BROOKEMONT CAPITAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

July 31, 2012 and 2011

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

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 statements of financial position as at July 31, 2012, July 31, 2011 and August 1, 2010 and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the years ended July 31, 2012 and July 31, 2011, 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 International Financial Reporting Standards, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

NEXIA INTERNATIONAL

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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, 2012, July 31, 2011 and August 1, 2010 and its financial performance and its cash flows for the years ended July 31, 2012 and July 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which 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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

November 27, 2012

BROOKEMONT CAPITAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

ASSETS	July 31, 2012	July 31, 2011 (Note 16)	August 1, 2010 (Note 16)
Current assets			
Cash and cash equivalents – Note 5	$ 77,021	$ 11,921	$ 274,976
Receivables – Note 6	33,270	14,550	2,079
Prepaid expenses	5,145	1,762	333
Total current assets	115,436	28,233	277,388
Non-current assets			
Equipment – Note 7	5,069	4,068	4,599
Rent deposit	6,475	6,475	-
Exploration and evaluation assets – Note 8	3,820,089	2,903,359	1,419,226
Total assets	$ 3,947,069	$ 2,942,135	$ 1,701,213
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities – Notes 9 and 14	$ 355,820	$ 142,289	$ 53,552
Interest payable – Note 10	-	2,375	-
Loans payable – Note 10	-	160,000	-
Total current liabilities	355,820	304,664	53,552
SHAREHOLDERS' EQUITY			
Share capital – Note 12	8,962,170	7,271,043	3,350,847
Reserves – Note 12	851,275	461,530	400,831
Accumulated deficit	(6,222,196)	(5,095,102)	(2,104,017)
Total shareholders' equity	3,591,249	2,637,471	1,647,661
Total liabilities and shareholders' equity	$ 3,947,069	$ 2,942,135	$ 1,701,213

Nature and Continuance of Operations (Note1)
Subsequent Events (Notes 8 and 12)
Commitment (Note 21)

APPROVED BY THE DIRECTORS:

"Conrad Clemiss"	Director	*"James Nelson"*	Director
Conrad Clemiss		James Nelson	

BROOKEMONT CAPITAL INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Years ended July 31, 2012	2011 (Note 16)
Operating expenses		
Consulting	$ 399,089	$ 315,304
Depreciation	1,164	963
Finance fees – Note 10	-	149,423
Management fees – Note 14	127,903	144,504
Office and miscellaneous	41,521	36,214
Professional fees	110,955	62,685
Shareholder information	37,178	27,891
Share-based payments – Notes 12 and 14	345,833	341,077
Transfer agent and filing fees	22,545	31,807
Travel and promotion	58,428	26,236
Operating expenses	(1,144,616)	(1,136,104)
Interest income	795	1,710
Interest expense	(773)	(7,288)
Other income on settlement of flow-through share premium liability – Note 11	17,500	-
Write-down of exploration and evaluation assets – Note 8	-	(1,849,403)
	17,522	(1,854,981)
Net loss and comprehensive loss for the year	$ (1,127,094)	$ (2,991,085)
Loss per share – basic and diluted – Note 13	$ (0.021)	$ (0.081)
Weighted average number of shares outstanding – basic and diluted – Note 13	53,849,656	36,749,251

BROOKEMONT CAPITAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years ended July 31, 2012	2011
Operating Activities		
Net loss and comprehensive loss	$ (1,127,094)	$ (2,991,085)
Adjustments for non-cash items:		
Accrued interest on loans payable	773	7,288
Depreciation	1,164	963
Other income on settlement of flow-through share premium liability	(17,500)	-
Finance fees	-	149,423
Share-based payments	345,833	341,077
Write-down of exploration and evaluation assets	-	1,849,403
Changes in non-cash working capital items:		
Receivables	(18,720)	(12,471)
Prepaid expenses	(3,383)	(1,429)
Rent deposit	-	(6,475)
Accounts payable and accrued liabilities	175,531	77,737
Cash used in operating activities	(643,396)	(585,569)
Investing Activities		
Equipment	(2,165)	(432)
Exploration and evaluation assets	(791,230)	(621,504)
Cash used in investing activities	(793,395)	(621,936)
Financing Activities		
Proceeds from issuance of share capital	1,734,000	789,363
Share issuance costs	(68,961)	-
Interest paid	(3,148)	(4,913)
Proceeds from loans issuance	-	525,000
Loan repayment	(160,000)	(365,000)
Cash provided by financing activities	1,501,891	944,450
Increase (decrease) in cash during the year	65,100	(263,055)
Cash and cash equivalents, beginning of the year	11,921	274,976
Cash and cash equivalents, end of the year – Note 5	$ 77,021	$ 11,921

