TANZANIA MINERALS CORP.

ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FEBRUARY 28, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Tanzania Minerals Corp.

We have audited the accompanying consolidated financial statements of Tanzania Minerals Corp., which comprise the consolidated statements of financial position as at February 28, 2013 and February 29, 2012, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years 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 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.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Tanzania Minerals Corp. as at February 28, 2013 and February 29, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

June 27, 2013

TANZANIA MINERALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	February28, 2013	February 29, 2012
ASSETS		
Current		
Cash and cash equivalents	$ 3,447,608	$ 5,448,116
Receivables	10,320	32,460
Prepaid expenses	12,126	13,741
	3,470,054	5,494,317
Due from Related Party(Note 8)	78,102	-
Equipment (Note 5)	59,889	49,603
Exploration and evaluation assets (Note 6)	3,349,175	2,880,287
	$ 6,957,220	$ 8,424,207
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 152,045	$ 158,350
EQUITY		
Capital stock (Note 7)	13,660,966	13,660,966
Reserves (Note 7)	2,403,701	2,392,071
Deficit	(9,389,386)	(7,818,089)
Accumulated other comprehensive income	129,894	30,909
	6,805,175	8,265,857
	$ 6,957,220	$ 8,424,207

Nature of operations (Note 1)
Going concern (Note 2)

Approved on behalf of the Board on June27, 2013:

Kal Matharu Director *Rob Dzisiak* Director

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

TANZANIA MINERALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended

	February28, 2013	February29, 2012
EXPENSES		
Consulting fees	$ 548,643	$ 603,097
Depreciation (Note 5)	15,140	18,356
Foreign exchange	32,056	34,410
General and administrative	526,137	494,617
Professional fees	164,815	252,270
Property examination	122,986	136,682
Share-based compensation (Note 7)	11,630	1,675,253
Travel and promotion	199,135	164,893
	(1,620,542)	(3,379,578)
Finance income	52,653	91,707
Write-off of equipment (Note 5)	(3,408)	-
Net loss for the year	(1,571,297)	(3,287,871)
Translation adjustment	98,985	17,613
Comprehensive loss for the year	$ (1,472,312)	$ (3,270,258)
Basic and diluted loss per common share	$ (0.02)	$ (0.05)
Weighted average number of common shares outstanding – basic and diluted	72,153,197	72,153,197

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

TANZANIA MINERALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended

	February28, 2013	February29, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,571,297)	$ (3,287,871)
Item not involving cash:		
Depreciation	15,140	18,356
Share-based compensation	11,630	1,675,253
Write-off of equipment	3,408	-
Changes in non-cash working capital items:		
Decrease in receivables	22,140	25,161
Decrease/(increase) in prepaid expenses	1,856	(6,921)
(Decrease)/increase in accounts payable and accrued liabilities	(18,341)	98,844
Net cash used in operating activities	(1,535,464)	(1,477,178)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(27,025)	(35,763)
Acquisition of exploration and evaluation assets	(402,958)	(1,868,346)
Net cash used in investing activities	(429,983)	(1,904,109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions received	-	15,000
Due from related party	(76,008)	-
Net cash (used in)/provided by financing activities	(76,008)	15,000
Effect of foreign exchange rate	40,947	(2,441)
Decrease in cash and cash equivalents	(2,000,508)	(3,368,728)
Cash and cash equivalents, beginning of year	5,448,116	8,816,844
Cash and cash equivalents, end of year	$ 3,447,608	$ 5,448,116
Cash paid during the year for:		
interest	$ -	$ -
income taxes	$ -	$ -
Cash and cash equivalents consists of:		
Cash	$ 164,371	$ 21,653
Short term investments	3,283,237	5,426,463
	$ 3,447,608	$ 5,448,116

Supplemental disclosures with respect to cash flows (Note 9)

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

TANZANIA MINERALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Capital Stock						
	Number	Amount	Subscriptions Receivable	Reserves	Deficit	Accumulated Other Comprehensive Income	Total
Balance, February 28, 2011	**72,153,197**	**$13,660,966**	**$(15,000)**	**$716,818**	**$ (4,530,218)**	**$13,296**	**$9,845,862**
Share-based compensation	-	-	-	1,675,253	-	-	1,675,253
Subscriptions receivable	-	-	15,000	-	-	-	15,000
Net loss for the year	-	-	-	-	(3,287,871)	-	(3,287,871)
Translation adjustment	-	-	-	-	-	17,613	17,613
Balance, February 29, 2012	**72,153,197**	**13,660,966**	**-**	**2,392,071**	**(7,818,089)**	**30,909**	**8,265,857**
Share-based compensation	-	-	-	11,630	-	-	11,630
Net loss for the year	-	-	-	-	(1,571,297)	-	(1,571,297)
Translation adjustment	-	-	-	-	-	98,985	98,985
Balance, February 28, 2013	**72,153,197**	**$13,660,966**	**$ -**	**$ 2,403,701**	**$ (9,389,386)**	**$ 129,894**	**$6,805,175**

