BROOKEMONT CAPITAL INC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

July 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Brookemont Capital Inc.

We have audited the accompanying consolidated financial statements of Brookemont Capital Inc. which comprise the consolidated balance sheet as at July 31, 2011 and the consolidated statements of operations and deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Brookemont Capital Inc. as at July 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Emphasis of Matter

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

Other Matters

The consolidated financial statements of Brookemont Capital Inc. for the year ended July 31, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on November 23, 2010.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

November 21, 2011

BROOKEMONT CAPITAL INC.
CONSOLIDATED BALANCE SHEETS
As at July 31, 2011 and 2010

ASSETS	2011	2010
Current		
Cash and cash equivalents	$ 11,921	$ 274,976
GST/HST recoverable	14,550	2,079
Prepaid expenses and deposits	1,762	333
	28,233	277,388
Rent deposit	6,475	-
Equipment - Note 4	4,068	4,599
Mineral properties - Note 5	3,122,669	1,732,526
	$ 3,161,445	$ 2,014,513
LIABILITIES		
Current		
Accounts payable and accrued liabilities - Note 8	$ 142,289	$ 53,552
Interest payable - Note 7	2,375	-
Loans payable - Note 7	160,000	-
	304,664	53,552
Future income tax liability - Note 10	-	313,300
	304,664	366,852
SHAREHOLDERS' EQUITY		
Share capital - Note 9	7,271,043	3,350,847
Contributed surplus - Note 9	461,530	400,831
Deficit	(4,875,792)	(2,104,017)
	2,856,781	1,647,661
	$ 3,161,445	$ 2,014,513

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Notes 9 and 16
Subsequent Events – Note 14

APPROVED BY THE DIRECTORS:

"Conrad Clemiss" Director
Conrad Clemiss

"Daniel Terrett" Director
Daniel Terrett

BROOKEMONT CAPITAL INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the years ended July 31, 2011 and 2010

	2011	2010
Oil and gas revenues	$ -	$ 68,022
General and administrative expenses		
Accretion of asset retirement obligation	-	17,278
Amortization expense	963	452
Consulting fees	315,304	171,300
Depletion and write-down of oil and gas properties	-	23,458
Finance fees - Note 7	149,423	-
Interest and service charges	696	775
Management fees and directors' fees - Note 8	144,504	188,925
Office and miscellaneous	35,518	25,653
Oil and gas operating costs	-	81,585
Professional fees	62,685	81,633
Shareholder information	27,891	8,067
Stock-based compensation - Note 9	341,077	170,007
Transfer agent and filing fees	31,807	26,319
Travel and promotion	26,236	18,331
	(1,136,104)	(813,783)
Loss for the year before other items and income taxes	(1,136,104)	(745,761)
Other items:		
Interest income	1,710	789
Interest expense	(7,288)	-
Impairment of mineral properties - Note 5	(1,943,393)	-
Gain on sale of oil and gas properties - Note 6	-	1,039,960
	(1,948,971)	1,040,749
Loss before income tax provision	(3,085,075)	294,988
Future income tax recovery	313,300	-
Net income (loss) and comprehensive income (loss) for the year	(2,771,775)	294,988
Deficit, beginning of the year	(2,104,017)	(2,399,005)
Deficit, end of the year	$ (4,875,792)	$ (2,104,017)
Basic and diluted income (loss) per share	$ (0.08)	$ 0.01
Weighted average number of common shares outstanding	36,749,251	22,506,495

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

BROOKEMONT CAPITAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended July 31, 2011 and 2010

