*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in the provinces of British Columbia, Alberta and Ontario but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

***No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of the securities only in those jurisdictions where they may be lawfully offered for sale and, in such jurisdictions, only by persons permitted to sell such securities. These securities have not and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). Accordingly, the securities offered hereby may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state laws or an exemption from such registration is available and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".***

# PRELIMINARY PROSPECTUS

**INITIAL PUBLIC OFFERING** **November 8, 2010**

Public Offering of 8,000,000 Units at $0.50 per Unit
For Gross Proceeds of $4,000,000

This Prospectus is being filed by Montero Mining and Exploration Ltd. (the "Corporation") to qualify the distribution of 8,000,000 units of the Corporation (each, a "Unit") at a price of $0.50 per Unit (the "Issue Price") to purchasers resident in the provinces of British Columbia, Alberta, and Ontario (the "Offering Jurisdictions") for gross proceeds of $4,000,000 (the "Offering"). Each Unit shall be comprised of one common share of the Corporation (each a "Share" and collectively, the "Shares") and one half of a Share purchase warrant (each whole such warrant, a "Warrant"), each Warrant entitling the holder thereof to purchase one additional Share at a price of $0.70 per Share at any time on or before 5:00 p.m. (Toronto time) on the date that is twenty-four (24) months following the date of closing of the Offering (the "Closing Date"). The Units are offered pursuant to an agency agreement dated ●, 2010 (the "Agency Agreement") between the Corporation, Byron Securities Limited and Haywood Securities Inc. (together, the "Agents").

| | Price to the Public (1) | Agents' Commission (2) | Net Proceeds to the Corporation (3) |
|---|---|---|---|
| Per Unit | $0.50 | $0.035 | $0.465 |
| Total Offering | $4,000,000 | $280,000 | $3,720,000 |

Notes:

(1) The Issue Price was determined by negotiation between the Corporation and the Agents.

(2) The Agents will receive a cash commission of 7% of the gross amount raised pursuant to the Offering (the "Agents' Commission"). The Agents' Commission of $280,000 and estimated expenses of the Offering of $175,000 will be paid out of the gross proceeds of the Offering. In addition, the Agents will receive purchase warrants (the "Agents' Warrants") entitling the Agents to purchase that number of Units (the "Agents' Units") that is equal to 7% of the number of Units issued pursuant to the Offering, being 560,000 Agents' Units. Each Agents' Warrant entitles the holder to purchase one Agents' Unit at the Issue Price for a period of twenty-four (24) months following the Closing Date, as summarized in the table below. This Prospectus also qualifies the issuance of the Agents' Warrants. See "Plan of Distribution".

(3) This amount represents the net proceeds to the Corporation after deducting the Agents' Commission and before deducting the estimated expenses of the Offering of $175,000, both of which will be paid out of the proceeds of the Offering.

The Agents have agreed to conditionally offer the Units on a "best efforts" basis, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution", subject to the approval of all legal matters on the Corporation's behalf by Peterson Law Professional Corporation, Barristers & Solicitors, of Toronto, Ontario and on the Agents behalf by Anfield Sujir Kennedy & Durno LLP. Subscriptions for Units will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice.

The Agents' position is as follows;

| Agents' Position | Maximum Number of Agents' Units Available | Exercise Period | Exercise Price |
|---|---|---|---|
| Agents' Warrants [(1)] | 560,000 Units | Any time on or before 5:00 p.m. (Toronto time) on the date that is twenty-four (24) months following the Closing Date | $0.50 |

Note:

(1) This Prospectus also qualifies the issuance of the Agents' Warrants. See "Plan of Distribution".

As at the date of this Prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

**The securities of the Corporation should be regarded as highly speculative, due to the nature of the Corporation's business and its formative stage of development. An investment in the securities of the Corporation should only be made by persons who can afford a significant or total loss of their investment. The Corporation is engaged in mineral exploration and development, the success of which cannot be assured. The Corporation has no history of earnings. The Corporation has no present intention to pay any dividends on its Shares. Subscribers must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. See "Risk Factors".**

This Offering is not underwritten. The Offering hereunder is subject to subscriptions for Shares representing an aggregate of $4,000,000. The Offering will be discontinued in the event that completion of the Offering has not occurred on or prior to the date that is 90 days from the issuance of a receipt for the final prospectus relating to this Offering (unless the applicable securities regulatory authorities consent to an extension of the offering period).