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

1. NATURE OF OPERATIONS

Tanzania Minerals Corp.(the "Company") is an exploration stage company, and is in the business of exploration and evaluation of mineral properties in Tanzania, Africa through its wholly owned subsidiary, Tansmin Resources (Tanzania) Limited ("Tansmin"). The Company was incorporated under the laws of the British Columbia on June 29, 2007. The Company has its head office at #210-400 St. Mary Avenue, Winnipeg, MBR3C 4K5.

To date, the Company has not earned significant revenues, and is considered to be in the exploration stage.

On July 22, 2010, the Company closed a transaction with a private company, 0886490 B.C. Ltd. (previously named Tanzania Minerals Corp) ("Privco"), whereby the Company acquired 100% of the issued and outstanding shares of Privco by issuing 48,332,027 common shares of the Company. The Company subsequently changed its name from Hill Top Resources Corp. to Tanzania Minerals Corp. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "TZM."

2. GOING CONCERN

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the consolidated financial statements. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve future profitable operations.

As at February 28, 2013, the Company had a working capital surplus (excess of current assets over current liabilities) of $3,318,009 (February 29, 2012 - $5,335,967) which is sufficient to carry out committed exploration activities and corporate and administrative costs for twelve months after the end of the current fiscal year.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

3. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements of the Company for the year ending February 28, 2013, including comparatives, are prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, or available-for-sale, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements were authorized for issue by the Board of Directors on June 27, 2013.

Basis of measurement

The consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

These consolidated financial statements include the financial statements of the Company, Privco, and Tansmin, which are wholly owned, and 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. The financial statements of Privco and Tansmin are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

The functional currency of the Company and Privco is Canadian dollar, and the functional currency of Tansmin is the United States dollar.

Critical accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Critical judgments in applying accounting policies

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 2, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and Privco has been determined to be the Canadian dollar, while the functional currency of Tansmin has been determined to be the United States dollar.

3. BASIS OF PRESENTATION (cont'd…)

Critical accounting judgments and estimates (cont'd…)

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our consolidated financial statements include:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's mineral properties.
To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity. The value of the share-based compensation expense for the year, along with the assumptions and model used for estimating the value of the options granted, are disclosed in Note 7.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

3. BASIS OF PRESENTATION (cont'd…)

Critical accounting judgments and estimates (cont'd…)

Useful life of equipment

Each significant component of an item of equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, the potential for technological obsolescence, and regulations.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with IFRS and reflect the following significant accounting policies:

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets and liabilities "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables and due from related party are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of three levels in a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

See Note 11 for relevant disclosures.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less their estimated residual value, using the declining balance method at the following rates:

Mining tools and equipment	30% per annum
Automotive	30% per annum
Furniture and fixtures	20% per annum
Office equipment	30% per annum
Computer equipment	30% per annum

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs related to the acquisition, exploration of evaluation and exploration assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. Each of the Company's evaluation and exploration assets is considered to be a cash generating unit. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation asset. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received. The amounts shown for evaluation and exploration assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. 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 so that the increased carrying amount 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 years. A reversal of an impairment loss is recognized immediately in profit or loss.

Future reclamation costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of evaluation and exploration assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

For the years presented, the Company does not have any significant future reclamation costs.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company and Privco is the Canadian dollar, and the functional currency of Tansmin is the United States dollar.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency translation (cont'd…)

Accordingly, the accounts of Tansmin are translated into Canadian dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Income taxes

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

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

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 fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. Gains and losses that would otherwise be recorded as part of net earnings is presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. The Company's translation of its subsidiary (Tansmin) into Canadian dollars is the only item affecting comprehensive income (loss) for the years presented.

New accounting pronouncements

The following accounting pronouncements have been made, but are not yet effective for the Company as at February 28, 2013. The Company is currently evaluating the impact these new pronouncements may have on its consolidated financial statements.

Amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7") are effective for annual periods beginning on or after January 1, 2013 and introduce enhanced disclosure around transfer of financial assets and associated risks.

In November 2009 and October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2015, with early adoption permitted.

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting pronouncements (cont'd…)

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* ("IFRS 11"), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted.

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted.

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted.

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future. The amendments to IAS 1 apply to financial statements for annual periods beginning after July 1, 2012, with early adoption permitted.

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 -13. These amendments are in effect for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32, *Financial Instruments: Presentation,* are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities.

5. EQUIPMENT

Equipment consists of the following:

		Mining Tools and Equipment		Automotive		Furniture and Fixtures		Office Equipment		Computer Equipment		Total
Cost												
Balance at February 28, 2011	$	-	$	56,824	$	12,854	$	13,688	$	10,895	$	94,261
Additions		33,220		-		359		2,184		-		35,763
Balance at February 29, 2012		33,220		56,824		13,213		15,872		10,895		130,024
Additions		6,722		17,737		-		2,566		-		27,025
Write-off		-		-		-		-		(10,895)		(10,895)
Balance at February 28, 2013	$	39,942	$	74,561	$	13,213	$	18,438	$	-	$	146,154
Depreciation												
Balance at February 28, 2011	$	-	$	40,884	$	6,786	$	9,432	$	5,420	$	62,522
Depreciation for the year		10,127		4,243		1,134		1,385		1,467		18,356
Balance at February 29, 2012		10,127		45,127		7,920		10,817		6,887		80,878
Depreciation for the year		7,348		4,461		945		1,786		600		15,140
Write-off		-		-		-		-		(7,487)		(7,487)
Balance at February 28, 2013	$	17,475	$	49,588	$	8,865	$	12,603	$	-	$	88,531
Translation adjustment												
At February 29, 2012	$	631	$	(2)	$	(187)	$	15	$	-	$	457
At February 28, 2013	$	1,387	$	714	$	(82)	$	247	$	-	$	2,266
Carrying amounts												
At February 29, 2012	$	23,724	$	11,695	$	5,106	$	5,070	$	4,008	$	49,603
At February 28, 2013	$	23,854	$	25,687	$	4,266	$	6,082	$	-	$	59,889

6. EXPLORATION AND EVALUATION ASSETS

Ownership in mineral 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 mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

During the current year, the Company entered into an option agreement with Karoo Exploration Corp. (“Karoo”) a company with a director and officer in common with the Company, whereby Karoo can acquire a 100% interest in certain mineral claims located in the Songea and Lindi regions of southern Tanzania (the “Option”). In order to acquire the interest, Karoo must:

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(a) Issue 2,000,000 common shares to the Company as follows:
   i. 1,000,000 common shares on or before the one year anniversary of the closing date of the agreement ("Closing Date");
   ii. an additional 500,000 common shares on or before the two year anniversary of the Closing Date, and
   iii. an additional 500,000 common shares on or before the three year anniversary of the Closing Date.

(b) Incur exploration expenditures totaling $750,000as follows:
   i. $150,000 on or before the one year anniversary of the Closing Date;
   ii. an additional $250,000 on or before the two year anniversary of the Closing Date, and
   iii. an additional $350,000 on or before the three year anniversary of the Closing Date.

Upon exercise of the Option, the Company will retain a 2% Net Smelter Royalty ("NSR"). One half of the NSR and a right of first refusal on the other half can be purchased by Karoo for $2,000,000. The other half can be purchased by Karoo for $5,000,000.

During the term of the Option, the Company will have the right to nominate two individuals to the Board of Directors of Karoo.

As at February 28, 2013, this transaction was still subject to TSX-Venture Exchange approval and had not yet closed.

The Company has acquired 100% of certain exploration and evaluation assets and rights in Tanzania. Other than keeping the claims in good standing, the Company does not have any significant expenditure commitments on these properties. Details of the costs incurred are as follows:

Balance, February 28, 2011	$	**1,067,228**
Acquisition costs		199
Administration fees		99
Consulting		100,209
Data		185,775
Drilling		1,353,897
Equipment		47,563
Travel		24,254
Survey		81,404
Translation adjustment		19,659
Total for the year		1,813,059
Balance, February 29, 2012	**$**	**2,880,287**
Acquisition costs		3,504
Administration fees		103,555
Consulting		185,568
Data		49,445
Equipment		13,185
Travel		56,397
Translation adjustment		57,234
Total for the year		468,888
Balance, February 28, 2013	**$**	**3,349,175**

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Cumulative Totals		
Acquisition costs	$	78,720
Administration fees		287,391
Consulting		792,415
Data		235,220
Drilling		1,353,897
Equipment		60,748
Leases		33,803
Travel		260,623
Survey		182,521
Translation adjustment		63,837
Balance, February 28, 2013	**$**	**3,349,175**

7. CAPITAL STOCK AND RESERVES

The authorized capital stock of the Company is unlimited common shares without par value.

