
MONTERO MINING AND EXPLORATION LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2014 and 2013
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	September 30, 2014	December 31, 2013
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		37,517	24,406
Trade and other receivables		1,749	2,655
Prepaid expenses and deposits		8,225	5,650
Held for sale assets	4	-	1,408,677
Total current assets		47,491	1,441,388
Non-current assets			
Reclamation bonds	5	20,320	-
Plant and equipment		59,580	73,271
Exploration and evaluation assets	5	11,923,863	9,912,655
Total non-current assets		12,003,763	9,985,926
TOTAL ASSETS		12,051,254	11,427,314
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	12	1,055,199	840,769
Loans payable	6,12	192,465	65,710
Total current liabilities		1,247,664	906,479
SHAREHOLDERS' EQUITY			
Equity attributable to the owners of the Company			
Share capital	7	13,906,274	13,906,274
Warrant reserve	8	526,497	526,497
Share-based payment reserve	9	6,344,682	6,344,682
Foreign currency reserve		784,505	269,413
Accumulated deficit		(10,758,368)	(10,526,031)
Total shareholders' equity		10,803,590	10,520,835
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,051,254	11,427,314

On behalf of the Board:

"Antony Harwood"

Antony Harwood, Director

"Antonia J Chapman"

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		Nine months ended	
		Sept 30, 2014	Sept 30, 2013	Sept 30, 2014	Sept 30, 2013
		\$	\$	\$	\$
EXPENSES					
Consulting, directors', administrative and management fees	12	37,527	64,693	124,007	280,892
Depreciation		5,342	7,655	16,866	24,534
General and administrative	12	7,559	9,055	23,660	46,158
Impairment of assets		-	-	-	32,014
Other expenses		(2,667)	9,664	22,496	43,010
Professional fees		(4,395)	18,152	25,838	59,684
Project investigation costs		(7,019)	-	(7,019)	6,242
Shareholder and regulatory	12	6,590	23,053	42,497	89,316
Stock-based compensation	7	-	-	-	69,264
OPERATING LOSS		(42,937)	(132,272)	(248,345)	(651,114)
OTHER ITEMS					
Finance costs	6	(5,015)	-	(11,755)	-
Foreign exchange gain (loss)		(272)	(702)	(828)	(409)
Interest and other income	5	1,280	215	28,591	2,532
		(4,007)	(487)	16,008	2,123
NET LOSS		(46,944)	(132,759)	(232,337)	(648,991)
OTHER COMPREHENSIVE INCOME					
Exchange difference on translating foreign operations		481,682	(232,491)	515,092	192,414
COMPREHENSIVE INCOME (LOSS)		434,738	(365,250)	282,755	(456,577)
LOSS PER SHARE – BASIC AND DILUTED	10	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED		71,031,679	71,031,679	71,031,679	70,236,683

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, 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	7	11,200,000	1,400,000	—	—	—	(404,666)	—	995,334
Debt settlement	7	5,144,616	643,077	—	—	—	—	—	643,077
Share issue costs	7	—	(168,302)	55,243	—	—	—	—	(113,059)
Fair value of warrants		—	(471,254)	471,254	—	—	—	—	—
Transfer fair value of expired warrants		—	—	(4,162,952)	4,162,952	—	—	—	—
Stock-based compensation		—	—	—	69,264	—	—	—	69,264
Net loss and comprehensive income		—	—	—	—	192,414	—	(648,991)	(456,577)
Balance, September 30, 2013		71,031,679	13,906,274	526,497	6,344,682	(44,299)	—	(10,264,864)	10,468,290
Net loss and comprehensive income		—	—	—	—	313,712	—	(261,167)	52,545
Balance, December 31, 2013		71,031,679	13,906,274	526,497	6,344,682	269,413	—	(10,526,031)	10,520,835
Net loss and comprehensive income		—	—	—	—	515,092	—	(232,337)	282,755
Balance, September 30, 2014		71,031,679	13,906,274	526,497	6,344,682	784,505	—	(10,758,368)	10,803,590

