PACIFIC WILDCAT RESOURCES CORP.

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Unaudited condensed consolidated Interim Financial Statements of

# PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)

June 30, 2013

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**NOTICE TO READER**

**The accompanying unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2013 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.**

**The Company's independent auditor has not audited or performed a review of these financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountant for a review of unaudited condensed consolidated interim financial statements by an entity's auditor.**

**Pacific Wildcat Resources Corp.**
**June 30, 2013**
**(Expressed in Canadian Dollars)**

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**PACIFIC WILDCAT RESOURCES CORP.**
(An Exploration Stage Company)
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (unaudited)**
Expressed in Canadian Dollars
As at June , 2013 and December 31, 2012

| | Note | | June 30 2013 | | December 31 2012 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current | | | | | |
| Cash and restricted cash | 5 | $ | 96,993 | $ | 124,775 |
| Receivables | 6 | | 127,741 | | 151,367 |
| Prepaids | | | 28,316 | | 7,066 |
| | | | 253,050 | | 283,208 |
| Non Current | | | | | |
| Property, plant and equipment | 7 | | 2,403,194 | | 2,409,833 |
| Exploration and evaluation assets | 8 | | 59,059,973 | | 58,153,039 |
| | | $ | 61,716,217 | $ | 60,846,080 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Current | | | | | |
| Trade and other payables | 9 | $ | 550,173 | $ | 461,136 |
| Loan payable | 10 | | 59,362 | | 905,088 |
| Note payable | 11 | | 1,775,000 | | 1,775,000 |
| | | | 2,384,535 | | 3,141,224 |
| Loans payable to related parties | 15 | | 2,026,786 | | 1,913,286 |
| Total liabilities | | | 4,411,321 | | 5,054,510 |
| **Shareholders' equity** | | | | | |
| Share capital | 12 | | 50,224,294 | | 48,139,317 |
| Contributed surplus | 12 | | 6,022,079 | | 6,022,079 |
| Subscriptions received in advance | 12 | | 122,450 | | — |
| Accumulated other comprehensive income | | | 98,812 | | 23,930 |
| Non controlling interest | 4 | | 16,036,636 | | 16,036,636 |
| Deficit | | | (15,199,374) | | (14,430,392) |
| Total shareholders' equity | | | 57,304,896 | | 55,791,570 |
| | | $ | 61,716,217 | $ | 60,846,080 |

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)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (unaudited)
Expressed in Canadian Dollars
For the three and six months ended June 30, 2013 and June 30, 2012

| | Note | | Three Months Ended June 30 2013 | | 2012 | | Six Months Ended June 30 2013 | | 2012 |
|---|---|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | | | |
| Administrative and general | 14,15 | $ | **306,418** | $ | 412,938 | $ | **498,898** | $ | 944,258 |
| Depreciation | 7 | | **6,551** | | 8,308 | | **12,882** | | 15,178 |
| Loss on foreign exchange | | | **61,716** | | - | | **96,155** | | 15,970 |
| Pre-exploration expenditures | | | — | | 10,976 | | - | | 20,839 |
| Total expenses | | | **(374,685)** | | (432,222) | | **(607,934)** | | (996,245) |
| **Other Income** | | | — | | — | | | | |
| Interest Income | | | — | | 14,347 | | — | | 17,331 |
| Interest expense on convertible notes payable | 11 | | **(62,332)** | | — | | **(123,115)** | | — |
| Interest expense | 11 | | **(7,843)** | | — | | **(37,933)** | | — |
| **Net loss** | | | **(444,859)** | | (417,875) | | **(768,981)** | | (978,914) |
| **Other comprehensive loss:** | | | | | | | | | |
| Gain on reporting currency translation | | | **(804)** | | (131,776) | | **74,882** | | (68,143) |
| **Total other comprehensive loss** | | $ | **(804)** | $ | (131,776) | $ | **74,882** | $ | (68,143) |
| **Total comprehensive loss for the period** | 16 | $ | **(445,663)** | $ | (549,651) | $ | **(694,099)** | $ | (1,047,057) |
| **Loss per common share basic and diluted** | 16 | $ | **(0.00)** | $ | (0.00) | $ | **(0.00)** | $ | (0.01) |

