MONTERO MINING AND EXPLORATION LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2013 and 2012
Expressed in Canadian Dollars

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars – unaudited)

	Notes	March 31, 2013	December 31, 2012
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		627,930	498,872
Trade and other receivables		19,137	8,754
Prepaid expenses and deposits		43,854	37,966
Held for sale assets	4	1,463,376	1,532,077
Total current assets		2,154,297	2,077,669
Non-current assets			
Plant and equipment		92,885	99,809
Exploration and evaluation assets	5	9,278,500	8,729,396
Total non-current assets		9,371,385	8,829,205
TOTAL ASSETS		**11,525,682**	**10,906,874**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	11	825,191	1,576,623
Total current liabilities		825,191	1,576,623
SHAREHOLDERS' EQUITY			
Equity attributable to the owners of the Company			
Share capital	6	13,906,274	12,502,753
Obligation to issue shares	6	-	404,666
Warrant reserve	7	2,877,631	4,162,952
Share-based payment reserve	8	3,924,284	2,112,466
Foreign currency reserve		(103,299)	(236,713)
Accumulated deficit		(9,904,399)	(9,615,873)
Total shareholders' equity		10,700,491	9,330,251
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**11,525,682**	**10,906,874**

On behalf of the Board:

"Antony Harwood"	*"Antonia J Chapman"*
Antony Harwood, Director	Antonia J Chapman, Director

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars - unaudited)

	Notes	Three months ended March 31, 2013	Three months ended March 31, 2012
		$	$
EXPENSES			
Consulting, directors', administrative and management fees	11	153,508	290,667
Depreciation		8,714	10,933
General and administrative	11	17,194	30,490
Impairment of held for sale assets	4	32,014	-
Other expenses		18,954	48,144
Professional fees		16,171	36,202
Project investigation costs	11	6,242	8,381
Shareholder and regulatory	11	37,370	133,197
OPERATING LOSS		(290,167)	(558,014)
OTHER ITEMS			
Foreign exchange gain (loss)		103	(15,793)
Interest income		1,538	5,714
		1,641	(10,079)
NET LOSS		**(288,526)**	**(568,093)**
OTHER COMPREHENSIVE INCOME (LOSS)			
Exchange difference on translating foreign operations		133,414	(154,842)
COMPREHENSIVE LOSS		**(155,112)**	**(722,935)**
LOSS PER SHARE – BASIC AND DILUTED	8	$ (0.01)	$ (0.01)

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars - unaudited)

	Note	Share Capital		Warrant Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Other Components of Equity	Accumulated Deficit	TOTAL EQUITY
		Number of Shares	$	$	$	$	$	$	$
Balance, December 31, 2011		**54,687,063**	**12,511,041**	**4,559,975**	**1,715,443**	**57,881**	—	**(6,247,602)**	**12,596,738**
Net loss and comprehensive loss		—	—	—	—	(154,842)	—	(558,093)	**(722,935)**
Balance, March 31, 2012		**54,687,063**	**12,511,041**	**4,559,975**	**1,715,443**	**(96,961)**	**—**	**(6,815,695)**	**11,873,803**
Obligation to issue shares		—	—	—	—	—	404,666	—	**404,666**
Share issue costs		—	(8,288)	—	—	—	—	—	**(8,288)**
Transfer fair value of expired warrants		—	—	(397,023)	397,023	—	—	—	**—**
Net loss and comprehensive loss		—	—	—	—	(294,594)	—	(3,368,271)	**(3,662,865)**
Balance, December 31, 2012		**54,687,063**	**12,502,753**	**4,162,952**	**2,112,466**	**(236,713)**	**404,666**	**(9,615,873)**	**9,330,251**
Shares issued for:									
Cash	6	11,200,000	1,400,000	—	—	—	(404,666)	—	**995,334**
Debt settlement	6	5,144,616	643,077	—	—	—	—	—	**643,077**
Share issue costs	6	—	(168,302)	55,243	—	—	—	—	**(113,059)**
Fair value of warrants	6,7	—	(471,254)	471,254	—	—	—	—	**—**
Transfer fair value of expired warrants		—	—	(1,811,818)	1,811,818	—	—	—	**—**
Net loss and comprehensive loss		—	—	—	—	133,414	—	(288,526)	**(155,112)**
Balance, March 31, 2013		**71,031,679**	**13,906,274**	**2,877,631**	**3,924,284**	**(103,299)**	**—**	**(9,904,399)**	**10,700,491**