	2011	2010
Operating Activities		
Net income (loss) for the year	$ (2,771,775)	$ 294,989
Items not affecting cash:		
Accretion expense	-	17,278
Accrued interest	2,375	-
Amortization expense	963	452
Depletion and write-down of oil and gas properties	-	23,458
Finance fees	149,423	-
Gain on sale of oil and gas properties	-	(1,039,960)
Write down of mineral propeties	1,943,393	-
Stock-based compensation	341,077	170,007
Future income tax recovery	(313,300)	-
Changes in non-cash working capital items:		
GST/HST receivable	(12,471)	(101)
Prepaid expenses and deposits	(1,429)	2,378
Rent deposit	(6,475)	-
Accounts payable and accrued liabilities	77,737	(82,945)
Cash used in operating activities	(590,482)	(614,444)
Financing Activities		
Proceeds from issuance of share capital, net of share issue costs	789,363	509,073
Proceeds from loan advance	525,000	-
Loan repayment	(365,000)	-
Cash provided by financing activities	949,363	509,073
Investing Activities		
Acquisition of equipment	(432)	(4,011)
Acquisition and development of mineral properties	(621,504)	(220,730)
Proceeds on sale of oil and gas properties	-	575,000
Cash (used in) provided by investing activities	(621,936)	350,259
Increase (decrease) in cash during the year	(263,055)	244,888
Cash and cash equivalents, beginning of the year	274,976	30,088
Cash and cash equivalents, end of the year	$ 11,921	$ 274,976
Cash and cash equivalents represented by:		
Cash	$ 11,921	$ 39,236
Term deposit	-	230,000
Lawyer's trust account	-	5,740
	$ 11,921	$ 274,976
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 4,913	$ -
Income taxes	$ -	$ -

Non-cash transactions - Note 13

1. Nature of Operations and Ability to Continue as a Going Concern

Brookemont Capital Inc. (the "Company") is an exploration stage public company and is listed on the TSX Venture Exchange. The Company's principal business activities include acquiring and exploring mineral properties. At July 31, 2011, the Company has mineral property interests located in Canada and Tanzania.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At July 31, 2011, the Company had not yet achieved profitable operations, has accumulated losses of $4,875,792 since its inception and expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

2. Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the Company's wholly-owned subsidiary, 0854508 BC Ltd., incorporated under the Business Corporations Act of British Columbia (Note 3). All inter-company transactions and balances are eliminated upon consolidation.

2. Summary of Significant Accounting Policies – (cont'd)

b) Cash and Cash Equivalents

Cash equivalents are highly liquid Canadian dollar investments in term deposits with major financial institutions that have maturities or redemption provisions of three months or less from the date of acquisition and that are convertible into known amounts of cash.

c) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalents is computed by application of the treasury stock method. Dilutive amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. For the year ended July 31, 2011, shares issuable on exercise of stock options and warrants totalling 4,534,166 were not included in the computation of diluted loss per share because the effect would have been anti-dilutive. For the year ended July 31, 2010, shares issuable on exercise of stock options and warrants totalling 1,566,875 were included in the computation of diluted loss per share.

d) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities. Future tax assets, including the benefit of losses available to be carried forward to future years for tax purposes, are recognized only if it is more likely than not that they can be realized.

e) Equipment and Amortization

Office equipment is amortized on a 20% declining-balance method.

f) Stock-based Compensation

The fair value of share purchase options granted to employees, directors and officers is expensed over their vesting period with a corresponding increase to contributed surplus. Compensation for non-employees is re-measured at each balance sheet date until the earlier of the vesting date or the date of completion of the service. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

2. Summary of Significant Accounting Policies – (cont'd)

f) Stock-based Compensation – (cont'd)

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

g) Flow-through Shares

Upon renunciation of exploration expenditures to the shareholders for flow-through shares issued by the Company, the Company reduces share capital and recognizes a future income tax liability for the amount of tax reduction renounced to the shareholders. In instances where the Company has sufficient available tax loss carryforwards or other deductible temporary differences available to offset the renounced tax deduction and is more-likely-than-not able to utilize either these tax losses or other deductible temporary differences before expiry, the Company recognizes future tax assets, with a corresponding credit to operations, for an amount equal to the future income tax liability.

h) Mineral Properties

The Company capitalizes the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs include all expenditures made with respect to maintaining on-site administration of exploration projects. Cost of producing properties will be amortized on a unit-of-production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

2. Summary of Significant Accounting Policies – (cont'd)

i) Oil and Gas Properties

i) Capitalized Costs

The Company follows the full cost method of accounting for its petroleum and natural gas operations. Under this method, all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized into cost centres on a country-by-country basis. Costs include lease acquisition costs, geological and geophysical expenses and costs of drilling both productive and non-productive wells and equipment costs. Proceeds from the sale of properties are applied against capitalized costs and gains or losses are not recognized unless such sale would alter the depletion rate by more than 20%.