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

**PACIFIC WILDCAT RESOURCES CORP.**
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited)
Expressed in Canadian Dollars
For the six months ended June 30, 2013 and June 30, 2012

| | Note | Common Shares Amount | Shares to be Issued | Subscriptions Received | Contributed Surplus | Accumulated Deficit | Accumulated Other Income | Non Controlling Interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance, January 1, 2012 | | $ 25,098,903 | $ 190,000 | $ 2,426,425 | $ 5,255,495 | $ (6,323,860) | $ (3,953) | $ — | $ 26,643,010 |
| Loss for the period | | — | — | — | — | (978,914) | — | — | (978,914) |
| Exercise of warrants | 12 | 8,182 | — | — | — | — | — | — | 8,182 |
| Agents warrants | 12 | — | — | — | 327,625 | — | — | — | 327,625 |
| Stock options exercised | 12,13 | 57,000 | — | — | — | — | — | — | 57,000 |
| Share capital issued | | 6,000,000 | — | (2,426,425) | — | — | — | — | 3,573,575 |
| Shares issued for Mineral Property Interest | 8 | 8,481,803 | — | — | — | — | — | — | 8,481,803 |
| Share issue costs | 12 | (696,649) | — | — | — | — | — | — | (696,649) |
| Foreign exchange translation | | — | — | — | — | — | 3,365 | — | 3,365 |
| Balance, June 30, 2012 | | $ 38,949,239 | $ 190,000 | $ — | $ 5,583,120 | $ (7,302,774) | $ (588) | $ — | $ 37,418,997 |
| | | | | | | | | | |
| Balance, January 1, 2013 | | $ 48,139,317 | $ — | $ — | $ 6,022,079 | $ (14,430,392) | $ 23,930 | $ 16,036,636 | $ 55,791,570 |
| Loss for the year | | — | — | — | — | (768,981) | — | — | (768,981) |
| Shares issued on debt settlement | 12 | 894,147 | — | — | — | — | — | — | 894,147 |
| Share capital issued | 12 | 1,199,000 | — | — | — | — | — | — | 1,199,000 |
| Share issue costs | 12 | (8,170) | — | — | — | — | — | — | (8,170) |
| Subscriptions received | 12,19 | — | — | 122,450 | — | — | — | — | 122,450 |
| Foreign exchange translation | | — | — | — | — | — | 74,882 | — | 74,882 |
| Balance, June 30, 2013 | | $ 50,224,294 | $ — | $ 122,450 | $ 6,022,079 | $ (15,199,373) | $ 98,812 | $ 16,036,636 | $ 57,304,898 |

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

**PACIFIC WILDCAT RESOURCES CORP.**
(An Exploration Stage Company)
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (unaudited)**
Expressed in Canadian Dollars
For the six months ended June 30, 2013 and June 30, 2012

| | Note | | June 30 2013 | | June 30 2012 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Loss for the period | | $ | (768,981) | $ | (1,047,057) |
| Adjustments to reconcile loss to net cash used in operating activities: | | | | | |
| Depreciation | 7 | | 12,882 | | 15,178 |
| Interest on convertible notes payable | 11 | | 123,115 | | — |
| Interest on loans payable | 10 | | 37,933 | | — |
| Changes in non-cash working capital balances: | | | | | |
| Trade and other receivables | 5 | | 23,626 | | (99,416) |
| Trade and other payables | 9 | | 89,036 | | (206,480) |
| Prepaid expenses | | | (21,250) | | 377,966 |
| Total cash outflows from operating activities | | | (503,639) | | (959,809) |
| **Cash Flows From Investing Activities** | | | | | |
| Acquisition of property, plant and equipment | 7 | | — | | (131,657) |
| Investment in exploration and evaluation assets | 8 | | (904,501) | | (1,288,305) |
| Interest in mineral option | 4 | | — | | (5,336,561) |
| **Total cash outflows from investing activities** | | | (904,501) | | (6,756,523) |
| **Cash Flows From Financing Activities** | | | | | |
| Loan payable | 10 | | — | | 250,000 |
| Proceeds from related parties | 10 | | 67,077 | | 91,191 |
| Subscriptions for the issuance of shares | 12,19 | | 122,450 | | (2,426,425) |
| Issuance of shares | 12 | | 1,199,000 | | 6,065,181 |
| Share issue costs | 12 | | (8,169) | | (369,025) |
| **Net cash provided by financing activities** | | | 1,380,358 | | 3,610,922 |
| Effect of foreign exchange on cash | | | — | | 71,511 |
| Increase(decrease) in cash | | | (27,782) | | (4,033,899) |
| Cash and equivalents, beginning of period | | | 124,775 | | 4,331,693 |
| **Cash and equivalents, end of period** | | $ | 96,993 | $ | 297,794 |