As at February 28, 2013, 1,179,637 (February 29, 2012 – 3,603,423) common shares are held in escrow.

There were no capital stock transactions during the year ended February 28, 2013 or the year ended February 29, 2012.

Warrants

The following is a summary of warrants outstanding as at February 28, 2013 and February 29, 2012:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at February 28, 2011 and February 29, 2012	12,348,938	$0.71
Expired	(4,166,938)	0.64
Outstanding at February 28, 2013	8,182,000	$0.75

7. CAPITAL STOCK AND RESERVES (cont'd…)

Warrants (cont'd…)

As at February 28, 2013, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining Contractual Life (years)	Expiry Date
8,182,000[1]	0.75	0.77	December 7, 2013

[1]During the current period, the Company received approval from the TSX-V, and extended the expiry date of these warrants from December 7, 2012 to December 7, 2013.

Stock options

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and employees of the Company as well as persons providing ongoing services to the Company. The exercise price of options is to equal at least the market price of the Company's stock on the date of grant. Stock options are exercisable for a five-year term in accordance with TSX-V policy. The options vest at the discretion of the board of directors. The number of common shares reserved for issuance may not exceed 10% of the issued and outstanding common shares of the Company.

	Number of Stock Options	Weighted Average Exercise Price
Outstanding and exercisable at February 28, 2011	1,400,000	$ 0.38
Granted	3,350,000	0.82
Forfeited	(500,000)	0.70
Outstanding and exercisable at February 29, 2012	4,250,000	$ 0.68
Granted	100,000	0.19
Outstanding and exercisable at February 28, 2013	4,350,000	$ 0.67

At February 28, 2013 the following stock options were outstanding and exercisable:

Outstanding and Exercisable	Exercise Price	Remaining Contractual Life (years)	Expiry Date
100,000	$ 0.05	1.21	May 14, 2014
1,100,000	0.40	2.57	September 24, 2015
2,600,000	0.90	3.01	March 3, 2016
450,000	0.27	3.95	February 8, 2017
100,000	0.19	4.45	August 9, 2017
4,350,000			

7. CAPITAL STOCK AND RESERVES (cont'd…)

Share-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. During the year ended February 28, 2013, 100,000 stock options were granted. The fair value of the options granted during the year ended February 28, 2013 was $11,630 (February 29, 2012was $1,675,253). The weighted average fair value of options granted during the year ended February 28, 2013 was $0.12 (February29, 2012-$0.50).

The following weighted average assumptions were used for the Black-Scholes valuation of the stock options granted during the years ended:

	February28, 2013	February29, 2012
Risk-free interest rate	1.39%	1.63%
Expected life of options	5 years	5 years
Annualized volatility	75%	75%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

8. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	For the years ended	
	February 28, 2013	**February29, 2012**
Share-based compensation	$ -	$ 849,420
Short-term benefits*	415,000	558,500
	$ 415,000	$ 1,407,920

*included in consulting fees

8. RELATED PARTY TRANSACTIONS (cont'd…)

Other related parties

Other related parties include Encanto Potash Corp., a company with a common director, and Karoo Exploration Corp. which has a director and officer in common with the Company.

Transactions entered into with related parties other than key management personnel that are not disclosed elsewhere in these consolidated financial statements include the following:

a) Paid or accrued office rent and administration fees of $12,000(February29, 2012 - $10,640) to Encanto Potash Corp.

As at February 28, 2013, $5,617 (February 29, 2012, $5,175) was included in accounts payable due to the Corporate Secretary of the Company and May Lake Consulting Corp., a company owned by the CFO of the Company.

As at February 28, 2013, $78,102 (February 29, 2012, $Nil) was included in due from related party and is due from Karoo Exploration Corp.

