

**TANZANIA MINERALS CORP.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)**

**May 31, 2014**

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

	May 31, 2014	February 28, 2014
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,205,126	\$ 1,499,029
Receivables	6,845	21,852
Prepaid expenses	26,107	26,178
Due from related party (Note 8)	<u>-</u>	<u>24,645</u>
	1,238,078	1,571,704
<b>Due from Related Party</b> (Note 8)	86,520	-
<b>Equipment</b> (Note 5)	65,606	57,370
<b>Exploration and evaluation assets</b> (Note 6)	<u>3,737,725</u>	<u>3,805,748</u>
	<u>\$ 5,127,929</u>	<u>\$ 5,434,822</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 82,553</u>	<u>\$ 72,388</u>
<b>EQUITY</b>		
Capital stock (Note 7)	13,660,966	13,660,966
Reserves (Note 7)	2,403,701	2,403,701
Deficit	(11,265,383)	(11,023,050)
Accumulated other comprehensive income	<u>246,092</u>	<u>320,817</u>
	<u>5,045,376</u>	<u>5,362,434</u>
	<u>\$ 5,127,929</u>	<u>\$ 5,434,822</u>

**Nature of operations** (Note 1)  
**Going concern** (Note 2)  
**Proposed transaction** (Note 13)

**Approved on behalf of the Board on July 28, 2014:**

\_\_\_\_\_  
*Ryan Walchuck* Director      \_\_\_\_\_  
*Rob Dzisiak* Director

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

**TANZANIA MINERALS CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended	
	May 31, 2014	May 31, 2013
<b>EXPENSES</b>		
Consulting fees	\$ 102,294	\$ 93,306
Depreciation (Note 5)	4,745	5,234
Foreign exchange loss (gain)	(1,875)	74
General and administrative	96,668	77,536
Professional fees	61,757	20,530
Property examination (Note 8)	(32,005)	67,748
Travel and promotion	20,185	5,318
	(251,769)	(269,746)
Finance income	4,041	10,057
Gain from sale of equipment	5,395	-
<b>Net loss for the period</b>	(242,333)	(259,689)
<b>Translation adjustment</b>	(74,725)	1,461
<b>Comprehensive loss for the period</b>	\$ (317,058)	\$ (258,228)
<b>Basic and diluted loss per common share</b>	\$ (0.00)	\$ (0.00)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	72,153,197	72,153,197

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

**TANZANIA MINERALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited)

	For the three months ended	
	May 31, 2014	May 31, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (242,333)	\$ (259,689)
Items not involving cash:		
Depreciation	4,745	5,234
Gain from sale of equipment	(5,395)	-
Changes in non-cash working capital items:		
Decrease in receivables	15,007	2,757
Increase in prepaid expenses	(562)	(29,923)
Increase/(decrease) in accounts payable and accrued liabilities	8,133	(50,054)
Net cash used in operating activities	<u>(220,405)</u>	<u>(331,675)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment, net of dispositions	(9,254)	(11,733)
Acquisition of exploration and evaluation assets	(13,177)	(92,349)
Net cash used in investing activities	<u>(22,431)</u>	<u>(104,082)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Due from related party	(46,723)	(4,283)
Net cash (used in)/provided by financing activities	<u>(46,723)</u>	<u>(4,283)</u>
<b>Effect of foreign exchange rate</b>	(4,344)	(18,728)
<b>Decrease in cash and cash equivalents</b>	(293,903)	(458,768)
<b>Cash and cash equivalents, beginning of period</b>	1,499,029	3,447,608
<b>Cash and cash equivalents, end of period</b>	<u>\$ 1,205,126</u>	<u>\$ 2,988,840</u>
<b>Cash paid during the period for:</b>		
interest	\$ -	\$ -
income taxes	\$ -	\$ -
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 63,402	\$ 38,970
Short term investments	1,141,724	2,949,870
	<u>\$ 1,205,126</u>	<u>\$ 2,988,840</u>