See Note 18 for Non-Cash Transactions

## 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 mining 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 condensed consolidated interim financial statements for the three and six month period ended June 30, 2013 and June 30, 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2012 annual financial statements which 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 August 22, 2013.

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

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Going Concern

The Company has not generated revenue from operations. The Company incurred a net loss of $694,099 during the six months ended June 30, 2013, and as at June 30, 2013 has a working capital deficiency of $2,131,484 and has accumulated deficit of $15,199,374 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.

(Expressed in Canadian Dollars)

## 2. BASIS OF PREPARATION AND GOING CONCERN (cont'd)

**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.

**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, 2013 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.

## 2. BASIS OF PREPARATION AND GOING CONCERN (cont'd)

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.

## 3. 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.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### 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 March 31, 2013, 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.

## 4. 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").

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.

(Expressed in Canadian Dollars)

## 4. ACQUISITION OF SUBSIDIARY

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.

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 |

(Expressed in Canadian Dollars)

## 5. CASH AND CASH EQUIVALENTS

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

## 6. RECEIVABLES

| | | June 30 2013 | | December 31 2012 |
|---|---|---|---|---|
| Sales taxes receivable | $ | 127,741 | $ | 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.

## 7. PROPERTY, PLANT AND EQUIPMENT

| | | Assets under Construction | | Plant & Field Equipment | | Furniture & Equipment | | Office Equipment | | Vehicles | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | |
| Balance January 1, 2012 | $ | 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 |
| Effect of foreign currency translation | | | | 6,242 | | | | | | | | 6,242 |
| **Balance June 30, 2013** | **$** | **1,452,991** | **$** | **1,138,700** | **$** | **17,083** | **$** | **72,880** | **$** | **23,829** | **$** | **2,705,483** |
| **Depreciation** | | | | | | | | | | | | |
| Balance January 1, 2012 | $ | — | $ | 213,226 | $ | 6,214 | $ | 8,244 | $ | 13,825 | $ | 241,509 |
| Depreciation for the period | | — | | 16,539 | | 4,603 | | 20,754 | | 6,003 | | 47,899 |
| Balance December 31, 2012 | $ | — | $ | 229,765 | $ | 10,817 | $ | 28,998 | $ | 19,828 | $ | 289,407 |
| Depreciation for the period | | — | | 305 | | 2,215 | | 10,236 | | 126 | | 12,882 |
| **Balance June 30, 2013** | **$** | **—** | **$** | **230,070** | **$** | **13,032** | **$** | **39,234** | **$** | **19,954** | **$** | **302,289** |
| **Carrying amounts** | | | | | | | | | | | | |
| Carrying value at December 31, 2012 | $ | 1,452,991 | $ | 902,693 | $ | 6,266 | $ | 43,882 | $ | 4,001 | $ | 2,409,834 |
| **Carrying value at June 30, 2013** | **$** | **1,452,991** | **$** | **908,630** | **$** | **4,051** | **$** | **33,646** | **$** | **3,875** | **$** | **2,403,194** |

(Expressed in Canadian Dollars)

## 8. EXPLORATION AND EVALUATION ASSETS

| | | TMP Licenses | | Mrima Hill | | Total |
|---|---|---|---|---|---|---|
| **Costs** | | | | | | |
| 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 |
| Exploration costs | | 364,744 | | 539,757 | | 904,501 |
| Foreign exchange movement | | 2,433 | | — | | 2,433 |
| **Balance at June 30, 2013** | **$** | **1,991,573** | **$** | **57,068,400** | **$** | **59,059,973** |

**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 and as at June 30, 2013 there were no shares remaining in 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 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. As at June 30, 2013 the carrying value of $1,991,573 is the estimated fair value and no further impairments have been made.