Supplemental Disclosure with Respect to Cash Flows (Note 20)

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

BROOKEMONT CAPITAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number of shares	**Amount**	**Reserves**	**Accumulated Deficit**	**Total**
Balance, August 1, 2010	26,575,882	$ 3,350,847	$ 400,831	$ (2,104,017)	$ 1,647,661
Stock options exercised	2,534,334	346,863	-	-	346,863
Share purchase warrants exercised	2,950,000	442,500	-	-	442,500
Stock options issued	-	-	341,077	-	341,077
For exploration and evaluation assets	10,228,260	2,701,032	-	-	2,701,032
For finance fees	807,692	149,423	-	-	149,423
Transfer of reserves on options exercised	-	280,378	(280,378)	-	-
Total comprehensive loss	-	-	-	(2,991,085)	(2,991,085)
Balance, July 31, 2011	43,096,168	7,271,043	461,530	(5,095,102)	2,637,471
Private placement	8,849,999	1,345,000	-	-	1,345,000
Share issue costs	354,095	(159,061)	90,100	-	(68,961)
Flow-through share premium liability	-	(17,500)	-	-	(17,500)
Stock options exercised	650,000	104,000	-	-	104,000
Share purchase warrants exercised	1,900,000	285,000	-	-	285,000
Stock options issued	-	-	345,833	-	345,833
For exploration and evaluation assets	2,500,000	87,500	-	-	87,500
Transfer of reserves on options exercised	-	46,188	(46,188)	-	-
Total comprehensive loss	-	-	-	(1,127,094)	(1,127,094)
Balance, July 31, 2012	57,350,262	$ 8,962,170	$ 851,275	$ (6,222,196)	$ 3,591,249

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Brookemont Capital Inc. (the "Company") is an exploration stage public company and is listed on the TSX Venture Exchange ("Exchange") under the symbol "BKT". The Company's principal business activities include acquiring and exploring exploration and evaluation assets. At July 31, 2012, the Company has exploration and evaluation assets located in Canada and Tanzania.

The Company's head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company's registered and records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At July 31, 2012, the Company had a working capital deficiency of $240,384, had not yet achieved profitable operations and has an accumulated deficit of $6,222,196 since its inception. The Company 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 exploration and evaluation assets, 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. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are the Company's first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1 *Fist-time Adoption of International Financial Reporting Standards* ("IFRS 1") has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 16.

These consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2012.

2. BASIS OF PREPARATION (continued)

b) Basis of Measurement

These consolidated financial statements have been prepared on the historical costs basis, except for certain financial instruments that have been initially measured at fair value.

These consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiaries' functional currency.

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

The recoverability of receivables, the estimated useful lives of equipment and the related depreciation, the carrying value and recoverability of exploration and evaluation assets, estimated accrued liabilities, and inputs used in accounting for share-based payments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at August 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Basis of consolidation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements included the accounts of the Company and its wholly-owned subsidiary. The financial statements of the subsidiary are included in

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

b) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

During the year ended July 31, 2011, the Company acquired the assets of its wholly-owned subsidiary, 0854508 BC Ltd. (“BC Co”) and dissolved BC Co. The Company no longer has a subsidiary.

c) Foreign currency transactions

Foreign currency accounts are translated into Canadian dollars, the functional currency of the Company and its subsidiaries, as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the reporting period end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and 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 that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Exploration and evaluation assets

Pre-exploration costs

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

Exploration and evaluation expenditures

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

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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

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

f) Equipment

Computer and office equipment is carried at cost less accumulated depreciation. The cost of an item of computer and office equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and, where appropriate, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded on a declining balance basis at the rate of 20% per annum. Depreciation is recorded at one-half rate in the year of acquisition.