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		Nine months ended	
	Sept 30, 2014	Sept 30, 2013	Sept 30, 2014	Sept 30, 2013
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	(46,944)	(132,759)	(232,337)	(648,991)
Adjustments to loss for non-cash items:				
Depreciation	5,342	7,655	16,866	24,534
Impairment of assets	-	-	-	32,014
Stock-based compensation	-	-	-	69,264
Net changes in non-cash working capital items:				
Trade and other receivables	3,439	2,760	906	4,323
Prepaid expenses and deposits	5,165	16,407	(2,575)	18,293
Trade and other payables	53,990	10,343	203,331	(151,863)
Net cash flows (used in) operating activities	20,992	(95,594)	(13,809)	(652,426)
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	-	-	-	-
Expenditures on exploration and evaluation assets	(50,425)	(85,082)	(99,835)	(666,219)
Net cash flows (used in) investing activities	(50,425)	(85,082)	(99,835)	(666,219)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans payable	20,051	-	126,755	-
Proceeds from issue of shares	-	-	-	995,334
Share issue costs	-	-	-	(113,059)
Net cash flows from financing activities	20,051	-	126,755	882,275
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,382)	(180,676)	13,111	(436,370)
CASH AND CASH EQUIVALENTS, BEGINNING	46,899	243,178	24,406	498,872
CASH AND CASH EQUIVALENTS, ENDING	37,517	62,502	37,517	62,502

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Expressed in Canadian dollars - unaudited)

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 address is Suite 1704, 20 Bloorview Place, Toronto, Ontario M2J 0A6.

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 September 30, 2014 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 substantial doubt about the Company’s ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments.

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, 2013, which were prepared in accordance with IFRS as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue on November 25, 2014 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, 2013. 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.

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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4. HELD FOR SALE ASSETS

On November 18, 2011, the Company's subsidiary, Montero Projects Limited ("Montero Projects") acquired the shares in Eurozone Investments Limited ("Eurozone") which holds interests in subsidiary companies that hold 4 phosphate exploration projects in South Africa (hereafter, "Phosco"). Montero Projects paid \$101,700 (United States dollars "USD" \$100,000) and issued 2,500,000 common shares of Montero, valued at \$750,000, and completed the acquisition of Eurozone. Management then decided to sell these assets and so they were reclassified as held for sale assets.

Management now has been successful in finding a partner to further develop these assets, and therefore they have been reclassified from held for sale assets to reclamation bonds and exploration and evaluation assets (Note 5).

The Held for Sale assets comprise the following:

	September 30, 2014	December 31, 2013
	\$	\$
Reclamation bonds	-	20,767
Exploration and evaluation assets	-	1,387,910
Held for sale assets	-	1,408,677

5. EXPLORATION AND EVALUATION ASSETS

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

	September 30, 2014	December 31, 2013
	\$	\$
Tanzania		
Wigu Hill	10,539,015	9,912,655
South Africa		
Phosco	1,384,848	-
Exploration and evaluation assets	11,923,863	9,912,655

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).

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5. EXPLORATION AND EVALUATION ASSETS – Continued

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 September 30, 2014 were determined to be \$1,357,980 (USD \$1,211,617) 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. The notice period for receipt of payment has expired and therefore Montero increased its ownership of the WHMC to 82.25%. Additional exploration costs have been incurred since Montero increased its ownership and its ownership may increase by providing further notice to RSR.

In common with all mining companies, licences are required to be renewed in order to maintain ownership. Montero regularly reviews its licences and meets the local governmental requirements on the licences it plans to renew. In particular, Montero has been notified that its application for a Retention Licence relating to the Wigu Hill Project has been accepted and the Company is now in the process of finalizing the licence documentation and requirements.

Phosco Project

On November 18, 2011, the Company's subsidiary, Montero Projects acquired the shares in Eurozone which holds interests in subsidiary companies that hold 4 phosphate exploration projects in South Africa (hereafter, "Phosco"). Montero Projects paid \$101,700 (United States dollars "USD" \$100,000) and issued 2,500,000 common shares of Montero, valued at \$750,000, and completed the acquisition of Eurozone.

On August 19, 2014, the Company entered into a letter agreement, which is subject to legal and technical due diligence, with Ovation Capital (a South Africa based investment firm) who would finance a pre-feasibility study (to be completed within 12 months of signing of the definitive agreement) to earn 10% of Phosco and would further finance a bankable feasibility study (to be completed within 24 months of signing the definitive agreement) to earn an additional 20% of Phosco, for a total potential ownership of 30% of Phosco. Negotiations to complete the definitive agreement are ongoing.