**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. During the period ended June 30, 2013 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. *See Events after Reporting Date*.

(Expressed in Canadian Dollars)

## 9. TRADE AND OTHER PAYABLES

| | | June 30 2013 | | December 31 2012 |
|---|---|---|---|---|
| Trade payables | $ | 348,580 | $ | 319,689 |
| Interest payable on notes payable | $ | 81,283 | $ | 51,627 |
| Interest payable on convertible notes payable | $ | 114,630 | $ | 53,412 |
| Due to related parties (Note 16(c)) | $ | 5,680 | $ | 36,408 |
| Total | $ | 550,172 | $ | 461,136 |

## 10. LOANS PAYABLE

As of June 30, 2013 the Company has loans owing of $59,362 to related parties.

On April 26, 2013 the Company received Exchange approval to settle various notes payable as described herein below (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.

In addition, a note payable and accrued interest totalling $55,138 due to Terry Lyons a director of the Company, was settled by the issuance of 735,173 common shares at a price of $0.075 per share.

i) Non-related parties

a) On June 7, 2012, the Company entered into an unsecured loan with a private investor for $52,971 (December 31, 2102 - $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.

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.

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.

d) On June 19, 2012, the Company obtained an unsecured loan of $250,000 from Red Island Resources, a private company a former director of the Company, had 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.

e) On July 27, 2012, the Company entered into an unsecured loan with a private investor for $115,641 (December 31, 2102 -$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.

f) On September 6, 2012, the Company entered into an unsecured loan with a private investor for $52,971(December 31, 2012 - $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.

## 10. LOANS PAYABLE (cont'd)

g) 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 loan was re-paid in full during the period ended June 30, 2013

h) 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. On April 26, 2013, the Company received Exchange approval and settled the debt through the issuance of units.

i) The Company on January 24, 2013 entered into an unsecured loan with a private investor for $51,970(AUD$50,000). The principal plus interest of 12% per annum is due on or April 24, 2013. On April 26, 2013, the Company received the Exchange approval and settled the debt through the issuance of units.

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. The loan was re-paid in full during the period ended June 30, 2013.

b) During the months of September and October, 2012, the Company obtained several unsecured loans totalling $59,362 (December 31, 2012 -$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.

## 11. 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.

(Expressed in Canadian Dollars)

## 11. CONVERTIBLE NOTES PAYABLE (cont'd)

### a) Credit Facility (cont'd)

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:

| 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.

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.

(Expressed in Canadian Dollars)

## 11. CONVERTIBLE NOTES PAYABLE (cont'd)

### 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.

As of June 30, 2013 the Company has $1,775,000 convertible notes payable (2012 - $1,775,000l) as follows:

| | | June 30 2013 | | December 31 2012 |
|---|---|---|---|---|
| Credit facility: | | | | |
| Principal, due on September 12, 2013 plus interest at 15% per annum | $ | 500,000 | $ | 500,000 |
| Principal, due on November 26, 2013, plus interest at 15% per annum | | 500,000 | | 500,000 |
| | | 1,000,000 | | 1,000,000 |
| Vendors convertible notes: | | | | |
| Due on September 12, 2013 plus interest at 12.68% per annum | $ | 387,500 | | 387,500 |
| Due on September 12, 2013 plus interest at 12.68% per annum | | 387,500 | | 387,500 |
| | | 775,000 | | 775,000 |
| Balance, at the end of the period | $ | 1,775,000 | $ | 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.