**Supplemental disclosures with respect to cash flows (Note 9)**

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

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

	Capital Stock		Reserves	Deficit	Accumulated Other Comprehensive Income	Total
	Number	Amount				
<b>Balance, February 28, 2013</b>	<b>72,153,197</b>	<b>\$ 13,660,966</b>	<b>\$ 2,403,701</b>	<b>\$ (9,389,386)</b>	<b>\$ 129,894</b>	<b>\$ 6,805,175</b>
Net loss for the period	-	-	-	(259,689)	-	(259,689)
Translation adjustment	-	-	-	-	1,461	1,461
<b>Balance, May 31, 2013</b>	<b>72,153,197</b>	<b>\$ 13,660,966</b>	<b>\$ 2,403,701</b>	<b>\$ (9,649,075)</b>	<b>\$ 131,355</b>	<b>\$ 6,546,947</b>
<b>Balance, February 28, 2014</b>	<b>72,153,197</b>	<b>\$ 13,660,966</b>	<b>\$ 2,403,701</b>	<b>\$ (11,023,050)</b>	<b>\$ 320,817</b>	<b>\$ 5,362,434</b>
Net loss for the period	-	-	-	(242,333)	-	(242,333)
Translation adjustment	-	-	-	-	(74,725)	(74,725)
<b>Balance, May 31, 2014</b>	<b>72,153,197</b>	<b>\$ 13,660,966</b>	<b>\$ 2,403,701</b>	<b>\$ (11,265,383)</b>	<b>\$ 246,092</b>	<b>\$ 5,045,376</b>

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

**TANZANIA MINERALS CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MAY 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

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**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 290C Fairhaven Road, Winnipeg, MB R3P 2S6.

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 condensed interim 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 May 31, 2014, the Company had a working capital surplus (excess of current assets over current liabilities) of \$1,155,525 (February 28, 2014 - \$1,499,316) which is sufficient to carry out committed exploration activities and corporate and administrative costs for twelve months after the end of the current period.

The condensed interim 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 condensed interim consolidated financial statements of the Company for the three months ending May 31, 2014, including comparatives, are prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

These condensed interim consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company’s February 28, 2014 annual financial statements.

The condensed interim 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 July 28, 2014.

#### **Basis of measurement**

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

These condensed interim 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.

#### **Critical accounting judgments and estimates**

The preparation of these condensed interim 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 period. Actual results could differ from these estimates.

#### ***Critical judgments in applying accounting policies***

The preparation of these condensed interim 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 mineral 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.

*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, and the potential for technological obsolescence, and regulations.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements**

Effective March 1, 2014, the following standard was adopted but had no material impact on the financial statements.

- IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014

The accounting policies followed by the Company are set out in Note 4 to the audited financial statements for the year ended February 28, 2014, and have been consistently followed in the preparation of these condensed interim consolidated financial statements.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning on or after January 1, 2015. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015
- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018

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**5. EQUIPMENT**

Equipment consists of the following:

	Mining Tools and Equipment	Automotive	Furniture and Fixtures	Office Equipment	Total
<u>Cost</u>					
Balance at February 28, 2013	\$ 39,942	\$ 74,561	\$ 13,213	\$ 18,438	\$ 146,154
Additions	-	11,733	-	-	11,733
Balance at February 28, 2014	39,942	86,294	13,213	18,438	157,887
Additions	-	-	17,459	-	17,459
Dispositions	-	(30,825)	-	-	(30,825)
Balance at May 31, 2014	\$ 39,942	\$ 55,469	\$ 30,672	\$ 18,438	\$ 144,521
<u>Depreciation</u>					
Balance at February 28, 2013	\$ 17,475	\$ 49,588	\$ 8,865	\$ 12,603	\$ 88,531
Depreciation for the year	6,045	10,618	837	1,702	19,202
Balance at February 28, 2014	23,520	60,206	9,702	14,305	107,733
Depreciation for the period	1,331	1,998	1,062	354	4,745
Accumulated depreciation of disposal	-	(28,015)	-	-	(28,015)
Balance at May 31, 2014	\$ 24,851	\$ 34,189	\$ 10,764	\$ 14,659	\$ 84,463
<u>Translation adjustment</u>					
At February 28, 2014	\$ 2,539	\$ 3,774	\$ 260	\$ 643	\$ 7,216
At May 31, 2014	\$ 1,315	\$ 3,365	\$ 280	\$ 588	\$ 5,548
<u>Carrying amounts</u>					
At February 28, 2014	\$ 18,961	\$ 29,862	\$ 3,771	\$ 4,776	\$ 57,370
At May 31, 2014	\$ 16,406	\$ 24,645	\$ 20,188	\$ 4,367	\$ 65,606