ii) Depletion and Depreciation

Depletion and depreciation of petroleum and natural gas properties, net of estimated salvage or residual value, is provided using the unit-of-production method based upon estimated gross proven petroleum and natural gas reserves as determined by independent engineers. For depletion and depreciation purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy equivalent conversion rate of 6,000 cubic feet of natural gas to one barrel of crude oil.

iii) Impairment Test

In applying the full cost method, the Company calculates a ceiling test whereby the carrying value of property and equipment is compared to the sum of the undiscounted cash flows expected to result from the future production of proven reserves. Cash flows are based on third party quoted forward prices, adjusted for transportation and quality differentials. Should the ceiling test result in an excess of carrying value, the Company would then measure the amount of impairment by comparing the carrying amounts of property and equipment to an amount equal to the estimated net present value of future cash flows from proven plus probable reserves. A risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying value would be recorded as a permanent impairment.

j) Asset Retirement Obligations

The liability for asset retirement obligations, such as site reclamation costs, is recognized in the period in which it is incurred if a reasonable estimate of the future costs to be incurred can be made. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs will be amortized to expense over the life of the related assets using the unit-of-production method. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial fair value measurements (additional asset retirement costs). As at July 31, 2011 and 2010, the Company has determined that it does not have any asset retirement obligations.

2. Summary of Significant Accounting Policies – (cont'd)

k) Impairment of Long-lived Assets

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of a long-lived asset is then determined by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value. Except as provided, the Company does not consider any of its long-lived assets to be impaired at July 31, 2011 and 2010.

l) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated.

m) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could impact future results of operations and cash flows.

n) Financial Instruments – Recognition and Measurement

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for-trading; GST/HST recoverable as loans and receivables, accounts payable and accrued liabilities, loans and interest payable as other financial liabilities. The carrying value of the Company's financial instruments approximates their fair values due to their short term maturity.

The framework for disclosing fair value of financial instruments is based on their classification within a hierarchy that prioritizes their significance. The hierarchy of inputs and description of inputs is described as follows:

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

2. Summary of Significant Accounting Policies – (cont'd)

n) Financial Instruments – Recognition and Measurement – (cont'd)

Financial instruments classified as level 1 – quoted prices in active markets include cash and cash equivalents.

o) Foreign currency translation

Monetary items denominated in a foreign currency, other than Canadian dollars, are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets are acquired or obligations incurred. Foreign currency denomination revenue and expense items are translated at exchange rates prevailing at the transaction dates. Gains or losses arising from the translations are recognized in the current period.

p) Comprehensive Income

Handbook Section 1530 establishes standards for the reporting and display of comprehensive income and its components in the consolidated financial statements. Comprehensive income includes net earnings and other comprehensive income. Other comprehensive income includes holding gains on available for sale investments, gains and losses on certain derivative instruments and currency gains and losses relating to the translating of financial statements of self-sustaining foreign operations. As at July 31, 2011 and 2010, the Company has no items that represent comprehensive income, and therefore, has not included a schedule of comprehensive income in these consolidated financial statements.

q) Comparative Figures

Certain comparative figures for the year ended July 31, 2010 have been reclassified to conform with the presentation used in the current year.

r) Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In 2006, the Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. A transition date of August 1, 2010 will be required for the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011.

3. Acquisition and Dissolution of Subsidiary

On August 28, 2009, the Company completed the acquisition of all of the outstanding shares of 0854508 BC Ltd., a private British Columbia company ("BC Co."). Consideration consisted of 5,000,000 common shares of the Company and $150,000 in

3. Acquisition and Dissolution of Subsidiary – (cont'd)

cash. The Company also incurred $6,661 in legal expenses and the issue of 482,142 common shares for finders' fees. At the acquisition date, the assets of BC Co. consisted of a 100% interest in mineral claims prospective for lithium, located in Northern Ontario, and quartz mineral claims located in the Yukon Territory.