## 12. 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 June 30, 2013 and December 31, 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.

(Expressed in Canadian Dollars)

## 12. SHARE CAPITAL AND RESERVES (Cont'd)

### b. Common Shares

The following is a summary of changes in common share capital from January 1, 2012 to June 30, 2013:

| | Number of Shares | Issue Price | Amount |
|---|---|---|---|
| Balance, January 1, 2012 | 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 |
| Shares issued on debt settlement | 11,921,956 | $0.075 | 894,147 |
| Private placement | 19,983,332 | $0.06 | 1,199,000 |
| Share issue costs | | | (8,170) |
| **Balance, June 30, 2013** | **294,282,696** | | **$50,224,294** |

Issued January 1, 2013 to June 30, 2013:

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.

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.

As at June 30, 2013 the Company had received subscriptions of $122,450. See Events after the Reporting Date.

On April 26, 2013 the Company issued 1,921,956 common shares and 5,593,393 warrants exercisable for one year at a price of $0.10 per common share to settle outstanding loans payable for an aggregate amount of $894,147. See Note 10 Loans Payable.

(Expressed in Canadian Dollars)

## 12. SHARE CAPITAL AND RESERVES (cont'd)

**a. 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 June 30, 2013 Nil shares (December 31, 2012 – Nil) held in escrow.

**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.

(Expressed in Canadian Dollars)

## 12. SHARE CAPITAL AND RESERVES (cont'd)

**e. Share Purchase Warrants:**

The following is a summary of changes in share purchase from January 1, 2012 to June 30, 2013:

| Share Purchase Warrants | Number | Weighted Average Share Price |
|---|---|---|
| Balance, December 31, 2011 | 12,334,356 | $0.51 |
| Issued | 17,142,858 | $0.36 |
| Exercised | (27,272) | $0.30 |
| Expired | (1,774,400) | $0.53 |
| Balance, December 31, 2012 | 27,675,542 | $0.61 |
| Expired | (4,285,303) | $1.00 |
| Issued | 15,585,061 | $0.10 |
| **Balance, June 30, 2013** | **38,975,300** | **$0.36** |

At June 30, 2013 38,975,300 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

| Share Purchase Warrants Number | Exercise Price | Expiry Date |
|---|---|---|
| 6,247,381[1] | $0.30 | August 25, 2013 |
| 8,571,429[2] | $0.50 | July 23, 2013 |
| 8,571,429[2] | $0.75 | July 23, 2013 |
| 4,166,667 | $0.10 | April 1, 2014 |
| 5,825,001 | $0.10 | April 23, 2014 |
| 5,593,393 | $0.10 | April 26, 2014 |
| 38,975,300 | | |

[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. See Events after the Reporting Date
[2] See Events after Reporting Date

**f. Agents Options:**

The following is a summary of changes in Agents Options from January 1, 2012 to June 30, 2013:

| | Number | Weighted Average Share Price |
|---|---|---|
| Balance, January 1, 2012 | 1,459,381 | $0.22 |
| Expired | (1,459,381) | $0.22 |
| **Balance, December 31, 2012 and June 30, 2013** | — | — |

(Expressed in Canadian Dollars)

## 12. SHARE CAPITAL AND RESERVES (cont'd)

### g. Agents Warrants

The following is a summary of changes in Agents Warrants from January 1, 2012 to June 30, 2013

| Agents Warrants | Number | Weighted Average Share Price |
|---|---|---|
| Balance, January 1, 2012 | 665,067 | $0.81 |
| Expired | (183,750) | $0.30 |
| Issued | 3,210,299 | $0.22 |
| Balance, December 31, 2012 | 3,691,616 | $0.33 |
| Expired | (481,317) | $1.00 |
| **Balance, June 30, 2013** | **3,210,299** | **$0.22** |

At June 30, 2013,210,299 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 |
|---|---|---|
| 937,573 | $0.50 | July 23, 2013 |
| 1,136,363 | $0.11 | September 12, 2017 |
| 1,136,363 | $0.11 | November 26, 2017 |
| 3,210,299 | | |

