 common shares pursuant to the closing of the Acquisition as described in Note 5 and valued at $8,333,302 as determined by the market price when issued being $0.09 per common share.

c. Escrowed Shares:

As at December 31, 2012 Nil shares (December 31, 2011 – 7,903,531) held in escrow.

13. SHARE CAPITAL AND RESERVES (Cont'd)

d. Contributed Surplus:

Contributed surplus consists of the fair value of stock options and warrants granted since inception, less amounts transferred to share capital for exercised stock options and warrants. If granted options vest and then subsequently expire or are forfeited, no reversal of contributed surplus is recognized.

e. Share Purchase Warrants:

	Number	Weighted Average Share Price
Balance, January 1, 2011	904,200	$0.23
Issued	16,148,934	$0.51
Exercised	(4,718,778)	$0.29
Balance, December 31, 2011	12,334,356	$0.51
Issued	17,142,858	$0.63
Exercised	(27,272)	$0.30
Expired	(1,774,400)	$0.53
Balance, December 31, 2012	**27,675,542**	**$0.61**

At December 31, 2012 27,675,542 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
6,247,381[1]	$0.30	August 25, 2013
*3,902,553	$1.00	February 3, 2013
*375,000	$1.00	February 5, 2013
*7,750	$1.00	February 8, 2013
8,571,429	$0.50	July 23, 2013
8,571,429	$0.75	July 23, 2013
27,675,542		

[1]On July 24, 2012 the Company received Exchange approval on the extension of the expiry dates of 6,247,381 share purchase warrants from August 25, 2012 to August 25, 2013.

*Subsequent to the year ended December 31, 2012, share purchase warrants expired unexercised.

f. Agents Options:

The following is a summary of changes in Agents Options from January 1, 2011 to December 31, 2012:

	Number	Weighted Average Share Price
Balance, January 1, 2011	—	$ —
Issued	1,818,181	$0.22
Exercised	(358,800)	$0.22
Balance, December 31, 2011	1,459,381	$0.22
Expired	(1,459,381)	$0.22
Balance, December 31, 2012	**—**	**—**

13. SHARE CAPITAL AND RESERVES (Cont'd)

g. Agents Warrants

	Number	Weighted Average Share Price
Balance, January 1, 2011	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
Expired	(183,750)	$0.30
Issued	3,210,299	$0.22
Balance, December 31, 2012	3,691,616	$0.33

At December 31, 2012, 3,691,616 Agents Warrants were outstanding. Each Agent Warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date
*148,740	$1.00	February 3, 2013
*332,577	$1.00	February 3, 2013
937,573	$0.50	July 23, 2013
1,136,363	$0.11	September 12, 2017
1,136,363	$0.11	November 26, 2017
3,691,616		

*Subsequent to the year ended December 31, 2012, warrants expired unexercised.

h. Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's consolidated Statements of Financial Position include 'Contributed Surplus', 'Shares Reserved to be Issued', 'Subscriptions received in advance', 'Accumulated Other Comprehensive Income', 'Accumulated Deficit' and 'Non-controlling interest'.

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

'Shares Reserved to be Issued' is used to record the obligation for issuance of common shares with no consideration received.

'Subscriptions received in advance' is used to record the proceeds received in advance of the issuance of common shares.

'Accumulated Other Comprehensive Income' is used to record the ccumulative translation adjustment includes foreign exchange losses/gains on translating subsidiaries with a different functional currency than the reporting entity.

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

'Non-controlling Interest' is used to record the percentage interests in the net assets acquired and net profit (loss) subsequent to acquisition attributable to non-controlling interests in the subsidiary.