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars - unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(288,526)	(568,093)
Adjustments to loss for non-cash items:		
Depreciation	8,714	10,933
Impairment of held for sale assets	32,014	-
Net changes in non-cash working capital items:		
Trade and other receivables	(10,383)	(5,447)
Prepaid expenses and deposits	(5,888)	14,666
Trade and other payables	(108,355)	102,683
Net cash flows used in operating activities	(372,424)	(445,258)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on plant and equipment	-	(20,826)
Expenditures on exploration and evaluation assets	(370,592)	(949,972)
Net cash flows used in investing activities	(370,592)	(970,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of share subscriptions	995,334	-
Share issue costs	(113,059)	-
Net cash flows from financing activities	882,275	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	139,259	(1,416,056)
Effect of exchange rates on cash holdings in foreign currencies	(10,201)	3,341
CASH AND CASH EQUIVALENTS, BEGINNING	498,872	3,249,762
CASH AND CASH EQUIVALENTS, ENDING	627,930	1,837,047

See accompanying notes to the condensed consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd ("Montero") was incorporated on October 5, 2006, under the laws of British Columbia, Canada. Montero and its subsidiaries (collectively, the "Company") are engaged in the acquisition and exploration of mineral properties in Tanzania, South Africa and Canada.

Montero is a publicly listed company with its shares listed on the TSX Venture Exchange ("TSX-V"). The Company's registered office is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office is located at 20 Adelaide Street East, Suite 400, Toronto, Ontario, M5C 2T6.

Going Concern

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2013 the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to significant doubt about the Company's ability to continue as a going concern. However, management believes it has sufficient cash resources on hand to finance operating costs and exploration activities over the next twelve months. If further funds are required, they will be financed through a private placement of common shares or the divestiture of non-strategic assets.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements of the Company, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements comply with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required of a complete set of consolidated financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and the performance of the Company since the end of its last annual reporting period. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2012, which were prepared in accordance with IFRS as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue on May 29, 2013 by the Audit Committee of the Company.

3. BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual consolidated financial statements of the Company for the year ended December 31, 2012. The condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars ("CAD"), unless otherwise indicated.

(Expressed in Canadian dollars - unaudited)

4. HELD FOR SALE ASSETS

On October 18, 2010, the Company's subsidiary, Montero Projects Limited ("Montero Projects") entered into a binding term sheet agreement with Celtic Trust Company Limited ("Celtic"), whereby Montero Projects had the exclusive right to acquire the shares in Celtic's subsidiary (Eurozone Investments Limited, hereafter "Eurozone") which hold interests in subsidiary companies that hold 4 phosphate exploration projects in South Africa ("Phosco"). Montero Projects paid an advance of $101,700 (USD $100,000) to be granted an exclusivity period, which expired on July 18, 2011, to complete due diligence on the Phosco assets. An amendment to the binding term sheet agreement was executed on November 18, 2011 (the "Effective Date"), whereby Montero Projects agreed to acquire the shares in Eurozone by issuing 2,500,000 common shares of Montero. Concurrently, the due diligence was completed, approval was received from the TSX-V and the Company issued the 2,500,000 common shares to complete the acquisition of Eurozone.

An additional 1,000,000 common shares of Montero may be issued as consideration if a mining industry compliant report ('the "Report") is obtained, indicating a phosphate inferred resource on certain prospecting rights of one of the Phosco assets (the "Bierkraal Project"). The Company had 18 months from the Effective Date to conduct an exploration program on the Bierkraal Project and, if at the end of this period, the Company has not obtained the Report or given notice to Celtic that they intend to obtain the Report, the Company shall offer to transfer back the shares of the subsidiary that holds the Bierkraal Project to Celtic for no consideration. On May 18, 2013, the Company and Celtic have agreed to complete the transfer the shares of the subsidiary that holds the Bierkraal from Montero to Celtic for nil consideration and have also agreed that no additional shares will be issued. The Company has therefore recorded an impairment charge for initial due diligence and exploration costs related to the Bierkraal Project totaling $32,014 for the three months ended March 31, 2013.

The fair value of the assets received could not be estimated reliably, so the amounts were calculated using the fair value of the instruments granted in accordance with IFRS 2, *Share-based Payment*. The fair value of the common shares was calculated using the trading stock price of Montero, which resulted in the fair value of the shares being valued at $750,000, representing the total consideration paid for Phosco. The transaction did not constitute a business combination as Eurozone did not meet the definition of a business under IFRS 3 *Business Combinations* and therefore was originally accounted for as an acquisition of a group of exploration and evaluation assets and other related assets and liabilities.