### 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.

(Expressed in Canadian Dollars)

## 13. 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, 2012 to June 30, 2013

| | | | | During the period ended June 30, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Grant Date | Expiry Date | Exercise Price | Opening Balance | Granted | Exercised | Expired | Forfeited | Closing Balance | Vested and Exercisable | Unvested |
| 07/08/2009 | 07/08/2014 | $0.12 | 1,810,000 | — | — | — | — | 1,810,000 | 1,810,000 | — |
| 13/04/2010 | 13/04/2015 | $0.19 | 75,000 | — | — | — | — | 75,000 | 75,000 | — |
| 28/07/2010 | 28/07/2015 | $0.19 | 1,200,000 | — | — | — | — | 1,200,000 | 1,200,000 | — |
| 26/08/2011 | 26/08/2016 | $0.65 | 2,950,000 | — | — | — | — | 2,950,000 | 2,950,000 | — |
| 26/08/2011 | 26/08/2013 | $0.65 | 500,000 | — | — | — | — | 500,000 | 500,000 | — |
| 01/09/2011 | 01/09/2016 | $0.63 | 300,000 | — | — | — | — | 300,000 | 300,000 | — |
| 22/02/2012 | 22/02/2017 | $0.405 | 2,500,000 | — | — | — | — | 2,500,000 | 2,500,000 | — |
| 05/01/2013 | 01/08/2014 | $0.15 | — | 400,000 | — | — | — | 400,000 | — | 400,000 |
| | | | 9,335,000 | 400,000 | — | — | — | 9,735,000 | 9,335,000 | 400,000 |
| Weighted Average Exercise Price | | | $0.42 | $0.00 | $0.00 | $0.00 | $0.00 | $0.41 | $0.42 | $0.15 |

| | | | 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 |

(Expressed in Canadian Dollars)

## 13. 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 period ended June 30, 2013 was $0.41 per option (December 31, 2012 - $0.25).

There were 400,000 options granted during the period ended June 30, 2013 (June 30, 2012 – Nil) . The model input for options granted during the period ended June 30, 2013 included:

| Grant Date | Expiry Date | Share Price at Grant Date | Exercise Price | Risk-Free-Interest Rate | Expected Life | Volatility Factor | Dividend Yield |
|---|---|---|---|---|---|---|---|
| 05/01/2013 | 01/08/2014 | $0.15 | $0.15 | 1.11% | 1.25 | 140.75% | — |

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.

## 14. ADMINISTRATIVE AND GENERAL EXPENSES

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **General and Administrative** | | | | |
| Consulting fees | $ 63,199 | $ 140,790 | $ 79,949 | $ 431,213 |
| Corporate relations | 44,378 | 61,186 | 46,778 | 137,735 |
| Filing fees | 9,387 | 3,018 | 16,057 | 15,510 |
| Office | 32,369 | 40,994 | 75,455 | 96,309 |
| Professional fees | 75,504 | 147,231 | 102,813 | 185,511 |
| Transfer agent fees | 2,021 | 1,396 | 3,146 | 6,973 |
| Travel | 12,523 | 18,326 | 14,949 | 71,007 |
| Wages | 67,036 | — | 159,750 | — |
| | $ 306,418 | $ 412,940 | $ 498,898 | $ 944,258 |

## 15. 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 $4,200 (June 30, 2012 - $4,200) were paid to Minco Corporate Management Inc. a Company controlled by the Company's Chief Financial Officer;

(Expressed in Canadian Dollars)

## 15. RELATED PARTY TRANSACTIONS (cont'd)

b) Key Management Compensation

| | June 30 2013 | June 30 2012 |
|---|---|---|
| Key management personnel compensation comprised : | | |
| Consulting fees | $51,798 | $81,229 |
| Salaries | $159,750 | $165,692 |
| Legal fees | — | $34,493 |
| | $211,548 | $246,921 |

i) Wages of $159,750 (June 30, 2012 - $165,692) were paid to Darren Townsend, President and Chief Executive Officer;
ii) Consulting fees of $51,798 (June 30, 2012 - $81,229) 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; and
iii) Legal fees of $Nil (June 30, 2012 -$34,493) were paid to a legal firm for services provided by a former director.