The transaction has been accounted for as an asset acquisition using the purchase method. The purchase price allocation is as follows:

Net assets acquired:		
Mineral properties	$	1,292,282
Future income tax liability		(313,300)
	$	978,982
Consideration:		
Cash	$	150,000
Common shares – 5,482,142 shares valued at $0.15 per share		822,321
Legal fees		6,661
	$	978,982

The value of the shares was determined by their market value when the shares were issued.

During the year ended July 31, 2011, the Company acquired the assets of the subsidiary and dissolved BC Co.

4. Equipment

		2011		2010
Computer and office equipment - at cost	$	5,651	$	5,219
Accumulated amortization		(1,583)		(620)
Net book value	$	4,068	$	4,599

5. Mineral Properties

Year ended July 31, 2011:

	Canada					Tanzania	
	Ontario Lithium Claims	Yukon Quartz Claims	BC Cariboo Gold	BC Stewart Gold	Quebec Rare Earth	Handeni Gold	Total
Acquisition costs, beginning balance	$ 387,685	$ 904,597	$ -	$ 266,000	$ 163,245	$ -	$ 1,721,527
Cash	-	-	15,000	-	-	335,463	350,463
Filing fees	-	-	-	-	-	9,400	9,400
Legal fees	104	-	150	-	-	9,299	9,553
Shares	-	-	1,146,032	115,000	-	1,440,000	2,701,032
Write-down of acquisition costs	(387,789)	-	(1,161,182)	(381,000)	-	-	(1,929,971)
Acquisition costs, ending balance	-	904,597	-	-	163,245	1,794,162	2,862,004
Deferred exploration expenditures							
Claim maintenance fees	-	1,365	-	12,922	-	-	14,287
Field equipment and supplies	-	-	-	-	-	3,915	3,915
Geological expenses	-	-	-	-	-	77,920	77,920
Lab and assay	-	-	-	-	-	14,684	14,684
Sampling	-	7,718	-	-	-	12,726	20,444
Travel, accomodation and miscellaneous	-	-	-	500	-	94,109	94,609
Advance for exploration	-	13,000	-	-	-	24,229	37,229
	-	22,083	-	13,422	-	227,583	263,088
Deferred exploration expenditures, beginning balance	-	10,999	-	-	-	-	10,999
Write-down of exploration costs	-	-	-	(13,422)	-	-	(13,422)
Deferred exploration expenditures, ending balance	-	33,082	-	-	-	227,583	260,665
Total	$ -	$ 937,679	$ -	$ -	$ 163,245	$ 2,021,745	$ 3,122,669

5. Mineral Properties – (cont'd)

Year ended July 31, 2010:

	Canada				
	Ontario Lithium Claims	Yukon Quartz Claims	BC Stewart Gold	Quebec Rare Earth	Total
Acquisition costs, beginning balance	$ -	$ -	$ -	$ -	$ -
Cash	-	-	50,000	17,500	67,500
Legal fees	-	-	-	3,070	3,070
Shares	-	900,000	216,000	142,675	1,258,675
On acquisition of a subsidiary	387,685	4,597	-	-	392,282
Acquisition costs, ending balance	387,685	904,597	266,000	163,245	1,721,527
Deferred exploration expenditures					
Sampling	-	10,999	-	-	10,999
	-	10,999	-	-	10,999
Deferred exploration expenditures, beginning balance	-	-	-	-	-
Deferred exploration expenditures, ending balance	-	10,999	-	-	10,999
Total	$ 387,685	$ 915,596	$ 266,000	$ 163,245	$ 1,732,526

5. Mineral Properties – (cont'd)

Title to Mineral Property Interests

Title to mineral property interests involve certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

Ontario Lithium Claims and Yukon Quartz Claims

As disclosed in Note 3, the Company acquired a 100% interest claims located in Northern Ontario, and quartz mineral claims located in the Yukon Territory. The Company allocated 30% of the acquisition costs to the Ontario Lithium Claims and 70% of the acquisition costs to the Yukon Quartz Claims.

During the year ended July 31, 2011, the Company decided to abandon the Ontario lithium claims. Accordingly, the related acquisition costs of $387,789 were written off to operations.

As at July 31, 2011, the Company has spent a total of $33,082 in exploration expenditures on the Yukon Quartz Claims.