The Company has now determined that it would be appropriate to sell its Phosco assets. On March 22, 2012 the Company engaged AltaCorp Capital Inc. ("Advisor") to assist them in completing a sale. The agreement with the Advisor provides for a payment of a success fee to the Advisor of 4% of the transaction value subject to a minimum success fee of $250,000 if the Phosco assets are sold within six months of the expiry of the agreement to a buyer specifically introduced to the Company by the Advisor. The original agreement with the Advisor was in effect until the earlier of i) the date which is three months from the date of the agreement and ii) the date the Phosco assets are sold. Both parties have agreed that the expiry of the agreement be extended such that the agreement with the Advisor is in effect until the earlier of i) the date which is nine months from the date of the agreement (i.e., December 22, 2012) and ii) the date the Phosco assets are sold. Accordingly, the above-noted success fee is payable upon a sale of the Phosco assets to a buyer specifically introduced to the Company by the Advisor completed on or before June 22, 2013. It is not presently known when or in what specific manner the Phosco assets may be sold. Although management is committed and expects to sell the Phosco assets, there can be no assurances that a sale will take place and the timing of such a sale is uncertain.

In accordance with IFRS, the Company has now presented the assets as *Held for Sale* assets which comprise the following:

	$
Reclamation bonds	22,694
Exploration and evaluation assets	1,440,682
Held for sale assets	**1,463,376**

(Expressed in Canadian dollars - unaudited)

5. EXPLORATION AND EVALUATION ASSETS

A summary of the Company's exploration and evaluation assets by property area is as follows:

	March 31, 2013	December 31, 2012
	$	$
Tanzania		
Wigu Hill	9,111,619	8,565,210
Canada		
Girard	166,881	164,186
	9,278,500	**8,729,396**

a) Tanzania

Wigu Hill Project
On May 26, 2008 (amended June 30, 2009 and April 27, 2010) the Company and RSR (Tanzania) Limited ("RSR") entered into an agreement whereby RSR granted the Company an exclusive option to earn an initial 60% interest in the Wigu Hill Project (the "First Option"), and an additional 10% interest in the Wigu Hill Project (the "Second Option"). The terms and conditions of the final amended agreement on April 27, 2010 are outlined as follows. In order to exercise the First Option, the Company must pay United States Dollars ("USD") $150,000 on or before April 30, 2010 (paid). After the exercise of the First Option, RSR will transfer the prospecting licences comprising the Wigu Hill Project (the "Wigu Hill Licences") to a newly-formed company (established and called - Wigu Hill Mining Company Limited "WHMC") and the Company will concurrently pay RSR a further USD $50,000 (paid). The Company is further obligated to incur exploration expenditures of USD $3.5 million (incurred) (or alternatively complete a prefeasibility study) on or before November 28, 2012. Once completed, the Company may at its sole discretion, within 60 days after November 28, 2012, elect to acquire a further 10% interest in the Wigu Hill Licences by paying RSR a further USD $2,000,000 to complete the requirements to execute the Second Option (amended as outlined below).

On September 22, 2011, the Company and RSR executed a Shareholders' Agreement, which outlines the following:

- amended the payment of USD $2,000,000 to an initial Second Option payment of $800,000 (paid) and a final Second Option payment of USD $700,000, which is to be paid subject to receipt of mining and retention licences granted by the Government of Tanzania, as well as a development agreement executed by the Government of Tanzania and the Company. By mutual agreement between the Company and RSR, the USD $700,000 payment may be satisfied by the issuance of common shares of Montero at the prevailing market price of such shares at the date of payment.
- agreement that the Company has now duly and validly exercised the First Option and the Second Option, and owns a 70% interest in the Wigu Hill Licences.
- RSR has transferred the Wigu Hill Licences to WHMC which was originally owned 70% by the Company and 30% by RSR. Further funding of exploration on the Wigu Hill Licences shall be provided by the Company and RSR in proportion to their ownership of WHMC.
- dilution provisions are provided subject to a deemed expenditure formula and, where a party's interest is diluted to less than 10%, conversion of such interest to a 2.5% net smelter returns royalty ("NSR") will be done. The Company has the right to purchase all or part of the NSR for USD $1 million per each 0.5%.