Items of computer and office equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Equipment (continued)

proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted prospectively if appropriate.

g) Impairment of tangible and intangible assets

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

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

An impairment loss is charged to the profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

h) Rehabilitation provision

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

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any significant rehabilitation obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

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

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company classified its financial assets as follows:

-Cash and cash equivalents are classified as FVTPL; and
-Receivables are classified as loans and receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Financial liabilities

Financial liabilities are classified into one of two categories:

-Fair value through profit or loss; and

-Other financial liabilities

Fair value though profit or loss

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

This category includes amounts due to related parties and accounts payable and accrued liabilities and long-term debt, all of which are recognized at amortized cost.

The Company classified its financial liabilities as follows:

-Accounts payable and accrued liabilities, interest payable, and loans payable are classified as other financial liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

j) Income taxes

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

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Flow-through shares (continued)

pay for the flow-through feature, which is recognized as a liability; and ii) share capital. Upon expenses being renounced and incurred, the Company derecognizes the liability and the premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

l) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a warrant reserve.

m) Investment tax credit

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of comprehensive loss depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency.

n) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment, using the Black-Scholes option pricing model.

p) Comparative figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

q) Accounting standards issued but not yet applied

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Accounting Standards Issued and Effective January 1, 2013

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Accounting standards issued but not yet applied (continued)

payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Accounting Standards Issued and Effective January 1, 2015

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

4. 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 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.

During the year ended July 31, 2011, the Company acquired the assets of BC Co and dissolved BC Co. The Company no longer has a subsidiary.

5. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are denominated in Canadian dollars and include the following components:

	July 31, 2012	July 31, 2011	August 1, 2010
Cash at bank and in hand	$ 77,021	$ 11,921	$ 39,236
Short-term deposits	-	-	230,000
Lawyer's trust account	-	-	5,740
Cash and cash equivalents	$ 77,021	$ 11,921	$ 274,976

6. RECEIVABLES

The Company's receivables comprise solely harmonized sales tax ("HST") / goods and services tax ("GST") receivables due from Canadian government taxation authorities and reimbursements from a related company for the unpaid fees.

	July 31, 2012	July 31, 2011	August 1, 2010
Accounts receivable	$ 16,819	$ -	$ -
HST/GST recoverable	16,451	14,550	2,079
Total receivables	$ 33,270	$ 14,550	$ 2,079

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Computer and office equipment
Cost, August 1, 2010	$ 5,219
Additions	432
Cost, July 31, 2011	5,651
Additions	2,165
Cost, July 31, 2012	7,816
Accumulated depreciation, August 1, 2010	620
Depreciation for the year	963
Accumulated depreciation, July 31, 2011	1,583
Depreciation for the year	1,164
Accumulated depreciation, July 31, 2012	$ 2,747
Net book value, August 1, 2010	$ 4,599
Net book value, July 31, 2011	$ 4,068
Net book value, July 31, 2012	$ 5,069

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the following mineral properties:

	Canada						Tanzania	
	Yukon Quartz Claims	Quebec Rare Earth	Quebec Gaspe Bay	Ontario Lithium Claims	BC Cariboo Gold	BC Stewart Gold	Handeni Gold	Total
Balance, August 1, 2010	$ 696,286	$ 163,245	$ -	$ 293,695	$ -	$ 266,000	$ -	$ 1,419,226
Acquisition costs	-	-	-	104	1,161,182	115,000	1,794,162	3,070,448
Deferred exploration expenditures								
Claim maintenance costs	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, accommodation and misc	-	-	-	-	-	500	94,109	94,609
Advance for exploration	13,000	-	-	-	-	-	24,229	37,229
Write-down of exploration and evaluation assets	-	-	-	(293,799)	(1,161,182)	(394,422)	-	(1,849,403)
Balance, July 31, 2011	718,369	163,245	-	-	-	-	2,021,745	2,903,359
Acquisition costs	-	4,360	94,650	-	-	-	-	99,010
Deferred exploration expenditures								
Drilling	-	-	-	-	-	-	211,455	211,455
Geological expenses	-	-	-	-	-	-	272,364	272,364
Lab and assay	-	-	-	-	-	-	70,387	70,387
Mapping	-	-	-	-	-	-	60,925	60,925
Sampling	10,606	-	-	-	-	-	67,075	77,681
Tenure fees	-	8,164	-	-	-	-	-	8,164
Travel, accommodation and misc	-	-	-	-	-	-	123,973	123,973
Advance for exploration	-	-	30,000	-	-	-	-	30,000
Prior year advance for exploration	(13,000)	-	-	-	-	-	(24,229)	(37,229)
Balance, July 31, 2012	$ 715,975	$ 175,769	$ 124,650	$ -	$ -	$ -	$2,803,695	$ 3,820,089

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests involves 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 exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets 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 4, the Company acquired a 100% interest in 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.