Property Purchase Agreement – British Columbia Cariboo Gold Prospect

By an agreement dated December 31, 2010, the Company entered into a property purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in mineral claims located within the Cariboo Gold Region, British Columbia. In consideration, the Company paid $15,000 and issued 3,000,000 common shares to the Vendor. In addition, the Company also issued 228,260 common shares as a finder's fee. Subsequent to the year end, the Company decided not to renew the claims once they expired in October 2011 and the acquisition costs of $1,161,182 have been written off as of July 31, 2011.

Option Agreement – British Columbia Stewart Gold Prospect

By an agreement dated October 2, 2009, the Company entered into an option agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in claims in the Stewart Mining Region of British Columbia. On November 3, 2010, the Company amended the option agreement with the Vendor. The Company agreed to issue 1,000,000 common shares and the Vendor waived the work commitment of $250,000 for the first year of the agreement. The property is subject to a 3% net smelter royalty, 1% of which may be purchased by the Company for $1,000,000.

5. Mineral Properties – (cont'd)

Option Agreement – British Columbia Stewart Gold Prospect – (cont'd)

Consideration was cash payments, exploration costs and the issue of common shares as follows:

	Cash	Exploration Costs	Common Shares
Upon Exchange approval (paid and issued)	$ 25,000	$ -	1,200,000
By November 3, 2010 (paid and issued)	25,000	-	1,200,000
By February 3, 2011 (issued)	-	-	1,000,000
By November 3, 2011	-	250,000	-
	$ 50,000	$ 250,000	3,400,000

Subsequent to the year end, the Company decided not to renew the claims once they expired in October 2011, and the acquisition costs of $381,000 and exploration costs of $13,422 have been written off as of July 31, 2011.

Option Agreement – Quebec Rare Earth Prospect

On June 2, 2010, the Company entered into an option agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in mineral claims in Quebec.

On May 25, 2011, the Company amended the option agreement with the Vendor. The Vendor agreed to waive the work commitment of $150,000 by June 17, 2011 until June 17, 2014, thus making the first level of spending commitment due by June 17, 2012.

Consideration is cash payments, exploration costs, and the issue of common shares as follows:

	Cash	Common Shares	Exploration Costs
Upon Exchange approval (paid and issued)	$ 17,500	2,000,000	$ -
By June 17, 2012	-	-	150,000
By June 17, 2013	-	-	150,000
By June 17, 2014	-	-	550,000
	$ 17,500	2,000,000	$ 850,000

In addition, the Company issued 195,000 common shares as a finder's fee.

5. Mineral Properties – (cont'd)

Option Agreement – Handeni Gold, Tanzania

On September 3, 2010, the Company entered into a letter agreement with an arm's length vendor to acquire an 80% interest in a gold property located in the Handeni Region of Tanzania. Consideration is cash payments, exploration costs and the issue of common shares as follows:

	Cash	Exploration Costs	Common Shares
Upon execution of the letter agreement (paid)	US$ 75,000	US$ -	-
Upon closing date (issued and paid)	200,000	-	3,000,000
As finders' fee (paid)	60,304	-	-
On or before February 21, 2012 (incurred subsequently)	-	350,000	-
On or before March 21, 2012 (shares issued)	350,000	-	3,000,000
On or before February 21, 2013 (incurred subsequently)	-	500,000	-
On or before February 21, 2013	-	-	3,000,000
	US$ 685,304	US$ 850,000	9,000,000

The Company will be able to acquire the remaining 20% interest by further payments of US$4,500,000 and the issuance of 3,000,000 common shares. This additional 20% interest will be subject to a 2% net smelter return and the foregoing payments for this interest may be made over a period of up to three years.

The Company paid a finder's fee to an arm's length party of $59,325, and the Company will pay a finder's fee of $71,875 in the second year following the closing date in connection with the transaction.

As at July 31, 2011, the Company has spent a total of $227,583 in exploration expenditures on this property.

6. Oil and Gas Properties

During the year ended July 31, 2010, the Company sold its interest in the oil and gas assets for proceeds of $575,000. Prior to the sale, the Company had recorded $23,458 in depletion expense and $17,278 in accretion expense related to the asset retirement obligation. Other deposits of $1,600 were forfeited, resulting in a gain on sale of $1,039,960.

