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**MONTERO MINING AND EXPLORATION LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**March 31, 2014 and 2013**  
**Expressed in Canadian Dollars**

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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, 2014	December 31, 2013
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		29,057	24,406
Trade and other receivables		31,154	2,655
Prepaid expenses and deposits		13,905	5,650
Held for sale assets	4	1,434,235	1,408,677
<b>Total current assets</b>		<b>1,508,351</b>	<b>1,441,388</b>
<b>Non-current assets</b>			
Plant and equipment		70,075	73,271
Exploration and evaluation assets	5	10,313,623	9,912,655
<b>Total non-current assets</b>		<b>10,383,698</b>	<b>9,895,926</b>
<b>TOTAL ASSETS</b>		<b>11,892,049</b>	<b>11,427,314</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	935,619	840,769
Loans payable	6,12	97,731	65,710
<b>Total current liabilities</b>		<b>1,033,350</b>	<b>906,479</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
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		680,495	269,413
Accumulated deficit		(10,599,249)	(10,526,031)
<b>Total shareholders' equity</b>		<b>10,858,699</b>	<b>10,520,835</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>11,892,049</b>	<b>11,427,314</b>

**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 March 31, 2014	Three months ended March 31, 2013
		\$	\$
<b>EXPENSES</b>			
Consulting, directors', administrative and management fees	12	46,926	153,508
Depreciation		5,739	8,714
General and administrative	12	8,125	17,194
Impairment of held for sale assets		-	32,014
Other expenses		6,739	18,954
Professional fees		12,991	16,171
Project investigation costs		-	6,242
Shareholder and regulatory	12	17,845	37,370
<b>OPERATING LOSS</b>		<b>(98,365)</b>	<b>(290,167)</b>
<b>OTHER ITEMS</b>			
Finance costs	6	(2,057)	-
Foreign exchange gain (loss)		(105)	103
Interest and other income	5	27,309	1,538
		25,147	1,641
<b>NET LOSS</b>		<b>(73,218)</b>	<b>(288,526)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Exchange difference on translating foreign operations		411,082	133,414
<b>COMPREHENSIVE INCOME (LOSS)</b>		<b>337,864</b>	<b>(155,112)</b>
<b>LOSS PER SHARE – BASIC AND DILUTED</b>	9	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

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	\$	\$	\$	\$	\$	\$	
<b>Balance, December 31, 2012</b>		<b>54,687,063</b>	<b>12,502,753</b>	<b>4,162,952</b>	<b>2,112,466</b>	<b>(236,713)</b>	<b>404,666</b>	<b>(9,615,873)</b>	<b>9,330,251</b>
Shares issued for:									
Cash	7	11,200,000	1,400,000	—	—	—	(404,666)	—	<b>995,334</b>
Debt settlement	7	5,144,616	643,077	—	—	—	—	—	<b>643,077</b>
Share issue costs	7	—	(168,302)	55,243	—	—	—	—	<b>(113,059)</b>
Fair value of warrants		—	(471,254)	471,254	—	—	—	—	<b>—</b>
Transfer fair value of expired warrants		—	—	(1,811,818)	1,811,818	—	—	—	<b>—</b>
Net loss and comprehensive income		—	—	—	—	133,414	(288,526)	—	<b>(155,112)</b>
<b>Balance, March 31, 2013</b>		<b>71,031,679</b>	<b>13,906,274</b>	<b>2,877,631</b>	<b>3,924,284</b>	<b>(103,299)</b>	<b>—</b>	<b>(9,904,399)</b>	<b>10,700,491</b>
Transfer fair value of expired warrants		—	—	(2,351,134)	2,351,134	—	—	—	<b>—</b>
Stock-based compensation		—	—	—	69,264	—	—	—	<b>69,264</b>
Net loss and comprehensive income		—	—	—	—	372,712	(621,632)	—	<b>(248,920)</b>
<b>Balance, December 31, 2013</b>		<b>71,031,679</b>	<b>13,906,274</b>	<b>526,497</b>	<b>6,344,682</b>	<b>269,413</b>	<b>—</b>	<b>(10,526,031)</b>	<b>10,520,835</b>
Net loss and comprehensive income		—	—	—	—	411,082	(73,218)	—	<b>337,864</b>
<b>Balance, March 31, 2014</b>		<b>71,031,679</b>	<b>13,906,274</b>	<b>526,497</b>	<b>6,344,682</b>	<b>680,495</b>	<b>—</b>	<b>(10,599,249)</b>	<b>10,858,699</b>