The Corporation is neither a "connected issuer" nor a "related issuer" of the Agents as defined in National Instrument 33-105 - *Underwriting Conflicts*.

***There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".***

## TABLE OF CONTENTS

## ELIGIBILITY FOR INVESTMENT

In the opinion of Peterson Law Professional Corporation, counsel to the Corporation if, as and when the Shares are listed on a designated stock exchange, the Shares will be qualified investments, within the meaning of the Tax Act, for trusts governed by registered retirement savings plans, registered retirment income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts ("TSFAs").

The Shares will not be a "prohibited investment" for a trust governed by a TFSA provided the holder of the TFSA deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation or in any corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. Holders of trusts governed by a TFSA should consult their own tax advisors to ensure the Shares would not be a prohibited investment in their particular circumstances.

## SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Prospectus contains forward-looking statements and forward-looking information within the meaning of applicable and Canadian securities laws. This forward-looking information includes, or may be based upon, estimates, forecasts, and statements as to management's expectations with respect to, among other things, demand and market outlook for REE and REO and the prices thereof, the future growth of the REE industry and rare earth products, the global suppliers of REE, progress in development of mineral properties, the completion of an initial public offering and listing on a prescribed Canadian stock exchange, the Corporation's ability to raise funding privately or on a public market in the future, the Corporation's future growth, the timing and amount of estimated future business plans, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify such forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and on information available to management at such time. Forward-looking information involves significant risk, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors, including, but not limited to, those factors discussed herein under "Risk Factors", include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other geological data, fluctuating Rare Earth Element prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors, and should be considered carefully. Prospective investors should not place undue reliance on any forward-looking information. Although the forward-looking information contained in this Prospectus is based upon what management believes, or believed at the time, to be reasonable assumptions, the Corporation cannot assure prospective purchasers that actual results will be consistent with such forward-looking information as there may be other factors that cause results not to be as anticipated, estimated or intended and neither the Corporation nor any other person assumes responsibility for the accuracy and completeness of any such forward-looking information. The Corporation does not undertake to and assumes no obligation to update or revise any such forward-looking statements or forward-looking information contained herein to reflect new events or circumstances, except as may be required by law.

## SUMMARY OF PROSPECTUS

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.*

**The Corporation:** Montero Mining and Exploration Ltd. See "Corporate Structure".

**Business of the Corporation:** The Corporation is a mineral exploration and development company focused on Rare Earth Element ("REE"), phosphate and uranium deposits in the United Republic of Tanzania ("Tanzania"), the Republic of South Africa ("South Africa"), and Canada. See "Description of the Business".

**The Offering:** The Offering consists of a total of 8,000,000 Units at a price of $0.50 per Unit for gross proceeds of $4,000,000. See "Plan of Distribution".

**Agents' Commission:** The Agents will be paid a cash commission (the Agents' Commission) equal to 7% of the gross proceeds raised pursuant to the Offering. In addition, the Agents will receive purchase warrants (the "Agents' Warrants") entitling the Agents to purchase that number of Units of the Corporation (the "Agents' Units") that is equal to 7% of the number of Units issued pursuant to the Offering, being 560,000 Agents' Units. Each Agents' Warrant entitles the holder to purchase one (1) Agents' Unit at the Issue Price for a period of twenty-four (24) months. This Prospectus also qualifies the issuance of the Agents' Warrants. See "Plan of Distribution".

**Use of Proceeds:** The net proceeds to the Corporation from the sale of the Units offered hereunder, after deducting the Agents' Commission ($280,000), together with the estimated expenses of the Offering ($175,000), are estimated to be $3,545,000. The net proceeds of the Offering will be expended to further develop and explore the Corporation's mineral exploration projects including the Wigu Hill Property, as well as for general working capital purposes. See "Use of Proceeds".