After the establishment of WHMC, further exploration costs were incurred by the Company and RSR has not yet paid their share of these costs which at March 31, 2013 were determined to be $1,139,161 (USD $1,121,663) and have been included in exploration and evaluation assets. Management has not recorded RSR's share as a receivable due to the uncertainty of payment. RSR was put on notice for its contribution required and advised that dilution will occur if payment is not received. As of March 31, 2013, the notice period for receipt of payment has expired and Montero increased its ownership of the Wigu Hill Licences to 82.25%.

(Expressed in Canadian dollars - unaudited)

5. EXPLORATION AND EVALUATION ASSETS – *Continued*

b) Canada

Girard Claim Area

On April 25, 2007, the Company entered into an agreement to acquire a 100% interest in the Girard claims located in Quebec for consideration of 2,000,000 common shares (issued) valued at $625,000 and by incurring exploration expenditures totalling $640,000 over five years. Anniversary payments were also required which totaled $235,000, $100,000 which was paid in cash and the remaining $135,000 was settled by the issuance of 1,000,000 common shares valued at $135,000.

During the year ended December 31, 2012, the Company reviewed its plans in this area and decided not to pursue exploration in certain areas of the Girard claim area, resulting in an impairment of these exploration and evaluation assets. The licences in the Girard Claim area currently have a carrying value of $166,881.

Details of the Company's expenditures on exploration and evaluation assets are as follows:

	Tanzania	Canada		
	Wigu Hill	**Girard**	**Three months ended March 31, 2013**	**Year ended December 31, 2012**
	$	$	$	$
Property acquisition costs				
Balance, beginning of period	1,228,946	111,183	**1,340,129**	3,400,702
Foreign currency translation	25,611	-	**25,611**	(12,738)
Additions	6,131	54	**6,185**	102,749
Impairment	-	-	**-**	(1,265,862)
Reclassification to Held for Sale assets	-	-	**-**	(884,722)
Balance, end of period	1,260,688	111,237	**1,371,925**	1,340,129
Exploration and evaluation costs				
Balance, beginning of period	7,336,264	53,003	**7,389,267**	6,724,964
Foreign currency translation	156,257	-	**156,257**	(169,228)
Costs incurred during the period:				
Field and camp costs	50,243	-	**50,243**	394,290
Geochemical & metallurgical	18,419	-	**18,419**	215,538
Geological consulting	134,758	-	**134,758**	770,893
Geophysical and maps	318	-	**318**	23,665
Maintenance & environmental	508	316	**824**	140,495
Motor vehicle costs	14,848	-	**14,848**	83,460
Project administration costs	55,650	2,325	**57,975**	288,801
Refinery hydromet and testing	67,572	-	**67,572**	172,186
Travel and accommodation	16,094	-	**16,094**	85,892
	7,850,931	55,644	**7,906,575**	8,730,956
Exploration tax credits	-	-	**-**	(1,406)
Impairment	-	-	**-**	(676,502)
Reclassification to Held for Sale assets	-	-	**-**	(663,781)
	-	-	**-**	(1,341,689)
Balance, end of period	7,850,931	55,644	**7,906,575**	7,389,267
Total	**9,111,619**	**166,881**	**9,278,500**	8,729,396

6. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value.

Issued and outstanding
At March 31, 2013 there were 71,031,679 issued and fully paid common shares outstanding (December 31, 2012 – 54,687,063).

Details of changes to share capital

i) On January 3, 2013, the Company completed a debt settlement by issuing 5,144,616 common shares at a fair value of $0.125 per share to settle trade and other payables totalling $643,077.

ii) On January 18, 2013, the Company closed a private placement by issuing 11,200,000 Units at a price of $0.125 per Unit for gross cash proceeds of $1,400,000. Each Unit consists of one common share and one common share warrant to purchase one common share at a price of $0.25 per share until January 18, 2015. At December 31, 2012, funds totalling $404,666 were received in advance of closing this private placement and were reflected as an obligation to issues shares at December 31, 2012. In connection with the private placement, the Company paid a finders' fee of $66,378 and other share issue costs of $46,681 for total cash share issue costs of $113,059. In addition, the Company issued 531,020 Finders' Warrants. Each Finder's Warrant entitles the holder to acquire one Unit at a price of $0.125 per Unit until January 18, 2015.