The amounts due to and from related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The following was the significant non-cash transaction affecting cash flows from operating, investing, and financing activities during the year ended February 28, 2013:

a) Included in accounts payable and accrued liabilities is $11,810 (February 29, 2012 - $3,114) of exploration and evaluation asset expenditures.

The following was the significant non-cash transaction affecting cash flows from operating, investing, and financing activities during the year ended February 29, 2012:

a) Included in accounts payable and accrued liabilities is $3,114 (February 28, 2011 - $78,058) of exploration and evaluation asset expenditures.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the management of capital the Company considers components of equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

10. CAPITAL MANAGEMENT (cont'd…)

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, due from related party, and accounts payable and accrued liabilities. The fair value of the Company's receivables, due from related party, and accounts payable and accrued liabilities approximate the carrying value, which is the amount on the consolidated statements of financial position due to their short-term maturities or ability of prompt liquidation. The Company's other financial instrument, cash and cash equivalents, under the fair value hierarchy is measured at fair value, based on level one quoted prices in active markets for identical assets or liabilities.

As at February 28, 2013, the Company's risk exposures and the impact on the Company is financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk as the majority of its cash is held at a large Canadian bank.

The Company's receivables consist mainly of input tax credits receivable from the Government of Canada, and amounts due from related parties and as a result the Company does not believe it is subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2013, the Company had cash and equivalents of $3,447,608to settle current liabilities of $152,045. Management believes the Company has sufficient funds to meet its obligations as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

   The Company has cash and cash equivalents balances and no interest bearing debt. The interest earned on cash and cash equivalents is insignificant, and the Company does not rely on interest received to fund its operations. As a result, the Company is not at a significant risk to fluctuating interest rates.

11. FINANCIAL INSTRUMENTS (cont'd…)

Market risk (cont'd…)

b) Currency risk

The Company's operations are in Canada and Tanzania. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible".

As at February 28, 2013, the Company's net US dollar financial assets were US$43,776. Thus a 10% change in the Canadian dollar versus the US dollar exchange rate would give rise to a $4,490 change in other comprehensive income.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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 commodity prices of gold and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties located in Tanzania. Geographic information is as follows:

	Total Assets	Equipment	Exploration and evaluation assets	Other Assets
February 28, 2013				
Canada	$ 3,299,631	$ -	$ -	$ 3,299,631
Tanzania	3,657,589	59,889	3,349,175	248,525
	$ 6,957,220	$ 59,889	$ 3,349,175	$ 3,548,156

12. SEGMENTED INFORMATION (cont'd…)

	Total Assets	Equipment	Exploration and evaluation assets	Other Assets
February 29, 2012				
Canada	$ 5,461,100	$ 4,008	$ -	$ 5,457,092
Tanzania	2,963,107	45,595	2,880,287	37,225
	$ 8,424,207	$ 49,603	$ 2,880,287	$ 5,494,317

13. INCOME TAXES

Following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

	February 28, 2013	February 29, 2012
Loss for the year	$ (1,571,297)	$ (3,287,871)
Expected income tax recoverable at statutory rate	(393,000)	(863,000)
Non-deductible items	7,000	444,000
Impact of different foreign subsidiary tax rates	(35,000)	(26,000)
Impact of future income tax rates applies versus current statutory rates	35,000	25,000
Change in unrecognized deductible temporary differences	580,000	1,416,000
Other	(194,000)	(996,000)
Total income taxes	$ -	$ -

The significant components of the Company's deferred tax assets (liabilities) that have not been set up are as follows:

	February 28, 2013	February 29, 2012
Non-capital losses	$ 1,842,000	$ 1,560,000
Exploration and evaluation costs	57,000	(283,000)
Equipment	13,000	10,000
Share issuance costs	84,000	129,000
Total	$ 1,996,000	$ 1,416,000
Unrecognized deferred tax assets	(1,996,000)	(1,416,000)
Net deferred tax assets	$ -	$ -

13. INCOME TAXES (cont'd…)

The significant deductible temporary differences, unused tax losses and expiry dates are as follows:

	February 28, 2013		February 29, 2012	
Exploration and evaluation assets	$ 229,000	no expiry	$ (902,000)	no expiry
Equipment	52,000	no expiry	35,000	no expiry
Share issuance costs	338,000	2033 - 2035	515,000	2032 - 2035
Non-capital losses available for future periods	2,244,000	no expiry	1,839,000	no expiry
Non-capital losses available for future periods	5,123,000	2016 - 2033	4,180,000	2016 - 2032

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