7. Loan Payable

In December 2010, the Company arranged a loan by three arm's length lenders for a total principal amount of $525,000, bearing 5% interest per annum and due on demand ($175,000 from each lender). As consideration, the Company issued 269,231 common shares to each lender for a total of 807,692 common shares valued at $149,423 as finance fees. As at July 31, 2011, $160,000 of principal and $2,375 of interest had not been repaid.

8. Related Party Transactions

a) The Company incurred the following expenses charged by directors and officers of the Company:

	2011	2010
Management and Directors' fees	$ 144,504	$ 188,925

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

b) Accounts payable and accrued liabilities include $18,065 (2010: $249) payable to a director of the Company, and a public company with a director in common. These amounts are unsecured, non-interest bearing and payable on demand.

9. Share Capital and Contributed Surplus

a) Authorized:

Unlimited common shares without par value

b) Issued and fully paid common shares:

		Number of Shares	Share Capital	Contributed Surplus
Balance, July 31, 2009		11,193,000	$ 1,616,167	$ 275,434
For cash:				
- pursuant to private placement	- at $0.10	5,000,000	500,000	-
- pursuant to exercise of warrants	- at $0.10	198,240	19,824	-
For acquisition of subsidiary	- at $0.15	5,482,142	822,321	-
For resource properties	- at $0.09	2,400,000	216,000	-
	- at $0.065	2,000,000	130,000	-
For finders' fees	- at $0.065	195,000	12,675	-
	- at $0.10	107,500	10,750	-
Share issue costs		-	(21,500)	-
Transferred from contributed surplus on exercise of stock options			44,610	(44,610)
Stock-based compensation		-	-	170,007
Balance, July 31, 2010		26,575,882	3,350,847	400,831
For cash:				
- pursuant to exercise of options	- at $0.10	1,446,334	144,633	-
	- at $0.11	262,500	28,875	-
	- at $0.21	825,500	173,355	-
- pursuant to exercise of warrants	- at $0.15	2,950,000	442,500	-
For resource properties	- at $0.115	1,000,000	115,000	-
	- at $0.20	3,000,000	600,000	-
	- at $0.28	3,000,000	840,000	-
	- at $0.355	3,228,260	1,146,032	-
For finance fees	- at $0.185	807,692	149,423	-
Transferred from contributed surplus on exercise of options		-	280,378	(280,378)
Stock-based compensation		-	-	341,077
Balance, July 31, 2011		43,096,168	$ 7,271,043	$ 461,530

9. Share Capital and Contributed Surplus – (cont'd)

c) Private Placements:

During the year ended July 31, 2010:

The Company completed a private placement of 5,000,000 units at $0.10 per unit for gross proceeds of $500,000. Each unit consisted of one common share of the Company and one share purchase warrant. Each share purchase warrant entitled the holder to purchase one additional common share of the Company at a price of $0.15 per share until September 25, 2011. In connection with this private placement, the Company paid a finders' fee of $10,750 in cash and issued 107,500 common shares.

d) Escrow Shares:

As at July 31, 2011, 300,000 (2010: 900,000) shares were held in escrow. During the year ended July 31, 2011, 600,000 shares were released from escrow. Subsequent to July 31, 2011, the remaining 300,000 shares were released from escrow on September 3, 2011.

e) Commitments:

Share Purchase Warrants

At July 31, 2011, the Company had 2,050,000 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date
2,050,000	$0.15	September 25, 2011 (see Note 14)

Information regarding the Company's outstanding share purchase warrants is summarized below:

	Number	Weighted Average Exercise Price
Balance, July 31, 2009	5,193,000	$0.44
Issued	5,000,000	$0.15
Exercised	(198,240)	$0.10
Expired	(1,760)	$0.10
Balance, July 31, 2010	9,993,000	$0.30
Exercised	(2,950,000)	$0.15
Expired	(4,993,000)	$0.45
Balance, July 31, 2011	2,050,000	$0.15

9. Share Capital and Contributed Surplus – (cont'd)

d) Commitments: - (cont'd)

Share Purchase Options

The Company has a Stock Option Plan ("the Plan") which authorizes the board of directors to grant incentive stock options to directors, officers and employees. The maximum number of shares in respect of which options may be outstanding under the plan at any given time is equivalent to 10% of the issued and outstanding shares of the Company at that time. The exercise price of the options may not be less than the discounted market price of the Company's common shares at the date the options are granted. Options granted under the Plan have a maximum life of five years. Unless otherwise stated, options fully vest when granted.