As at July 31, 2012, the Company has spent a total of $30,688 in exploration expenditures on the Yukon Quartz Claims.

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. On June 11, 2012, the Company amended the option agreement and the amendment dated May 25, 2011 with the Vendor. The Vendor agreed to amend the option agreement and the amendment regarding the work commitments due to be spent on the prospect. The Company was originally due to spend $150,000 by June 17, 2012, $150,000 by June 17, 2013, and a further $550,000 by June 17, 2014. Instead, the Company is now required to incur exploration costs as follows:

	Cash	Common Shares	Exploration Costs
Upon Exchange approval (paid and issued at a value of $130,000)	$ 17,500	2,000,000	$ -
By June 17, 2014	-	-	150,000
By June 17, 2015	-	-	150,000
By June 17, 2016	-	-	550,000
	$ 17,500	2,000,000	$ 850,000

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

During the year ended July 31, 2012, the Company staked additional mineral claims adjacent to its previous claims in Quebec for a cost of $4,360.

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Staking and Option Agreement – Gaspe Bay Aluminous Clay and Rare Earth Prospect, Quebec

On June 8, 2012, the Company entered into an option agreement with an arm's length vendor to acquire a 100% interest in mineral claims in the Gaspe Bay Region of Quebec. Consideration is cash payments, exploration costs and the issuance of common shares as follows:

	Cash	Exploration Costs	Common Shares
Upon Exchange approval (issued at a value of $87,500)	$ -	$ -	2,500,000
On or before July 20, 2013	20,000	-	2,500,000
On or before December 20, 2013	-	100,000	-
On or before December 20, 2014	-	250,000	-
On or before December 20, 2015	-	500,000	-
	$ 20,000	$ 850,000	5,000,000

During the year ended July 31, 2012, the Company acquired a 100% interest in additional claims for staking costs of $4,164.

Option Agreement – Handeni Gold, Tanzania

On September 3, 2010, the Company entered into a letter agreement with an arm's length vendor (the "Vendor") to acquire an 80% interest in a gold property located in the Handeni Region of Tanzania. The letter agreement was superseded by an option agreement dated January 31, 2011.

On March 20, 2012, the Company amended the option agreement with the Vendor. The Vendor agreed to waive the cash payment of US$350,000 due by March 21, 2012 and instead the Company was required to make four installments of US$87,500 on or prior to June 21, 2012, September 21, 2012, December 21, 2012 and March 21, 2013.

On June 21, 2012, the Company further amended the option agreement and the amendment dated March 20, 2012 with the Vendor. The Vendor agreed to waive the four installments of US$87,500 and instead the Company was required to issue 3,000,000 common shares upon Exchange approval, a further 3,000,000 common shares within 13 months of such approval, and pay US$50,000 prior to July 1, 2013. The Company received Exchange approval subsequent to July 31, 2012. The Company is now required to make cash payment and issue common shares as follows:

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Option Agreement – Handeni Gold, Tanzania (continued)

	Cash	Exploration Costs	Common Shares
Upon execution of the letter agreement (paid)	US$ 75,000	US$ -	-
Upon closing date (paid and issued at a value of $600,000)	200,000	-	3,000,000
On or before February 21, 2012 (incurred)	-	350,000	-
On or before March 21, 2012 (issued at a value of $840,000)	-	-	3,000,000
Upon Exchange approval of amendment (issued subsequently)	-	-	3,000,000
On or before February 21, 2013 (incurred)	-	500,000	-
On or before February 21, 2013	-	-	3,000,000
On or before July 1, 2013	50,000	-	-
On or before September 8, 2013	-	-	3,000,000
	US$ 325,000	US$ 850,000	15,000,000

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.

In February 2011 the Company paid a finder's fee to an arm's length party of $59,325. Upon issuance of 6,000,000 common shares per the amendment dated June 21, 2012, the Company is due to pay a further finder's fee of $71,875 to the finder.

As at July 31, 2012, the Company has spent a total of $1,009,533 in exploration expenditures on this property.