14. SHARE BASED PAYMENTS

a) Option Plan Details

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, 2011 to December 31, 2012:

			During the year ended December 31, 2012						
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired	Forfeited	Closing Balance	Vested and Exercisable
8/7/2009	8/7/2014	$0.12	1,810,000	—	—	—	—	1,810,000	1,810,000
4/13/2010	4/13/2015	$0.19	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)	—	—	—	—
8/26/2011	8/26/2016	$0.65	3,250,000	—	—	—	(300,000)	2,950,000	2,950,000
8/26/2011	8/26/2013	$0.65	500,000	—	—	—	—	500,000	500,000
9/1/2011	9/1/2016	$0.63	300,000	—	—	—	—	300,000	300,000
2/22/2012	2/22/2017	$0.405	—	2,500,000	—	—	—	2,500,000	2,500,000
			7,435,000	2,500,000	(300,000)	—	(300,000)	9,335,000	9,335,000
Weighted Average Exercise Price			$0.42	$0.405	$0.19	—	$0.65	$0.42	$0.42

			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

14. SHARE BASED PAYMENTS (cont'd)

b) 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 2012 was $0.25 per option (December 31, 2011 - $0.65).

The model input for options granted during the years ended December 31, 2012 and December 31, 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
2/22/2012	2/22/2017	$0.39	$0.405	2.75%	5	81.52%	—
8/26/2011	8/26/2016	$0.55	$0.65	2.99%	5	79.05%	—
9/1/2011	11/1/2016	$0.63	$0.65	2.99%	5	76.84%	—

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, 2012 was $0.42 per share (year-end December 31, 2011 - $1.04).

i) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the year were $639,220 (2011- $1,249,783) and all were expensed in the year

ii) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options at December 31, 2012 was 3.08 years (December 31, 2011 - 3.5 years)

15. ADMINISTRATIVE AND GENERAL EXPENSES

	December 31 2012	December 31 2011
Administrative and General Expenses include:		
Consulting fees (Note 16)	$ 203,725	$ 481,795
Corporate relations	178,284	318,116
Filing fees	25,626	24,746
Financing charges (Note 12)	245,908	—
Office	263,503	164,511
Professional fees (Note 16)	386,445	122,110
Transfer agent fees	15,573	24,752
Travel	74,103	252,295
Wages (Note 16)	325,250	—
	$ 1,718,417	$ 1,388,325

16. RELATED PARTY TRANSACTIONS

Transactions with related parties were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) Rental Payments

i) Rental and administration 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;

ii) Office administration fees of $79,262 (year ended December 31, 2012 - $101,002) were paid to Aspire Mining and/or DAPRB PTY LTD. a company controlled by David Paull director of the Company as reimbursement for shared office space in relation to the Muaine operations and capitalized under Exploration and Evaluation expenditures.

		December 31 2012		December 31 2011
Key management personnel compensation comprised :				
Consulting fees	$	$177,398	$	369,649
Professional fees		79,107		105,174
Wages		325,250		—
Share based payments		—		817,759
	$	$581,755	$	1,292,582

b) Key Management Compensation

i) Wages of $325,250 (2011 - $211,778 consulting fees) were paid to Darren Townsend, President and Chief Executive Officer;
ii) Consulting fees of $122,730 (2011 - $157,871) were paid to a Minco Corporate Management Inc. ("Minco") a company controlled by Terese Gieselman, Chief Financial Officer ("CFO") and Secretary of the Company, providing accounting services, administration staff, corporate compliance services and CFO consulting fees;
iii) Professional fees of $79,107 (2011 - $Nil) were paid to Norton Rose and/or McLeod Dixon for legal services provided by Darryl Levitt, a director of the Company; and
iv) Professional fees of $Nil (2011 - $50,721) were paid to Yunis Shaik Attorneys, a company controlled by Yunis Shaik, a director of the Company.

c) Related party liabilities:

Amounts due to:	Service For		December 31 2012		December 31 2011
Darren Townsend	Consulting fees	$	17,268	$	—
Minco Corporate Management Inc.	Consulting fees	$	3,128	$	16,708
David Anderson	Consulting fees	$	15,504	$	—
Terry Lyons	Expenses	$	508	$	7,773

The related party liabilities are unsecured, non-interest bearing and due on demand.

d) Non-current loans payable

The non-current loans payable to related parties includes loans of $1,913,286 to CMK (See note 5 Acquisition of Subsidiary) due to directors or companies controlled by directors of CMK. The advances are unsecured non-interest bearing wherein the lenders have agreed such loans will be not called for repayment before January 1, 2014.