**Risk Factors:** An investment in Units should be considered to be highly speculative and involves significant risk due to the nature of the business in which the Corporation is engaged and the stage of development of the Corporation's properties, among other factors. An investment should only be considered by investors who can afford the total loss of their investment. A prospective investor in Units should be aware that there are various risks that could have a material adverse effect on, among other things, the properties, business and condition (financial or otherwise) of the Corporation and/or its subsidiaries. These risk factors which are listed below, together with all of the other information contained in this Prospectus, including information contained in the section entitled "Special Note Regarding Forward-Looking Information", should be carefully reviewed and considered before an investment in Units is made. The risks listed below do not necessarily comprise all the risks faced by the Corporation. Risks include those related to: the Corporation's working capital and liquidity; the availability of additional equity financing; the Corporation continuing as a going concern; the nature of mineral exploration and mining; infrastructure; competition; the Corporation's dependence on and performance of key personnel; the global and financial markets; title matters; the risk of foreign operations; fluctuations in currency exchange rates; environmental risks and hazards; permitting; the Corporation's lack of revenue and history of losses and limited operating history; fluctuations in demand for, and prices of, REE and rare earth products; increase in the global supply of REE, dumping and predatory pricing; commodity prices; insurance risk; conflicts of interest; the market price of the Shares; option and joint venture agreements. See "Risk Factors".

**Summary Financial Data:** The following selected financial information has been derived from and is qualified in its entirety by the audited and unaudited Financial Statements included in this Prospectus, and should be read in conjunction with such Financial Statements and the related notes thereto, along with the "Management Discussion and Analysis" included in this Prospectus. All Financial Statements of the Corporation are prepared in accordance with generally accepted accounting principles in Canada ("GAAP").

| | Six Months Ended June 30, | | Years Ended December 31, | | |
|---|---|---|---|---|---|
| | 2010 (Unaudited) ($) | 2009 (Unaudited) ($) | 2009 (Audited) ($) | 2008 (Audited) ($) | 2007 (Audited) ($) |
| Revenue | Nil | Nil | Nil | Nil | Nil |
| Current Assets | 642,468 | 33,256 | 942,610 | 118,338 | 776,548 |
| Total Assets | 3,548,646 | 1,667,478 | 2,747,234 | 1,742,242 | 1,922,991 |
| Current Liabilities | 278,938 | 273,238 | 136,859 | 181,180 | 158,114 |
| Total Liabilities | 278,938 | 273,238 | 136,859 | 181,180 | 158,114 |
| Deficit | 2,468,554 | 1,701,993 | 1,925,521 | 1,535,111 | 466,124 |
| Net Loss per Share (basic and fully diluted) | 0.02 | 0.01 | 0.03 | 0.08 | 0.08 |

## GLOSSARY

In this Prospectus, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"**Actlabs**" means Activation Laboratories Ltd., Ontario, Canada;

"**Agency Agreement**" means the agency agreement dated ●, 2010 with respect to the Offering among the Corporation and the Agents, as more particularly described under the heading "Plan of Distribution";

"**Agents**" means together, Byron Securities Limited and Haywood Securities Inc.;

"**Agents' Commission**" means the Agents' cash commission in connection with the Offering, comprised of 7% of the gross proceeds raised pursuant to the Offering;

"**Agents' Units**" means the Units issued upon exercise of the Agents' Warrants in accordance with their terms;

"**Agents' Warrants**" means purchase warrants entitling the Agents to purchase that number of Agents' Units that is equal to 7% of the total number of Units issued under the Offering, being 560,000 Agents' Units. Each Agents' Warrant entitles the holder to purchase one Unit at the Issue Price for a period of twenty-four (24) months following the Closing Date;

"**Board**" means the board of directors of the Corporation;

"**Closing Date**" means such date as mutually agreed upon by the Agents and the Corporation;

"**Corporation**" means Montero Mining and Exploration Ltd., a company incorporated under the laws of British Columbia;

"**Escrow Agent**" means ● in its capacity as escrow agent under the Escrow Agreement;

"**Escrow Agreement**" means the agreement dated ●, 2010, among ●, the Corporation and certain shareholders of the Corporation with respect to 7,602,669 Shares and 1,850,000 stock options being deposited into escrow in connection with the Offering;

"**Exchange**" means the TSX Venture Exchange;

"**Financial Statements**" mean the audited consolidated financial statements of the Corporation for the years ended December 31, 2007, 2008, and 2009, and the unaudited consolidated financial statements for the six month period ended June 30, 2010, as applicable;

"**First Option**" means the exclusive option granted to the Corporation by RSR to earn an initial 60% interest in the Wigu Hill Property, pursuant to the terms and conditions set out in the Option Agreement;

"**GAAP**" means generally accepted accounting principles in Canada;

"**Issue Price**" means $0.50 per Unit, the price at which Units are being offered for sale under this Prospectus;

"**Licences**" means the Prospecting Licenses #3379/2005 and #4384/2008, which comprise the Wigu Hill Property;