Ontario Lithium Claims, BC Cariboo Gold Prospect, BC Stewart Gold Prospect

During the year ended July 31, 2011, the Company decided not to continue with these exploration and evaluation assets and accordingly wrote off a total of $1,849,403.

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	July 31, 2012	July 31, 2011	August 1, 2010
Trade payables	$ 306,820	$ 101,289	$ 18,552
Accrued liabilities	49,000	41,000	35,000
Total payables	$ 355,820	$ 142,289	$ 53,552

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

10. LOANS 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.

Prior to July 31, 2012, the Company repaid all loan principals and interests to the lenders. As at July 31, 2012, $Nil (July 31, 2011: $160,000; August 1, 2010: $Nil) principal and $Nil (July 31, 2011: $2,375; August 1, 2010: $Nil) interest were to be repaid.

11. FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance at August 1, 2010 and July 31, 2011	$ -
Liability incurred on flow-through shares issued	17,500
Settlement of flow-through share premium liability on exploration expenditures being incurred	(17,500)
Balance at July 31, 2012	$ -

During year ended July 31, 2012, the Company completed a private placement of 350,000 flow-through units at $0.20 per unit for total proceeds of $70,000. Each flow-through unit consisted of one flow-through common share and one share purchase warrant. The premium received on the flow-through shares issued was determined to be $17,500 and was recorded as a share capital reduction. An equivalent premium liability was also recorded. During the same period, the Company renounced and incurred the exploration expenditures. Accordingly, the Company derecognized the flow-through share premium liability and recognized the flow-through share premium as other income.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES

Authorized: An unlimited number of common shares, without par value

(a) Private placement

During the year ended July 31, 2012:

In September 2011, 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 consisted of one non flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of $0.25 per share until September 6, 2016. Each flow-through unit consisted of one flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of $0.30 per share until September 6, 2016. In connection with the financing, the Company paid aggregate finder's fees of $53,239 and issued 354,095 common shares with a value of $53,240 and 708,190 broker warrants. Each broker warrant will be exercisable at $0.25 per share into one common share until September 6, 2016. A fair value of $90,100 was assigned to these broker warrants using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 129.69%, risk-free interest rate 1.40% and an expected life of five years.

(b) Escrow shares

During the year ended July 31, 2012, 300,000 shares were released from escrow. As at July 31, 2012, Nil (July 31, 2011: 300,000) shares were held in escrow.

(c) Share purchase warrants

The following is a summary of changes in share purchase warrants from August 1, 2010 to July 31, 2012:

	Number	Weighted Average Exercise Price
Balance, August 1, 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
Issued	9,558,189	$0.25
Exercised	(1,900,000)	$0.15
Expired	(150,000)	$0.15
Balance, July 31, 2012	9,558,189	$0.25

(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES (continued)

(c) Share purchase warrants (continued)

At July 31, 2012, the Company had 9,558,189 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date
9,208,189	$0.25	September 6, 2016
350,000	$0.30	September 6, 2016
9,558,189		

(d) Share-based payments

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options vest at the discretion of the Board of Directors and may be granted for a maximum term of five years from the date of grant.

The following is a summary of changes in share purchase options from August 1, 2010 to July 31, 2012:

	Number	Weighted Average Exercise Price
Outstanding, August 1, 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
Granted	3,700,000	$0.14
Exercised	(650,000)	$0.16
Forfeited	(50,000)	$0.16
Repriced	(1,536,000)	$0.22
Repriced	1,536,000	$0.11
Outstanding and exercisable, July 31, 2012	5,484,166	$0.12

At July 31, 2012, 5,484,166 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:

(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES (continued)

(d) Share-based payments (continued)

Number		Exercise Price	Expiry Date
1,850,000	*	$0.16	September 14, 2012
133,333	*	$0.10	October 11, 2012
1,536,000	**	$0.11	March 31, 2013
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
1,150,000		$0.10	January 13, 2017
58,000		$0.10	October 11, 2017
5,484,166			

* Subsequent to July 31, 2012, 1,850,000 stock options at an exercise price of $0.16 per share and 133,333 stock options at an exercise price of $0.10 per share expired unexercised.