Ethiopia Project

On August 25, 2014, the Company entered into a binding agreement to acquire up to an 80% interest in the Moyale graphite project in Ethiopia. A six-month legal and technical due diligence review is currently underway. The terms of the binding agreement are that the Company earns a 51% interest in the property and completes a NI 43-101 report within 2 years after USD \$1.5 million of expenditures and a further 29% interest may be earned by completing a feasibility study within 3 years up to a maximum of USD \$10 million of expenditures.

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5. EXPLORATION AND EVALUATION ASSETS – Continued

The Company has a total of \$20,320 in reclamation bonds and deposits lodged with local governments in regards to any potential reclamation costs that may arise.

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

	Tanzania Wigu Hill	South Africa Phosco	Nine months ended Sept 30, 2014	Year ended December 31, 2013
	\$	\$	\$	\$
Property acquisition costs				
Balance, beginning of period	1,323,492	Reclassified**	1,323,492	1,340,129
Foreign currency translation	71,374	(1,418)	69,956	85,236
Additions	8,361	839,517	847,878	9,365
Impairment	-	-	-	(111,238)
Balance, end of period	1,403,227	838,099	2,241,326	1,323,492
Exploration and evaluation costs				
Balance, beginning of period	8,589,163	-	8,589,163	7,389,267
Foreign currency translation	466,345	(7,623)	458,722	540,161
Costs incurred during the period:		Reclassified**		
Drilling	-	105,678	105,678	-
Field and camp costs	19,196	4,378	23,574	121,604
Geochemical & metallurgical	-	39,667	39,667	41,399
Geological consulting	13,078	354,378	367,456	190,995
Geophysical and maps	110	8,622	8,732	318
Maintenance & environmental	-	14,044	14,044	46,995
Motor vehicle costs	-	8,087	8,087	16,914
Project administration costs	13,458	459	13,917	167,240
Refinery hydromet and testing	32,812	-	32,812	114,316
Travel and accommodation	1,626	19,059	20,685	20,472
	9,135,788	546,749	9,682,537	8,649,681
Impairment	-	-	-	(60,518)
	-	-	-	(60,518)
Balance, end of period	9,135,788	546,749	9,682,537	8,589,163
Total	10,539,015	1,384,848	11,923,863	9,912,655

**costs reclassified from held for sale assets (Note 4)

During the year, the Company received \$28,567 in exploration tax credits related to its Canadian properties, which is included in interest and other income, since these properties have now been fully impaired.

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6. LOANS PAYABLE

These amounts are due to a company that has a director in common with the Company (\$155,000) and to a third party (\$25,000). The loans are unsecured, bear interest at 12% and were originally due on May 31, 2014. The lenders and the Company have now agreed that the repayment date of these loans be extended, to be repaid on or before May 29, 2015. During the nine months ended September 30, 2014, interest of \$11,755 has been charged to finance costs. As at September 30, 2014, the total amount of principal and interest due on these loans payable is \$192,465 (December 31, 2013 - \$65,710).

7. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

At September 30, 2014 there were 71,031,679 issued and fully paid common shares outstanding (December 31, 2013 – 71,031,679).

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 September 30, 2014, Nil (December 31, 2013 – 1,215,403) of the above noted shares and Nil (December 31, 2013 – 240,000) of the above noted stock options are still held in escrow or subject to a release schedule.

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7. SHARE CAPITAL – Continued

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.

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

	September 30, 2014		December 31, 2013	
	Number of Shares Issuable	Weighted Average Exercise Price \$	Number of Shares Issuable	Weighted Average Exercise Price \$
Options outstanding, beginning of period	5,560,000	0.27	4,655,000	0.32
Granted	-	-	1,805,000	0.125
Expired	-	-	(900,000)	0.24
Options outstanding and exercisable, end of period	5,560,000	0.27	5,560,000	0.27

The stock options expire as follows: 1,375,000 options with an average exercise price of \$0.17 per share in 2015, 2,430,000 options with an average exercise price of \$0.44 in 2016 and 1,755,000 with an average exercise price of \$0.125 in 2017. The weighted average remaining contractual life of the outstanding stock options is 2 years.