"**Mining Act**" means the *Mining Act*, Cap. 123 (Revised Edition, 2002) as amended from time to time (Tanzania);

"**Mining Act Restated**" means the *Mining Act 2010*, Act No. 14 of 2010 (Tanzania);

"**Ministry**" means the Ministry of Energy and Minerals (Tanzania);

"**Montero Tan**" means Montero Tanzania Limited, a former wholly-owned subsidiary of the Corporation incorporated in Tanzania on April 3, 2007, and subsequently sold by the Corporation on March 11, 2010;

"**MPL**" means Montero Projects Limited, a wholly-owned subsidiary of MRHL incorporated in the British Virgin Islands on May 3, 2010;

"**MRHL**" means Montero Resource Holding Limited, a wholly-owned subsidiary of the Corporation incorporated in the British Virgin Islands on April 26, 2010;

"**MRL**" means Montero Resources Limited, a wholly-owned subsidiary of the Corporation incorporated in Tanzania, on November 5, 2007;

"**NEO**" means a named executive officer of the Corporation, as defined in the Canadian Securities Administrators' National Instrument 51-102F6 - Statement of Executive Compensation;

"**NI 43-101**" means the Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects;

"**NI 52-110**" means the Canadian Securities Administrators' National Instrument 52-110 – Audit Committees;

"**NI 58-101**" means the Canadian Securities Administrators' National Instrument 58-101 – Disclosure of Corporate Governance Practices;

"**NSR**" means a net smelter returns royalty;

"**Offering**" means the initial public offering of 8,000,000 Units pursuant to this Prospectus or any amendment hereto;

"**Option Agreement**" means the letter agreement between the Corporation and RSR dated May 26, 2008, together with the amendments thereto dated June 30, 2009 and April 27, 2010, concerning the acquisition of an interest in the Wigu Hill Property;

"**Plan**" means the Corporation's incentive stock option plan dated January 9, 2008;

"**Prospecting Licence**" means a prospecting licence under the Mining Act or the Mining Act Restated, as applicable;

"**Prospectus**" means the preliminary or final prospectus as the case may be;

“**Rare Earth Element**” or “**REE**” means the following 15 chemically similar, lanthanide elements which appear together in the periodic table of the elements: Lanthanum, Cerium, Praseodymium, Neodymium, Promethium, Samarium, Europium, Gadolinium, Terbium, Dysprosium, Holmium, Erbium, Thulium, Ytterbium and Lutetium, and two other elements, Yttrium and Scandium;

“**Reconnaissance Prospecting Licence**” means a Prospecting Licence covering a preliminary reconnaissance period, under the Mining Act or the Mining Act Restated, as applicable;

“**RSR**” means RSR (Tanzania) Limited and its affiliates;

“**Second Option**” means the exclusive option granted to the Corporation by RSR to earn an additional 10% interest in the Wigu Hill Property, pursuant to the terms and conditions set out in the Option Agreement;

“**SGS**” means SGS South Africa (Pty) Ltd.;

“**Shares**” means the common shares in the capital of the Corporation;

“**South Africa**” means the Republic of South Africa;

“**Tanzania**” means the United Republic of Tanzania;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder;

“**Technical Report**” means the Report prepared for the Corporation by P.R. Siegfried, B.Sc., M.Sc. MAusIMM, GeoAfrica Prospecting Services dated June 5, 2010 entitled *NI 43-101 Technical Review Report on the Wigu Hill Rare Earth Element (REE) Property, Kisaki District, Tanzania*;

“**Transfer Agent**” means Olympia Trust Company in its capacity as registrar and transfer agent of the Shares;

“**Unit**” means a unit issuable pursuant to this Offering, each such unit consisting of one Share and one-half of one Warrant;

“**Warrant**” means a whole Share purchase warrant entitling the holder to purchase one Share;

“**Wigu Hill**” means Wigu Hill, located in the Kisaki District of Eastern Tanzania; and

“**Wigu Hill Property**” means the Wigu Hill REE deposit comprised of the Licences.