** During the year ended July 31, 2012, the Company amended the exercise price from $0.22 per share to $0.11 per share and increased the term to an expiry date of March 31, 2013 from March 31, 2012 on these 1,536,000 stock options. The Company has received both regulatory approval and disinterested shareholder approval for the above amendment. This modification of options led to additional share-based compensation of $66,746 being recognized. The weighted average assumptions used for the Black-Scholes valuation of modified stock options were annualized volatility of 119.73%, risk-free interest rate of 0.91%, expected life of 1.35 years and a dividend rate of $Nil.

During the year ended July 31, 2011, 1,446,334 stock options were exercised at a price of $0.10 per share, 262,500 stock options were exercised at a price of $0.11 per share, and 825,500 stock options were exercised at a price of $0.21 per share, for total proceeds of $346,863. The previously recognized share-based payment expense relating to these stock options was reclassified from share-based payment reserve to share capital in the amount of $280,378.

During the year ended July 31, 2012, 650,000 stock options were exercised at a price of $0.16 per share for total proceeds of $104,000. The previously recognized share-based payment expense relating to these stock options were reclassified from share-based payment reserve to share capital in the amount of $46,188.

During the year ended July 31, 2012, the Company granted 3,700,000 stock options with exercise prices ranging from $0.10 to $0.16 per share and expiry dates ranging from September 14, 2012 to January 13, 2017 (2011: 4,604,538 stock options at exercise prices ranging from $0.13 to $0.22 per share and expiry dates ranging from December 13, 2010 to August 31, 2015). The weighted average fair value of the options issued in the year ended July 31, 2012 was estimated at $0.07 per option (2011 - $0.07) at the grant date using the Black-Scholes option pricing model with the following assumptions:

(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES (continued)

(d) Share-based payments (continued)

	Year ended July 31, 2012	Year ended July 31, 2011
Weighted average fair value per option	$0.08	$0.07
Weighted average expected dividend yield	0.0%	0.0%
Weighted average expected volatility *	115.72%	130.1%
Weighted average risk-free interest rate	1.06%	1.54%
Weighted average expected term in years	2.24 years	0.65 years

* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the year ended July 31, 2012 were $345,833 (2011: $341,077).

13. LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following data:

	Years ended July 31, 2012	Years ended July 31, 2011
Net Loss	$ 1,127,094	$ 2,991,085
Weighted average number of common shares for the purpose of basic and diluted loss per share	53,849,656	36,749,251

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 12) were anti-dilutive for the years ended July 31, 2012 and 2011.

The loss per share for the year ended July 31, 2012 was $0.021 (2011: $0.081).

14. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (continued)

	Years ended July 31, 2012	Years ended July 31, 2011
Management fees	$ 127,903	$ 144,504
Share-based payments *	48,681	82,469
	$ 176,584	$ 226,973

* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

Related party balances

At July 31, 2012, accounts payable and accrued liabilities include $77,590 (July 31, 2011: $18,065; August 1, 2010: $249) payable to a director of the Company and a public company with one common director for unpaid fees. These amounts are unsecured, non-interest bearing and payable on demand.

15. SEGMENTAL REPORTING

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

	July 31, 2012	July 31, 2011	August 1, 2010
Canada	$ 1,016,394	$ 881,614	$ 1,419,226
Tanzania	2,803,695	2,021,745	-
	$ 3,820,089	$ 2,903,359	$ 1,419,226

16. FIRST TIME ADOPTIONS OF IFRS

The Company's financial statements for the year ended July 31, 2012 are the first annual financial statements prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was August 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company was July 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

The Company's IFRS accounting policies presented in Note 3 have been applied in preparing these financial statements for the year ended July 31, 2012, the comparative information and the opening statement of financial position at the date of transition.

16. FIRST TIME ADOPTIONS OF IFRS (continued)

The Company has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in preparing these first IFRS annual consolidated financial statements.

The effects of the transition to IFRS on equity, comprehensive loss and reported cash flows are presented in this section.

i) First-time adoption exemptions and exceptions applied

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Mandatory Exceptions

Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application under IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise estimates.

Optional Exemptions

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date.

ii) Reconciliations of pre-changeover Canadian GAAP equity and comprehensive loss to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive loss as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however, as there have been no adjustments to net cash flows, no reconciliation of cash flows has been prepared.