8. WARRANTS

The issued and outstanding warrants are comprised of the following:

Date of expiry	Warrant Reserve	Number of warrants	Exercise Price
	\$		\$
January 18, 2015	471,254	11,200,000	0.25
January 18, 2015*	55,243	531,020	0.125
Balance, September 30, 2014	526,497	11,731,020	

*These warrants entitle the holder to acquire a unit comprised of one common share and one common share purchase warrant to purchase one additional common share at a price of \$0.25 per share until January 18, 2015.

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8. WARRANTS – Continued

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

	September 30, 2014		December 31, 2013	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		\$		\$
Warrants outstanding, beginning of period	11,731,020	0.25	10,137,159	0.73
Granted	-	-	11,731,020	0.25
Expired	-	-	(10,137,159)	0.73
Warrants outstanding, end of period	11,731,020	0.25	11,731,020	0.25

The weighted average remaining contractual life of the outstanding warrants is 0.30 years.

9. SHARE-BASED PAYMENT RESERVE

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

	\$
Expired warrants	4,559,975
Expired stock options	557,211
Unexpired stock options	1,227,496
Balance, September 30, 2014	6,344,682

10. 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.

	September 30, 2014	September 30, 2013
	\$	\$
Net loss attributable to owners of the parent company	(232,337)	(648,991)
Weighted average number of ordinary shares outstanding	71,031,679	70,236,683
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.

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11. 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.

12. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Nine months ended Sept 30	
	2014	2013
	\$	\$
<i>Compensation of directors</i>		
Short-term benefits	-	24,500
Share-based payments	-	17,000
	-	41,500
<i>Compensation of key management personnel</i>		
Short-term benefits	59,506	211,501
Share-based payments	-	36,000
	59,506	247,501
Total remuneration of directors and key management personnel	59,506	289,001

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.

	Nine months ended Sept 30	
	2014	2013
	\$	\$
<i>Exploration and evaluation asset transactions</i>		
Geological consulting	19,356	23,918
Other	12,319	32,582
Total exploration and evaluation asset transactions	31,675	56,500
<i>Operating expense transactions</i>		
Consulting, directors', administrative and management fees	36,000	65,889
General and administrative	9,000	9,000
Shareholder and regulatory	-	6,858
	45,000	81,757
Total trading transactions with related parties	76,675	138,257

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12. RELATED PARTY TRANSACTIONS – Continued

Related party balances

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

	September 30, 2014	December 31, 2013
	\$	\$
Due to related parties	577,972	432,908

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, which are noted above and included in trade and other payables are unsecured, non-interest bearing and are due within twelve months. In addition to the related party balances included in trade and other payables noted above, the loans payables totalling \$192,465 are also due from related parties, and the terms thereof are outlined in Note 6.

13. 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.

As at September 30, 2014				
	Canada	Tanzania	South Africa	Total
	\$	\$	\$	\$
Reclamation bonds	-	-	20,320	20,320
Property, plant and equipment	-	59,580	-	59,580
Exploration and evaluation assets	-	10,539,015	1,384,848	11,923,863
Total non-current assets	-	10,598,595	1,405,168	12,003,763

As at December 31, 2013				
	Canada	Tanzania	South Africa	Total
	\$	\$	\$	\$
Property, plant and equipment	-	73,271	-	73,271
Exploration and evaluation assets	-	9,912,655	-	9,912,655
Total non-current assets	-	9,985,926	-	9,985,926

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14. NON-CASH TRANSACTIONS

During the nine months ended September 30, 2014, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	September 30, 2014	December 31, 2013
	\$	\$
Reclassification from held for sale assets to	(1,405,168)	-
Reclamation bonds	20,320	-
Exploration and evaluation assets	1,384,848	-
Shares issued for debt settlement	-	643,077
Warrants issued for share issue costs	-	55,243

15. 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.

16. 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.

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16. 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 and other 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 15, 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. The Company's loans payable are due on or before May 29, 2015.

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 a fixed interest rate on its loans payable. The effect of interest rate changes on the Company is insignificant.

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"). 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 and phosphates) to determine the appropriate course of action to be taken by the Company.