The Company has valued the warrants and Finder's Warrants issued in connection with this private placement using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 1.17%; volatility 100%; dividend yield 0% and approximate expected lives of 2 years. The resultant value of $471,254 attributable to the warrants has been reclassified from share capital and charged to warrant reserve. The resultant value of $55,243 attributable to the warrants issued to eligible finders has been charged to share issue costs and warrant reserve.

Escrow and restricted shares

Shares totalling 8,102,669 shares and 1,850,000 stock options that were held by the principals of the Company prior to the completion of the Company's Initial Public Offering ("IPO") are subject to escrow provisions and are being released in accordance with a schedule imposed by the TSX-V which is that 10% of such securities were released upon the Company's shares being listed on the TSX-V and 15% will be released every six months thereafter. In addition, 1,919,834 shares and 125,000 stock options held by non-principals prior to the IPO, are subject to resale restrictions imposed by the TSX-V, which amounts to 1,000,000 of such shares being subject to the same provisions as noted above for the principals and the remainder generally subject to a timed release of 20% every month, amongst other provisions.

As of March 31, 2013, 2,430,802 (December 31, 2012 – 3,646,201) of the above noted shares and 480,000 (December 31, 2012 – 720,000) of the above noted stock options are still held in escrow or subject to a release schedule.

Stock options

The Company has established a Stock Option Plan (the "Plan") for directors, officers, employees and consultants. The number of common shares that are available for grants of options under the Plan shall not at any time exceed 10% of the number of outstanding common shares, calculated at the time of grant. Options granted under the Plan generally have a term of five years and vest on the date of the grant.

(Expressed in Canadian dollars - unaudited)

6. SHARE CAPITAL – *Continued*

Stock options – *Continued*

A summary of the continuity of the Company's stock options is as follows:

	March 31, 2013		December 31, 2012	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		$		$
Options outstanding, beginning of period	4,655,000	0.32	5,105,000	0.32
Granted	-	-	-	-
Expired	(400,000)	0.15	(450,000)	0.31
Options outstanding and exercisable, end of period	4,255,000	0.34	4,655,000	0.32

As of March 31, 2013, certain of these stock options totaling 480,000 (December 31, 2012 – 720,000) stock options, remain subject to escrow and resale restrictions as described above.

The stock options expire as follows: 125,000 options with an average exercise price of $0.15 per share in 2013 (subsequent to March 31, 2013 these options expired unexercised), 1,375,000 options with an average exercise price of $0.17 per share in 2015 and 2,755,000 options with an average exercise price of $0.44 in 2016. The weighted average remaining contractual life of the outstanding stock options is 2.76 years.

7. WARRANTS

The issued and outstanding warrants are comprised of the following:

Date of expiry	Warrant Reserve	Number of warrants	Exercise Price
	$		$
August 3, 2013	1,939,413	4,910,666	0.80
August 3, 2013	411,721	666,493	0.60
January 18, 2015	493,597	11,731,020	0.25
January 18, 2015	32,900	531,020	0.125
Balance, March 31, 2013	**2,877,631**	**17,839,199**	

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(Expressed in Canadian dollars - unaudited)

7. WARRANTS – *Continued*

A summary of the continuity of the Company's warrants is as follows:

	March 31, 2013		December 31, 2012	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		$		$
Warrants outstanding, beginning of period	10,137,159	0.73	12,328,159	0.73
Granted	12,262,040	0.24	-	-
Expired	(4,560,000)	0.68	(2,191,000)	0.70
Warrants outstanding, end of period	17,839,199	0.41	10,137,159	0.73

At March 31, 2013, the weighted average remaining contractual life of the outstanding warrants was 1.35 years.

8. SHARE-BASED PAYMENT RESERVE

The Company's share-based payment reserve is comprised of the following:

	$
Expired warrants	2,208,841
Expired stock options	264,076
Unexpired stock options	1,451,367
Balance, March 31, 2013	**3,924,284**

9. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year. The basic and diluted loss per share are the same since the Company reported a loss for the period.

	March 31, 2013	March 31, 2012
	$	$
Net loss attributable to owners of the parent company	(288,526)	(568,093)
Weighted average number of ordinary shares outstanding	68,620,192	54,687,063
Basic and diluted loss per ordinary share	(0.01)	(0.01)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these condensed consolidated interim financial statements, except as disclosed in Note 16.

(Expressed in Canadian dollars - unaudited)

10. COMMITMENTS AND CONTINGENCIES

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in Note 5.

11. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Three months ended March 31	
	2013	**2012**
	$	**$**
Compensation of directors		
Short-term benefits	9,500	20,986
Share-based payments	-	-
	9,500	20,986
Compensation of key management personnel		
Short-term benefits	155,042	200,191
Share-based payments	-	-
	155,042	200,191
Total remuneration of directors and key management personnel	**164,542**	**221,177**

Related party transactions

The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

	Three months ended March 31	
	2013	**2012**
	$	**$**
Exploration and evaluation asset transactions		
Geological consulting	7,415	100,014
Other	4,747	10,180
Total exploration and evaluation asset transactions	12,162	110,194
Operating expense transactions		
Consulting, directors', administrative and management fees	28,689	35,071
General and administrative	3,000	6,000
Project investigation costs	-	1,000
Shareholder and regulatory	6,858	18,000
	38,557	60,071
Total trading transactions with related parties	**50,719**	**170,265**

(Expressed in Canadian dollars - unaudited)

11. RELATED PARTY TRANSACTIONS – *Continued*

Related party balances

The following amounts due to related parties are included in trade and other payables:

	March 31, 2013	December 31, 2012
	$	$
Due to related parties	**358,029**	**971,103**

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts are unsecured, non-interest bearing and are due within twelve months.

12. SEGMENTED INFORMATION

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable operating segments are located in Canada, Tanzania and South Africa. Since the Company intends to sell the Phosco assets in South Africa, these costs are reflected as a current asset reported as *Held for Sale Assets* totaling $1,463,376 as at March 31, 2013 ($1,532,077 as at December 31, 2012).

Information regarding the Company's geographic segments is as follows:

As at March 31, 2013			
	Canada	**Tanzania**	**Total**
	$	$	$
Plant and equipment	-	92,885	92,885
Exploration and evaluation assets	166,881	9,111,619	9,278,500
Total non-current assets	**166,881**	**9,204,504**	**9,371,385**

As at December 31, 2012			
	Canada	**Tanzania**	**Total**
	$	$	$
Plant and equipment	-	99,809	99,809
Exploration and evaluation assets	164,186	8,565,210	8,729,396
Total non-current assets	**164,186**	**8,665,019**	**8,829,205**

(Expressed in Canadian dollars - unaudited)

13. NON-CASH TRANSACTIONS

During the three months ended March 31, 2013, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	March 31, 2013	December 31, 2012
	$	$
Warrants issued for share issue costs	55,243	-
Warrants issued for private placement	471,254	-
Shares issued for debt settlement	643,077	-

14. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principle assets are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through divestiture of non-strategic assets. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

15. RISK MANAGEMENT

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

15. RISK MANAGEMENT – *Continued*

Industry Risk
The Company is engaged in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

Credit Risk
Credit risk is the risk of loss associated with a counter-party’s ability to fulfill its payment obligations. The Company’s primary exposure to credit risk is attributable to its cash and cash equivalents, as well as trade and other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The trade and other receivables primarily comprise local sales tax refunds due from governmental agencies and, as such, management considers the risk with their collection minimal. The cash and cash equivalents are invested in short-term investment certificates for periods less than 90 days and the trade and other receivables are due in less than 90 days.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company’s objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. As discussed previously in Note 14, the Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company’s trade and other payables are generally due within 90 days, with all amounts due within twelve months.

Interest Rate Risk
Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The Company has no interest-bearing liabilities. At March 31, 2013, the effect of changes in interest rates is not significant to the Company.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, South Africa and Tanzania and portions of its expenditures are incurred in US dollars, South African Rand and Tanzanian Shillings. The Company’s presentation currency is the Canadian dollar (“CAD”), the Tanzanian subsidiaries’ functional currency is the United States dollar (“USD”) and the South African subsidiaries’ functional currency is South African Rand (“ZAR”). At March 31, 2013, the value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

Commodity Price Risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily rare earth elements, phosphates and uranium) to determine the appropriate course of action to be taken by the Company.

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to March 31, 2013 the following events took place:

i) On April 30, 2013, 1,805,000 stock options were granted to directors, officers and consultants at an exercise price of $0.125 per share expiring in five years on April 30, 2018.

ii) On May 18, 2013 the Company and Celtic agreed to transfer one of the Phosco assets back to Celtic for nil consideration. The Company failed to meet the condition on the Bierkraal project in conducting the exploration program and Report, as noted in Note 4.