(Expressed in Canadian Dollars)

16. FIRST TIME ADOPTIONS OF IFRS (continued)

ii) Reconciliations of pre-changeover Canadian GAAP equity and comprehensive loss to IFRS (continued)

The August 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP August 1, 2010	Effect of transition to IFRS	IFRS August 1, 2010
ASSETS			
Current assets			
Cash and cash equivalents	$ 274,976	$ -	$ 274,976
Receivables	2,079	-	2,079
Prepaid expenses and deposits	333	-	333
Total current assets	277,388	-	277,388
Non-current assets			
Equipment	4,599	-	4,599
Exploration and evaluation assets (a)	1,732,526	(313,300)	1,419,226
Total assets	$ 2,014,513	$ (313,300)	$ 1,701,213
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 53,552	$ -	$ 53,552
Total current liabilities	53,552	-	53,552
Non- current liabilities			
Deferred income tax liability (a)	313,300	(313,300)	-
Total liabilities	366,852	(313,300)	53,552
SHAREHOLDERS' EQUITY			
Share capital	3,350,847	-	3,350,847
Reserves	400,831	-	400,831
Accumulated deficit	(2,104,017)	-	(2,104,017)
Total shareholders' equity	1,647,661	-	1,647,661
Total liabilities and shareholders' equity	$ 2,014,513	$ (313,300)	$ 1,701,213

(Expressed in Canadian Dollars)

16. FIRST TIME ADOPTIONS OF IFRS (continued)

ii) Reconciliations of pre-changeover Canadian GAAP equity and comprehensive loss to IFRS (continued)

The July 31, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP July 31, 2011	Effect of transition to IFRS	IFRS July 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	$ 11,921	$ -	$ 11,921
Receivables	14,550	-	14,550
Prepaid expenses and deposits	1,762	-	1,762
Total current assets	28,233	-	28,233
Non-current assets			
Equipment	4,068	-	4,068
Rent deposit	6,475	-	6,475
Exploration and evaluation assets ((b) and (c))	3,122,669	(219,310)	2,903,359
Total assets	$ 3,161,445	$ (219,310)	$ 2,942,135
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 142,289	$ -	$ 142,289
Interest payable	2,375	-	2,375
Loans payable	160,000	-	160,000
Total current liabilities	304,664	-	304,664
SHAREHOLDERS’ EQUITY			
Share capital	7,271,043	-	7,271,043
Reserves	461,530	-	461,530
Accumulated deficit ((b) and (c))	(4,875,792)	(219,310)	(5,095,102)
Total shareholders’ equity	2,856,781	(219,310)	2,637,471
Total liabilities and shareholders’ equity	$ 3,161,445	$ (219,310)	$ 2,942,135

(Expressed in Canadian Dollars)

16. FIRST TIME ADOPTIONS OF IFRS (continued)

ii) Reconciliations of pre-changeover Canadian GAAP equity and comprehensive loss to IFRS (continued)

The Canadian GAAP statement of comprehensive loss for the year ended July 31, 2011 has been reconciled to IFRS as follows:

	Year ended July 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating expenses			
Consulting	$ 315,304	$ -	$ 315,304
Depreciation	963	-	963
Finance fees	149,423	-	149,423
Management and directors' fees	144,504	-	144,504
Office and miscellaneous	36,214	-	36,214
Professional fees	62,685	-	62,685
Shareholder information	27,891	-	27,891
Share-based payments	341,077	-	341,077
Transfer agent and filing fees	31,807	-	31,807
Travel and promotion	26,236	-	26,236
Operating expenses	(1,136,104)	-	(1,136,104)
Interest income	1,710	-	1,710
Interest expense	(7,288)	-	(7,288)
Write-down of exploration and evaluation assets ((b) and (c))	(1,943,393)	93,990	(1,849,403)
	(1,948,971)	93,990	(1,854,981)
Loss before income taxes	(3,085,075)	93,990	(2,991,085)
Deferred income tax recovery ((b) and (c))	313,300	(313,300)	-
Net loss and comprehensive loss for the year	$ (2,771,775)	$ (219,310)	$ (2,991,085)

(a) Under Canadian GAAP, the Company recognized a $313,300 deferred tax liability and a corresponding bump up to the carrying value of the Yukon Quartz and Ontario Lithium properties upon initial recognition at the time of acquisition of the Company's wholly owned subsidiary, 0854508 BC Ltd. ("BC CO"). The Company allocated 30% of the bump up ($93,990) to the Ontario Lithium claims and 70% of the bump up ($219,310) to the Yukon Quartz claims. Under IFRS the acquisition of BC Co did not meet the criteria for a business combination and therefore the deferred tax liability cannot be recognized. The deferred tax liability and corresponding increase in the carrying value of the above mineral properties were derecognized as of the transition date.