17. INCOME TAXES

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 2012		December 31 2011
Loss before income taxes	$	(8,880,532)	$	2,799,937)
Recovery based on the statutory rate of 25.0% (2011: 26.5%)		(2,220,000)		(742,000)
Change in tax rates on deferred tax		—		22,000
Non-deductible expenses		196,000		303,000
Different tax rates in other jurisdictions		(298,000)		(3,000)
Share issue costs		(102,000)		(220,000)
Other		391,000		82,000
Changes in unrecognized deferred tax assets		1,259,000		964,000
Total income tax (recovery) expense	$	(774,000)	$	406,000

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.50% to 15.00% and the British Columbia provincial tax rate remained the same as 10.00%.

The tax rates at 32.0% and 30.0% represents the federal statutory rate applicable for the 2012 taxation year for Mozambique and Kenya.

17.INCOME TAXES (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 2012	December 31 2011
Loss carry forwards	$ 2,134,000	$ 1,376,000
Exploration and evaluation assets	428,000	(774,000)
Start-up costs	97,000	101,000
Other deductible temporary differences	84,000	48,000
Share issue costs	262,000	221,000
Unrecognized deferred tax assets	(3,005,000)	(1,746,000)
Deferred tax liabilities	$ —	$ (774,000)

As at December 31, 2012, 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
2017	—	936,000
2029	370,000	—
2030	925,000	—
2031	1,657,000	—
2032	1,888,000	—
Total	$ 4,840,000	$ 2,934,000

18. 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.

	December 31 2012	December 31 2011
Loss attributable to ordinary shareholders	**($8,106,532)**	($3,205,998)
Weighted average number of common shares	**193,620,882**	113,248,238
Basic and diluted loss per share	**($0.04)**	($0.03)

19. SEGMENT REPORTING

The Company has one operating segment which is acquisition, exploration and evaluation properties. Non-current assets by geographical segments are as follows:

As at December 31, 2012	Canada	Mozambique	Kenya	Total
Property, plant and equipment	$ 49,865	$ 2,355,203	$ 4,765	$ 2,409,833
Exploration and evaluation assets	—	1,624,396	56,528,643	58,153,039
	$ 49,865	$ 3,979,599	$ 56,533,408	$ 60,562,872

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

20. 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, 2012 and December 31, 2011, the following transactions were excluded from the statements of cash flows:

i) The Company, pursuant to the Mrima Hill Acquisition Agreement, issued 117,294,596 common shares valued at $17,175,712 (2011 – 9,000,000 common shares valued at $8,170,000) as determined by their market prices when issued;
ii) A share issuance cost of $14,095 (2011 - $108,775) associated with the grant of 937,573 (2011 – 481,317) Agents Warrants (as described in Note 13 herein above);
iii) A compensation charge of $Nil (2011 - $1,699,233) associated with the grant of Nil (2011 – 1,818,191) Agents Options (as described in Note 13 herein above);
iv) A financing charge of $78,234 (2011 - $Nil) associated with the issuance of 1,136,363 Finders Warrants (as described in Note 12 herein above);
v) A financing charge of $67,674 (2011 - $Nil) associated with the issuance of 1,136,363 Finders Warrants (as described in Note 12 herein above);
vi) Resource property and deferred acquisition costs include $85,503 (2011: $79,526) through accounts payable and accrued liabilities; and
vii) The Company issued $775,000 convertible notes payable (2011 - $Nil) in the acquisition of the assets in CMK in Kenya.

21. 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 objectives, 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 the Board of Directors if and when there are any changes or updates required.

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

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 interest rate, commodity price risk and foreign currency risk.

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 has cash balances and interest-bearing liabilities. The Company's current policy is to invest excess cash in interest bearing accounts of major Canadian chartered banks and other reputable financial institutions. The Company considers this risk to be immaterial. The Company regularly monitors compliance to its cash management policy.

The Company is not subject to interest rate risk on its loans payable and convertible loans payable as the instruments have fixed interest rates.

Cash is subject to floating interest rates.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of the relevant commodities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

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

General Objectives, Policies and Processes: (cont'd)

Market Risk (cont'd)

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 is in exploration stage and has operations in Mozambique, U.K. and Kenya and transactions are denominated in US dollars, Australian dollars and Kenyan Shilling. As such the Company has exposure to foreign currency exchange rate fluctuations. The Company has not entered into any agreements or purchased any instruments to hedge possible foreign currency risks.