Information regarding the Company's outstanding share purchase options is summarized below:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, July 31, 2009	1,118,000	$0.10
Granted	1,519,000	$0.10
Outstanding and exercisable, July 31, 2010	2,637,000	$0.10
Granted	4,604,538	$0.21
Exercised	(2,534,334)	$0.14
Expired	(2,023,038)	$0.21
Forfeited	(200,000)	$0.18
Outstanding and exercisable, July 31, 2011	2,484,166	$0.18

At July 31, 2011, 2,484,166 employee and director share purchase options were outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Exercise Price	Expiry Date
1,536,000	$0.22	March 31, 2012
133,333	$0.10	October 11, 2012
143,333	$0.10	April 1, 2014
187,500	$0.11	September 8, 2014
306,000	$0.10	October 9, 2014
120,000	$0.13	August 31, 2015
58,000	$0.10	October 11, 2017
2,484,166		

The weighted average contractual life remaining of all stock options is 1.6 years.

9. Share Capital and Contributed Surplus – (cont'd)

d) Commitments: - (cont'd)

Share Purchase Options – (cont'd)

During the year ended July 31, 2011, stock-based compensation expense of $341,077 (2010: $170,007) was recorded. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions:

	2011	2010
Weighted average fair value per option	$0.07	$0.10
Expected dividend yield	0.0%	0.0%
Expected volatility	126% – 136%	188% – 219%
Risk-free interest rate	1.36% – 2.05%	2.29% – 2.86%
Expected term in years	0.25 - 5 years	5 years

10. Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2011	2010
Statutory tax rate	27.33%	29.13%
Expected tax recovery/(expense)	$ 843,300	$ (85,900)
Differences due to recognition of items for tax purposes:		
Permanent differences	(94,000)	(37,100)
Effect of reduction in statutory rate	-	17,400
Windup of subsidiary	(60,000)	-
Share issue cost	-	5,400
Change in valuation allowance	(376,000)	100,200
Future income tax recovery	$ 313,300	$ -

10. Income Taxes – (cont'd)

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2011	2010
Future income tax assets		
Non-capital losses carry-forwards	$ 459,000	$ 280,000
Share issue costs	46,000	25,000
Oil and gas properties and related expenditures	-	166,000
Mineral properties and related expenditures	342,000	(313,300)
	847,000	157,700
Less: valuation allowance	(847,000)	(471,000)
	$ -	$ (313,300)

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely than not that sufficient taxable income will be realized during the carry forward period to utilize all the future tax assets.

At July 31, 2011, the Company has accumulated non-capital losses totalling $1,826,000 available to reduce taxable income of future years. The non-capital losses expire as follows:

2026	$ 43,000
2027	51,000
2028	38,000
2029	435,000
2030	552,000
2031	707,000
	$ 1,826,000

11. Capital Disclosures

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, which at July 31, 2011 was $2,856,781 (2010: $1,647,661).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets. As at July 31, 2011, the Company had outstanding debt financing of $160,000.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these

11. Capital Disclosures – (cont'd)

markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements.

12. Risk Factors

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2011, the Company has some exposure to fluctuations in the $US dollar exchange rate, to the extent that transactions are made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at July 31, 2011 the Company is not exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the financial statements is interest expense on loans payable and interest income on Canadian dollar cash. The Company has debt instruments at fixed rates and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2011, the Company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses its liquidity primarily through equity financing obtained through the sale of common shares and the exercise of warrants and options and debt financing.