**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.

In August 2012, the Company entered into an option agreement with Karoo Exploration Corp. (“Karoo”) a company with three directors and two officers 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:

- (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”). Karoo and the Company have agreed to extend the issuance of these shares to August 9, 2014 without amending the Agreement;
  - 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.

**TANZANIA MINERALS CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MAY 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

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

(b) Incur exploration expenditures totaling \$750,000 as follows:

- i. \$150,000 on or before the one year anniversary of the Closing Date (completed);
- 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.

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:

<b>Balance, February 28, 2013</b>	<b>\$ 3,349,175</b>
Acquisition costs	20,190
Administration fees	6,065
Consulting	220,885
Translation adjustment	209,433
<b>Balance, February 28, 2014</b>	<b>\$ 3,805,748</b>
Administration fees	563
Consulting	15,409
Equipment (Note 8)	(13,185)
Translation adjustment	(70,810)
Total for the period	<u>(68,023)</u>
<b>Balance, May 31, 2014</b>	<b>\$ 3,737,725</b>
<b>Cumulative Totals</b>	
Acquisition costs	\$ 98,910
Administration fees	294,019
Consulting	1,028,709
Data	235,220
Drilling	1,353,897
Equipment	47,563
Leases	33,803
Travel	260,623
Survey	182,521
Translation adjustment	<u>202,460</u>
<b>Balance, May 31, 2014</b>	<b>\$ 3,737,725</b>

**TANZANIA MINERALS CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. CAPITAL STOCK AND RESERVES**

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

The authorized preferred shares of the Company is unlimited preferred shares without par value.

There were no capital stock transactions during the three months ended May 31, 2014 or the year ended February 28, 2014.

**Warrants**

The following is a summary of warrants outstanding as at May 31, 2014 and February 28, 2014:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at February 28, 2013, February 28, 2014 and May 31, 2014	8,182,000	\$0.75

As at May 31, 2014, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining Contractual Life (years)	Expiry Date
8,182,000 <sub>1</sub>	\$ 0.75	1.52	December 6, 2015

<sub>1</sub>On December 4, 2013, the Company received approval from the TSX-V, and extended the expiry date of these warrants from December 7, 2013 to December 6, 2015.

**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, 2013	4,350,000	\$ 0.67
Forfeited	(450,000)	0.57
Outstanding and exercisable at February 28, 2014 and May 31, 2014	3,900,000	\$ 0.68

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

**Stock options (cont'd...)**

At May 28, 2014 the following stock options were outstanding and exercisable:

Outstanding and Exercisable	Exercise Price	Remaining Contractual Life (years)	Expiry Date
1,100,000	\$ 0.40	1.32	September 24, 2015
2,350,000	\$ 0.90	1.76	March 3, 2016
350,000	\$ 0.27	2.70	February 8, 2017
100,000	\$ 0.19	3.19	August 9, 2017
<b>3,900,000</b>			

**Share-based payments**

The Company recognizes share-based payments expense for all stock options granted using the fair value based method of accounting. There were no stock options granted during the three months ended May 31, 2014 or during the year ended February 28, 2014.

**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 three months ended	
	May 31, 2014	May 31, 2013
Short-term benefits*	\$ 110,500	\$ 75,000
	\$ 110,500	\$ 75,000

\*included in consulting fees and professional fees

**Other related parties**

Other related parties include Encanto Potash Corp., a company with a common director; Karoo Exploration Corp. which has three directors, a chief executive officer, an executive of business development and a former chief financial officer in common with the Company; and 6362959 Manitoba Ltd., a company owned by the former CEO of the Company.