The following table reflects the Company's foreign currency exposure as of December 31, 2012:

	Canadian dollar	US dollar	Australian dollar	Kenyan Shilling	Total
	$	$	$	$	$
Financial assets:					
Cash and cash equivalents	37,939	59,338	—	27,498	124,775
Financial liabilities:					
Trade and other liabilities	450,003	—	11,133	—	461,136
Loans payable	250,000	—	216,788	—	466,788
Convertible notes payable	1,775,000	—	—	—	1,775,000
Loans payable to related parties	375,000	—	63,300	1,913,286	2,351,586

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party 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. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents 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 assets based on changes that are reasonably possible at each reporting date.

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.

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

General Objectives, Policies and Processes: (cont'd)

Liquidity Risk (cont'd)

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other payables, loans payable, convertible notes payable and loans payable to related parties. The Company does not maintain any trade payables beyond a 30 day period to maturity. As of December 31, 2012, the Company has a working capital deficiency of $2,858,016 which is not sufficient to cover funding requirements for operations as currently planned for at least the next twelve months. Subsequent to December 31, 2012, the Company has received $121,818 from the issuance of notes payable and $1,200,000 from the closing of a private placement. In addition, the Company is currently settling certain notes payable with the creditors by issuing common shares of the Company, see Note 23.

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 Statements of Financial Position carrying amounts for cash, receivables and trade and other payables, notes payable, convertible notes payable and notes payable to related parties 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.

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 measurements are those derived from inputs other than quoted 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).

22. CAPITAL MANAGEMENT

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

The company is not exposed to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended December 31, 2012.

23. EVENTS AFTER REPORTING DATE

a) Loans Payable

i) The Company on January 22, 2013 entered into an unsecured loan with a former director of the Company for $19,950. The principal plus interest of 12% per annum is due on or April 22, 2013. The Company intends to repay the principal plus interest payable when available funds are available.

ii) The Company on January 23, 2013 entered into an unsecured loan with a private investor for $50,000. The principal plus interest of 12% per annum is due on or April 23, 2013. The Company intends to settle the principal payable by issuance of units and interest from funds available. On April 26, 2013, the Company received the Exchange approval and settled the debt through the issuance of units, see Note 23 (c)(i).

iii) The Company on January 24, 2013 entered into an unsecured loan with a private investor for $51,868 (AUD$50,000). The principal plus interest of 12% per annum is due on or April 24, 2013. The Company intends to settle the principal payable by issuance of units and interest from funds available. On April 26, 2013, the Company received the Exchange approval and settled the debt through the issuance of units, see Note 23 (c)(i).

b) Non-Brokered Private Placement

i) On April 23, 2013 the Company completed a non-brokered private placement (the "Financing") which resulted in the issuance of 19,983,332 units at a purchase price of $0.06 per unit for gross proceeds of $1,200,000. Each unit comprise of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.10 per share for a period of 12 months from the closing date of the private placement.

In accordance with the Canadian securities legislation currently in effect, the securities issued pursuant to the Financing will have a restricted "hold" period in Canada expiring on August 24, 2013.

ii) On April 25, 2013 the Company announced subject to Exchange approval, that it will conduct a non-brokered private placement financing to raise aggregate gross proceeds of up to $1,500,000 through the issuance of up to 21,428,572 units at a price of $0.07 per unit. Each unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.10 per share for a period of 12 months from the closing date of the private placement.

c) Shares for Debt Settlement

i) On April 26, 2013 the Company received Exchange approval to settle various notes payable (the "Debt Settlement") of $839,009 with arm's length parties by the issuance of 11,186,783 units at a price of $0.075 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a period of 12 months of issuance exercisable at a price of $0.10.

The securities issued pursuant to the Debt Settlement are subject to a four-month hold period from the date of issuance.

ii) A note payable and accrued interest totalling $55,138 due to Terry Lyons (see Note 11 (ii)(c)), a director of the Company, was settled by the issuance of 735,173 common shares at a price of $0.075 per share.