(b) During the year ended July 31, 2011, under Canadian GAAP, the Company recognized a $313,300 recovery of deferred income tax for the dissolution of BC Co. Under IFRS, recovery of deferred income tax became $Nil due to the elimination of the deferred tax liability upon initial recognition at the time of acquisition of BC Co.

(Expressed in Canadian Dollars)

16. FIRST TIME ADOPTIONS OF IFRS (continued)

ii) Reconciliations of pre-changeover Canadian GAAP equity and comprehensive loss to IFRS (continued)

(c) During the year ended July 31, 2011, the Company abandoned the Ontario Lithium claims and the related acquisition costs of $387,789 were written off. Under IFRS, the impairment of the acquisition costs was decreased to $293,799 by $93,990 due to the elimination of the mineral property bump up upon initial recognition.

17. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying consolidated statements of comprehensive loss is provided below:

	Years ended July 31,	
	2012	2011
Loss before income taxes	$ (1,127,094)	$(2,991,085)
Combined federal and provincial statutory income tax rate	26%	28%
Income tax expense (recovery) at statutory tax rates	$ (290,000)	$ (823,000)
Non-deductible expenditures and non-taxable revenues	85,000	95,000
Impact of future income tax rates applied versus current statutory rate and other	3,000	65,000
Impact of flow-through shares	4,000	-
Share issue costs	(31,000)	(41,000)
Impact of dissolution of subsidiary	-	275,000
Change in unrecognized deductible temporary differences	229,000	429,000
Total	$ -	$ -

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's deferred tax assets are as follows:

	A at July 31, 2012	As at July 31, 2011	As at August 1, 2010
Share issue costs	$ 55,000	$ 46,000	$ 25,000
Non-Capital losses	678,000	457,000	280,000
Capital assets and other	2,000	1,000	-
Exploration and evaluation assets	394,000	396,000	166,000
Total	$ 1,129,000	$ 900,000	$ 471,000

17. INCOME TAXES (continued)

No net deferred tax asset has been recognized in respect of the above for the years ended July 31, 2012 and 2011 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately $2,713,000, which may be carried forward and applied against taxable income in future. These losses, if not utilized, will expire through to 2032.

As disclosed in Note 12, during the year ended July 31, 2012, the Company issued 350,000 common shares on a flow-through basis for gross proceeds of $70,000. The underlying flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's mining properties.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

18. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its exploration and evaluation assets 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, 2012 was $3,591,249 (July 31, 2011: $2,637,471; August 1, 2010: $1,647,664).

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 and acquire or dispose of assets. As at July 31, 2012, the Company has not entered into any debt financing with any financial institution.

The Company is dependent on the capital markets as its sole 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 markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended July 31, 2012.

19. FINANCIAL INSTRUMENTS AND RISK

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

19. FINANCIAL INSTRUMENTS AND RISK (continued)

The fair value of the Company's receivables, accounts payable and accrued liabilities, interest payable, and loans payable approximates their carrying values. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

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, 2012, the Company has a minimal exposure to the US$ that is subject to fluctuations as a result of exchange rate variations 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, 2012, 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, 2012, 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 financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. Additional capital was successfully obtained during the year ended July 31, 2012 to increase liquidity. See Note 12 to the financial statements for additional details.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.

Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

19. FINANCIAL INSTRUMENTS AND RISK (continued)

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk, liquidity risk and price risk.

20. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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:

Year ended July 31, 2012:

a) The Company issued 2,500,000 common shares valued at $87,500 pursuant to the Gaspe Bay Aluminous Clay and Rare Earth Prospect option agreement.

b) The Company accrued exploration and evaluation assets of $49,000 in accounts payable and accrued liabilities.

c) Pursuant to the exercise of options, $46,188 was transferred to share capital from reserves.

Year ended July 31, 2011:

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

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

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

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

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

f) The Company accrued exploration and evaluation assets of $11,000 in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

21. COMMITMENT

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

July 31, 2013	$	19,634
July 31, 2014		19,735
	$	39,369