**TANZANIA MINERALS CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Unaudited)

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**8. RELATED PARTY TRANSACTIONS (cont'd...)**

**Other related parties (cont'd...)**

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 of \$3,600 (May 31, 2013 - \$3,600) to Encanto Potash Corp.
- b) Paid or accrued office rent of \$4,800 (May 31, 2013 - \$nil) to 6362959 Manitoba Ltd.
- c) The Company recovered \$46,370 in property examination costs which it incurred on behalf of Karoo Exploration Corp. The recovery of these costs is included in amounts due from related party.
- d) The Company removed \$13,185 from its exploration and evaluation assets, as this equipment was transferred to Karoo Exploration Corp. The value of this equipment is included in amounts due to related party.

As at May 31, 2014, \$15,600 (February 28, 2014, \$8,325) was included in accounts payable due to the Corporate Secretary of the Company, to Ryan Walchuck, the VP of Corporate Development of the Company, May Lake Consulting Corp., a company owned by the CFO of the Company, and 6362959 Manitoba Ltd., a company owned by the former CEO of the Company.

As at May 31, 2014, \$86,520 (February 28, 2014, \$24,645) was included in due from related party and is due from Karoo Exploration Corp. This amount will accrue annual interest of 2.5%, starting June 25, 2014, payable quarterly.

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

**9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

The following were the significant non-cash transactions affecting cash flows from operating, investing, and financing activities during the three months ended May 31, 2014:

- a) Included in accounts payable and accrued liabilities is \$3,133 (February 28, 2014 - \$338) of exploration and evaluation asset expenditures.
- b) Included in due from related party is \$13,185 (February 28, 2014 - \$Nil) from the sale of equipment which was included in exploration and evaluation assets.

The following was the significant non-cash transaction affecting cash flows from operating, investing, and financing activities during the three months ended May 31, 2013:

- a) Included in accounts payable and accrued liabilities is \$5,804 (February 28, 2013 - \$11,810) 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.

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 period.

## **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 May 31, 2014, 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 May 31, 2014, the Company had cash and equivalents of \$1,205,126 to settle current liabilities of \$82,553. 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.

**11. FINANCIAL INSTRUMENTS (cont'd...)**

*Market risk (cont'd...)*

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.

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 May 31, 2014, the Company's net US dollar financial assets were US \$23,524. Thus a 10% change in the Canadian dollar versus the US dollar exchange rate would give rise to a \$2,550 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.



**TANZANIA MINERALS CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MAY 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

**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
<b>May 31, 2014</b>				
Canada	\$ 1,256,475	\$ -	\$ -	\$ 1,256,475
Tanzania	<u>3,871,454</u>	<u>65,606</u>	<u>3,737,725</u>	<u>68,123</u>
	<u>\$ 5,127,929</u>	<u>\$ 65,606</u>	<u>\$ 3,737,725</u>	<u>\$ 1,324,598</u>

	Total Assets	Equipment	Exploration and evaluation assets	Other Assets
<b>February 28, 2014</b>				
Canada	\$ 1,490,972	\$ -	\$ -	\$ 1,490,972
Tanzania	<u>3,943,850</u>	<u>57,370</u>	<u>3,805,748</u>	<u>80,732</u>
	<u>\$ 5,434,822</u>	<u>\$ 57,370</u>	<u>\$ 3,805,748</u>	<u>\$ 1,571,704</u>

**13. PROPOSED TRANSACTION**

On April 23, 2014, the Company entered into a letter of intent to acquire from Twigg Gold Ltd. ("Twigg") its 75% and 90% interest in the Igurubi and Msasa gold projects, respectively.

The Company is to acquire the projects for consideration of US \$350,000 and 7,000,000 common shares upon closing of the transaction. The Company and Twigg have agreed to extend the due diligence period of the transaction of 120 days from the signing of the letter of intent for an additional 30 days until August 21, 2014 to finalize its due diligence on the projects.

In the event that the Company is unable to proceed with acquiring the 75% and 90% interest in the Igurubi and Msasa gold projects, the Company will make a cash payment to Twigg of US \$50,000.