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, 2014	Three months ended March 31, 2013
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(73,218)	(288,526)
Adjustments to loss for non-cash items:		
Depreciation	5,739	8,714
Impairment of held for sale assets	-	32,014
Net changes in non-cash working capital items:		
Trade and other receivables	(28,499)	(10,383)
Prepaid expenses and deposits	(8,255)	(5,888)
Trade and other payables	88,193	(118,556)
Net cash flows used in operating activities	(16,040)	(382,625)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	(11,330)	(370,592)
Net cash flows used in investing activities	(11,330)	(370,592)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans payable	32,021	-
Proceeds from issue of shares, net of share subscriptions	-	995,334
Share issue costs	-	(113,059)
Net cash flows from financing activities	32,021	882,275
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,651	129,058
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	24,406	498,872
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	29,057	627,930

See accompanying notes to the condensed consolidated financial statements

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**  
(Expressed in Canadian dollars - unaudited)

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**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 March 31, 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 (including the divestiture of non-strategic assets) 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, the divestiture of non-strategic assets 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 May 27, 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.**  
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**4. HELD FOR SALE ASSETS**

On November 18, 2011 (the "Effective Date"), the Company's subsidiary, Montero Projects Limited ("Montero Projects") agreed to acquire 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 and completed the acquisition of Eurozone.

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.

An additional 1,000,000 common shares of Montero may have had to be issued as consideration if a mining industry compliant report (the "Report") was obtained, indicating a phosphate inferred resource on certain prospecting rights of one of the Phosco assets (the "Bierkraal Project"). If the Report was not obtained within 18 months from the Effective Date, the Company would transfer the shares of the subsidiary that owned the Bierkraal Project back to the vendor for no consideration. On May 18, 2013, the Company transferred the shares of the subsidiary that holds the Bierkraal Project to the vendor for nil consideration and they both agreed that no additional shares will be issued. The Company recorded an impairment charge for initial due diligence and exploration costs related to the Bierkraal Project totaling \$32,014 for the year ended December 31, 2013.

Although management is committed and expects to sell the Phosco assets within a twelve month period, 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:

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Reclamation bonds	21,525	20,767
Exploration and evaluation assets	1,412,710	1,387,910
<b>Held for sale assets</b>	<b>1,434,235</b>	<b>1,408,677</b>

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(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, 2014	December 31, 2013
	\$	\$
Tanzania --Wigu Hill	10,313,623	9,912,655
	<b>10,313,623</b>	<b>9,912,655</b>

**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, 2014 were determined to be \$1,329,244 (USD \$1,202,609) 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 has 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 is in the final stages of completing its application for a Retention Licence which would renew one of the significant Wigu Hill Licences which expires on June 30, 2014. Montero is currently compiling all necessary



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**5. EXPLORATION AND EVALUATION ASSETS – Continued**

reports and data for submission of this Retention Licence application, which it expects to complete by May 31, 2014.

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

	<b>Tanzania Wigu Hill</b>	<b>Three months ended March 31, 2014</b>	<b>Year ended December 31, 2013</b>
	\$	\$	\$
<b>Property acquisition costs</b>			
Balance, beginning of period	1,323,492	<b>1,323,492</b>	1,340,129
Foreign currency translation	51,889	<b>51,889</b>	85,236
Additions	337	<b>337</b>	9,365
Impairment	-	-	(111,238)
<b>Balance, end of period</b>	<b>1,375,718</b>	<b>1,375,718</b>	<b>1,323,492</b>
<b>Exploration and evaluation costs</b>			
Balance, beginning of period	8,589,163	<b>8,589,163</b>	7,389,267
Foreign currency translation	338,714	<b>338,714</b>	540,161
Costs incurred during the period:			
Field and camp costs	5,826	<b>5,826</b>	121,604
Geochemical & metallurgical	-	-	41,399
Geological consulting	-	-	190,995
Geophysical and maps	-	-	318
Maintenance & environmental	-	-	46,995
Motor vehicle costs	-	-	16,914
Project administration costs	3,868	<b>3,868</b>	167,240
Refinery hydromet and testing	-	-	114,316
Travel and accommodation	334	<b>334</b>	20,472
	<b>8,937,905</b>	<b>8,937,905</b>	<b>8,649,681</b>
Impairment	-	-	(60,518)
	-	-	(60,518)
<b>Balance, end of period</b>	<b>8,937,905</b>	<b>8,937,905</b>	<b>8,589,163</b>
<b>Total</b>	<b>10,313,623</b>	<b>10,313,623</b>	<b>9,912,655</b>