## ABBREVIATIONS

Unless the context otherwise requires, technical terms or abbreviations not otherwise defined in this Prospectus have the following meanings when used in this Prospectus:

| | |
|---|---|
| ± | plus-minus |
| ~ | approximate |
| $^{o}C$ | degrees Celsius |
| Ba | barium |
| Ca | calcium |
| $CaTiO_3$ | calcium titanate oxide |
| Ce | cerium |
| CL | cathode luminescence |
| cm | centimetres |
| cps | counts per second |
| Cu | copper |
| DGPS | Differential Global Positioning Systems |
| DTM | Digital Terrain Model |
| Dy | dysprosium |
| EMP | environmental management plan |
| Er | erbium |
| Eu | europium |
| F | fluorine |
| Fe | iron |
| Gd | gadolinium |
| Ho | holmium |
| HREE | heavy rare earth elements |
| ICP | inductively coupled plasma |
| ICP-MS | inductively coupled plasma – mass spectrometry |
| Kg | kilogram |
| km | kilometre |
| $km^2$ | square kilometre |
| La | lanthanum |
| LREE | light rare earth elements |
| LREO | light rare earth oxides |
| Lu | lutetium |
| m | metres |
| mm | millimetres |
| $mm^3$ | cubic millimetres |
| MRI | magnetic resonance imaging |
| Mt | million tonnes |
| Nb | niobium |
| $Nb_2O_5$ | niobium pentoxide |
| Nd | neodymium |
| NiMH | nickel-metal hydride |
| $N_2O_2$ | nitrous oxide |
| P | phosphorous |
| PGE | platinum group element |
| Pm | promethium |
| $PO_4^{3-}$ | phosphate ion |
| ppm | part per million |
| Pr | praseodymium |
| $P_2O_5$ | phosphorous |
| REM | rare earth metal |
| REO | rare earth oxides |
| REO + $Y_2O_3$ | rare earth oxide plus yttrium |
| REO wt % | rare earth oxide weight percentage |
| Sm | samarium |
| Sr | strontium |
| Tb | terbium |
| Th | thorium |
| Ti | titanium |
| Tm | thulium |
| TREE | total rare earth elements |
| U | uranium |
| USD | United States dollars |
| USGS | United States Geological Survey |
| wt % | weight percentage |
| XRD | x-ray diffraction |
| XRF | x-ray fluorescence |
| Y | yttrium |
| Yb | ytterbium |
| Zr | zirconium |

## CURRENCY AND EXCHANGE RATE INFORMATION

In this Prospectus, unless otherwise indicated, all references to "$" or "dollars" refer to Canadian dollars and all references to USD$ refer to United States dollars. The Issue Price is in Canadian dollars.

The high, low and average exchange rates for the United States dollar in terms of Canadian dollars for each of the three years ended December 31, 2009, 2008 and 2007, and for the six month period ended June 30, 2010, as reported by the Interbank Exchange Rate (www.oanda.com) were as follows:

| | **Six Months Ended June 30, 2010 ($)** | **Year Ended December 31, 2009 ($)** | **Year Ended December 31, 2008 ($)** | **Year Ended December 31, 2007 ($)** |
|---|---|---|---|---|
| Average | 1.03479 | 1.14172 | 1.06669 | 1.07440 |
| High | 1.08460 | 1.30630 | 1.30130 | 1.18730 |
| Low | 0.99280 | 1.02060 | 1.97090 | 0.90570 |

As at November 5, 2010 the Interbank Exchange Rate as reported by www.oanda.com was an average of US$1.00 = $1.00540 or $1.00 = US$0.99463.

The high, low and average exchange rates for the Tanzanian Shilling (TZS) in terms of United States dollars for each of the three years ended December 31, 2009, 2008 and 2007, and for the six month period ended June 30, 2010, as reported by the Interbank Exchange Rate (www.oanda.com) were as follows:

| | **Six Months Ended June 30, 2010 ($)** | **Year Ended December 31, 2009 ($)** | **Year Ended December 31, 2008 ($)** | **Year Ended December 31, 2007 ($)** |
|---|---|---|---|---|
| Average | 1,403.48 | 1,344.95 | 1,221.70 | 1,270.25 |
| High | 1,519.00 | 1,390.00 | 1,320.60 | 1,300.00 |
| Low | 1,306.80 | 1,240.90 | 1,115.00 | 1,098.00 |

As at November 5, 2010 the Interbank Exchange Rate as reported by www.oanda.com was an average of US$1.00 = TZS$1,510.14 or TZS$1.00 = US$0.00066.