13. Non-Cash Transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

13. Non-Cash Transactions – (cont'd)

Year ended July 31, 2011:

a) Pursuant to the exercise of options, $280,378 was transferred to share capital from contributed surplus.

b) The Company issued 3,228,260 common shares valued at $1,146,032 pursuant to the BC Cariboo Gold Prospect option agreement (Note 5).

c) The Company issued 1,000,000 common shares valued at $115,000 pursuant to the BC Stewart Gold Prospect option agreement (Note 5).

d) The Company issued 3,000,000 common shares valued at $600,000 pursuant to the Tanzania Handeni Gold option agreement (Note 5).

e) The Company issued 3,000,000 common shares valued at $840,000 pursuant to the Tanzania Handeni option agreement (Note 5).

f) Included in mineral properties is $11,000 which is included in accounts payable and accrued liabilities.

Year ended July 31, 2010:

a) The Company issued 5,482,142 common shares valued at $822,321 pursuant to the Ontario Lithium Claims and Yukon Quartz Claims share exchange agreement (Note 5).

b) The Company issued 2,400,000 common shares valued at $216,000 pursuant to the Stewart Gold Prospect option agreement (Note 5).

c) The Company issued 107,500 common shares valued at $10,750 as finders' fees with respect to a private placement completed during the year ended July 31, 2010. The value of the shares was recorded as share issuance and reduction to share capital in connection with the private placement.

d) The Company issued 2,000,000 common shares valued at $130,000 pursuant to the Quebec Rare Earth Prospect option agreement (Note 5). The Company also issued 195,000 common shares valued at $12,675 as a finder's fee in connection with the transaction.

e) Pursuant to exercise of broker warrants, $44,610 was transferred to share capital from contributed surplus.

f) During the year, security deposits of $290,569 on the oil and gas properties were refunded by an offset against amounts due to the property operator.

14. Subsequent Events

Subsequent to July 31, 2011:

a) The Company issued 1,900,000 common shares at a price of $0.15 per share for 1,900,000 share purchase warrants exercised.

b) 150,000 share purchase warrants at a price of $0.15 expired.

c) The Company granted 2,550,000 options, pursuant to its 10% Rolling Stock Option Plan. The options have an exercise price of $0.16 per share for a period of one year.

d) The Company closed a private placement consisting of 8,499,999 non flow-through units at $0.15 per unit and 350,000 flow-through units at $0.20 per unit for gross proceeds of $1,345,000. Each non flow-through unit consists of one common share issued on a non flow-through basis and one transferable share purchase warrant. Each warrant associated with the non flow-through units will be exercisable at $0.25 per share into one common share for a period of five years from closing. Each flow-through unit consists of one common share issued on a flow-through basis and one transferable share purchase warrant. Each warrant associated with the flow-through units will be exercisable at $0.30 per share into one common share for a period of five years from closing. In connection with the financing, the Company paid aggregate finder's fees of $53,239 and issued 354,095 common shares and 708,190 broker warrants. Each broker warrant will be exercisable at $0.25 per share into one common share for a period of five years from closing.

e) The Company has requested an amendment to the exercise price and term on 1,536,000 outstanding stock options originally granted on March 31, 2011. The Company is seeking to amend the exercise price from $0.22 per share to $0.11 per share and increase the term to an expiry date of March 31, 2013 from an expiry date of March 31, 2012 The Company has received regulatory approval subject to disinterested shareholder approval at the Company's AGM in respect to stock options granted to insiders.

f) The Company issued 650,000 common shares at $0.16 per share for 650,000 share purchase options exercised.

g) The Company staked additional rare earth claims in Quebec, adjacent to its previous claims for a cost of $4,360.

15. Segmented Information

The Company operates in one business segment, the acquisition and exploration of mineral properties. The Company's equipment is located in Canada and its mineral properties are distributed by geographic location as follows:

	2011	2010
Canada	$1,100,924	$ 1,732,526
Tanzania	2,021,745	-
	$ 3,122,669	$ 1,732,526

16. Commitments

During the year ended July 31, 2011, the Company entered into a lease agreement for office premises for a period ending July 31, 2014. Amounts due under the lease terms (net of taxes) are as follows:

	Amounts
July 31, 2012	$ 18,944
July 31, 2013	18,944
July 31, 2014	18,944
	$ 56,832