During the three months ended March 31, 2014, the Company received \$27,309 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.

**6. LOANS PAYABLE**

These amounts are due to a company that has a director in common with the Company (\$70,000) 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 November 29, 2014. The loans payable amounts include \$2,731 of accrued interest which has been charged to finance costs, \$2,057 of which was charged during the three months ended March 31, 2014. Subsequent to the quarter-end, a further \$70,000 was advanced subject to the same terms noted above (Note 17).

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**7. SHARE CAPITAL**

**Authorized**

Unlimited number of common shares without par value.

**Issued and outstanding**

At March 31, 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 March 31, 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.

**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.

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**7. SHARE CAPITAL – Continued**

**Stock options – Continued**

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

	<b>March 31, 2014</b>		<b>December 31, 2013</b>	
	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 2.5 years.

**8. WARRANTS**

The issued and outstanding warrants are comprised of the following:

<b>Date of expiry</b>	<b>Warrant Reserve</b>	<b>Number of warrants</b>	<b>Exercise Price</b>
	\$		\$
January 18, 2015	471,254	11,200,000	0.25
January 18, 2015*	55,243	531,020	0.125
<b>Balance, March 31, 2014</b>	<b>526,497</b>	<b>11,731,020</b>	

\*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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**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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(Expressed in Canadian dollars - unaudited)

**8. WARRANTS – Continued**

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

	March 31, 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

At March 31, 2014, the weighted average remaining contractual life of the outstanding warrants was 0.80 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
<b>Balance, March 31, 2014</b>	<b>6,344,682</b>

**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.

	March 31, 2014	March 31, 2013
	\$	\$
Net loss attributable to owners of the parent company	(73,218)	(288,526)
Weighted average number of ordinary shares outstanding	71,031,679	68,620,192
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**

	<b>Three months ended March 31</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Compensation of directors</i>		
Short-term benefits	-	9,500
Share-based payments	-	-
	-	9,500
<i>Compensation of key management personnel</i>		
Short-term benefits	19,827	155,042
Share-based payments	-	-
	19,827	155,042
<b>Total remuneration of directors and key management personnel</b>	<b>19,827</b>	<b>164,542</b>

**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.

	<b>Three months ended March 31</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Exploration and evaluation asset transactions</i>		
Geological consulting	-	7,415
Other	3,311	4,747
Total exploration and evaluation asset transactions	3,311	12,162
<i>Operating expense transactions</i>		
Consulting, directors', administrative and management fees	12,000	28,689
General and administrative	3,000	3,000
Shareholder and regulatory	-	6,858
	15,000	38,557
<b>Total trading transactions with related parties</b>	<b>18,311</b>	<b>50,719</b>

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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:

	March 31, 2014	December 31, 2013
	\$	\$
<b>Due to related parties</b>	<b>490,653</b>	<b>432,908</b>

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 \$97,731 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. All of the Company's non-current assets totalling \$10,383,698 are located in Tanzania (December 31, 2013 - \$9,985,926).

**14. NON-CASH TRANSACTIONS**

During the three months ended March 31, 2014, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	March 31, 2014	December 31, 2013
	\$	\$
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.

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**15. CAPITAL MANAGEMENT – Continued**

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.

*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.

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**16. RISK MANAGEMENT – Continued**

*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"). At March 31, 2014, 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.

**17. EVENTS AFTER THE REPORTING PERIOD**

On April 11, 2014, the Company received an additional amount of \$70,000 in regards to notes payable, which is subject to the terms as described in Note 6.