c) Related party liabilities:

| Amounts due to: | Service For | | June 30 2013 | | December 31 2012 |
|---|---|---|---|---|---|
| Darren Townsend | Salaries | $ | 46,574 | $ | 17,268 |
| Minco Corporate Management Inc. | Consulting fees | $ | — | $ | 3,128 |
| Minco Corporate Management Inc. | Expenses | $ | 47 | $ | — |
| David Anderson | Consulting fees | $ | — | $ | 15,504 |
| Terry Lyons | Expenses | $ | — | $ | 508 |

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 $2,026,786 to CMK (See note 4 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.

## 16. 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 period.

| | June 30 2013 | June 30 2012 |
|---|---|---|
| Loss attributable to ordinary shareholders | ($694,099) | ($1,047,057) |
| Weighted average number of common shares | 275,179,215 | 161,502,992 |
| Basic and diluted loss per share | ($0.00) | ($0.01) |

(Expressed in Canadian Dollars)

## 17. 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 June 30, 2013 | Canada | Mozambique | Kenya | Total |
|---|---|---|---|---|
| Property, plant and equipment | 37,935 | 2,360,494 | 4,765 | 2,403,194 |
| Exploration and evaluation assets | — | 1,981,421 | 57,078,552 | 59,059,973 |
| | $ 37,935 | $ 4,341,915 | $ 57,083,317 | $ 61,463,167 |

| 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 |

## 18. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the period ended June 30, 2013 and June 30, 2012, the Company did not have any non-cash transactions.

## 19. EVENTS AFTER THE REPORTING DATE

### a) Mrima Hill

On August 7, 2013 the Company become aware of a recent press statement (the “Press Statement”) made on 5 August 2013 by the Honourable Najib Balala, Cabinet Secretary of Mining in Kenya (the “Kenyan Ministry Cabinet Secretary”), on the purported revocation of all licences (Prospecting, Exploration and Mining), issued in Kenya between 14th January 2013 and 15th May 2013 and related unverified reports with respect to this issue from news media outlets in Kenya.

The Press Statement discloses that a task force has been appointed to undertake a comprehensive review of all prospecting, exploration and mining licences issued between January 2003 to August 2013. The purpose is to assess the validity of such licences, draft recommendations and provide a report to enable the Kenyan Ministry Cabinet Secretary to take necessary action within sixty days.

From media sources it appears as if the 21 year Special Mining Licence granted to Cortec Mining Kenya Limited (‘CMK’) (PAW indirect 70% ownership) on 7th March 2013, is affected by the Kenyan Ministry Cabinet Secretary’s decision. The Company has not received any formal notification from the Kenyan Ministry of Mining on this matter and CMK’s Managing Director and PAW Director Mr. David Anderson is currently making enquiries to the Ministry of Mining to confirm the status of the licence held by CMK.

CMK, who begun its special mining license application process in early 2012 is confident it has complied with all applicable rules and regulations and went through a thorough process in support of its application and is currently seeking legal advice to protect its interests.

## 19. EVENTS AFTER THE REPORTING DATE (cont'd)

### b) Non-Brokered Private Placement

On August 12, 2013 the Company closed the first tranche (the "First Tranche") of the private placement (the "Private Placement") of up to 21,428,572 units (each a "Unit") to raise aggregate gross proceeds to the Company of up to $1,500,000, which was originally announced in the Company's news release dated April 25, 2013. A total of 1,849,285 Units were issued in closing of the First Tranche, for gross proceeds to the Company of $129,450.

Each Unit consists of one common share (a "Share") in the capital of the Company and one-half of one non-transferable common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one additional common share (a "Warrant Share") of the Company at an exercise price of $0.10 per Warrant Share for a period of 12 months from the closing date of the First Tranche. All securities issued in connection with the First Tranche will be subject to hold period pursuant to applicable securities laws which will expire on November 30, 2013.