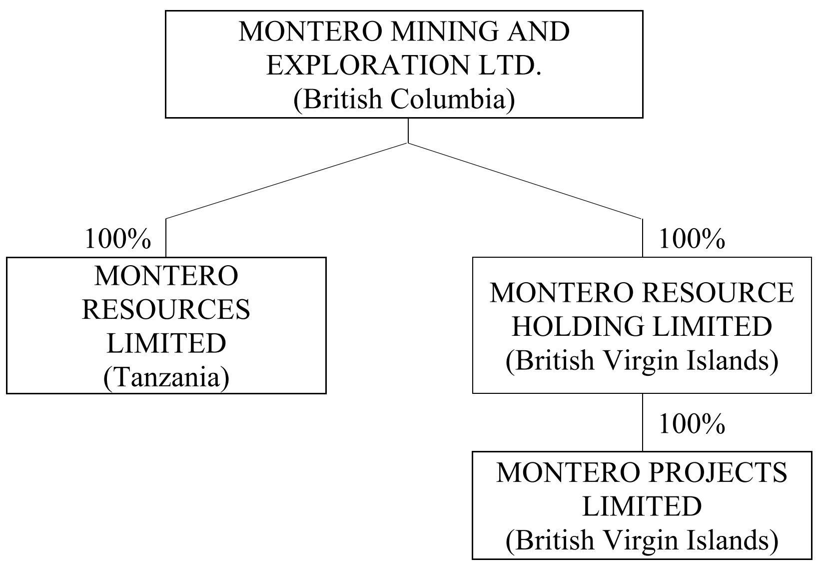
## CORPORATE STRUCTURE

### The Corporation

Montero Mining and Exploration Ltd. was registered and incorporated in British Columbia, Canada on October 5, 2006. The Corporation's registered office is located at 1900-1040 West Georgia Street Vancouver, B.C. V6E 4H3, and its head office is located at 20 Adelaide Street East, Suite 400, Toronto, Ontario, M5C 2T6.

### Intercorporate Relationships

Set out below is the corporate structure of the Corporation and its subsidiaries, including the jurisdiction in which each subsidiary was formed, and the percentage of shares of each of the subsidiaries owned, controlled or directed by its parent company.




The Corporation has a wholly-owned subsidiary operating in Tanzania, Montero Resources Limited, ("MRL") and incorporated in Tanzania on November 5, 2007, and two British Virgin Island subsidiaries, Montero Resource Holding Limited ("MRHL") incorporated on April 26, 2010, wholly owned by the Corporation and Montero Projects Limited, ("MPL") incorporated on May 3, 2010 and wholly owned by MRHL.

## DESCRIPTION OF THE BUSINESS

### Introduction

The Corporation is a junior mineral exploration and development company focused primarily on the exploration, discovery and development of grass-roots Rare Earth Elements ("REE"), phosphate and uranium deposits in geographically prospective under-explored regions in Tanzania, Canada and South Africa. The Corporation is actively engaged in the identification, acquisition, evaluation and exploration of mineral properties, and holds exploration licences on properties in Canada and in Tanzania. The Corporation's primary asset is its 60% interest in the Wigu Hill Property in Tanzania. Sampling from the Wigu Hill Property has revealed high REE grades from the Wigu Hill Property, and the Corporation's growth strategy is to explore and develop the Wigu Hill Property. The Corporation also holds interests in two other licences in Tanzania, two properties in Quebec, and a phosphate exploration property in South Africa. The Corporation aims to build a portfolio of REE projects through application, acquisition and exploration and to potentially bring such projects to eventual production. The Corporation intends to operate in an environmentally and socially responsible manner adding value to all stakeholders.

Wigu Hill and the Option Agreement

*Wigu Hill*

The Wigu Hill Property is located in Tanzania, 200 km south-west of Dar es Salaam, and 68 km south of Morogoro, the nearest major regional centre (straight line distances), and consists of two contiguous Prospecting Licenses which originally covered an area of 142 $km^2$. See "Wigu Hill Property" below. The Wigu Hill Property was initially held 100% by RSR (Tanzania) Limited and its affiliates ("RSR"), and is currently held 60% by the Corporation and 40% by RSR, after the Corporation exercised the First Option, as set out below.

*Option Agreement*

On May 26, 2008 (amended June 30, 2009 and April 27, 2010) the Corporation and RSR entered into the Option Agreement whereby RSR granted the Corporation an exclusive option to earn, through the formation of a joint venture with RSR, an initial 60% interest in the Wigu Hill Property (the "First Option"), and an additional 10% interest in the Wigu Hill Property (the "Second Option"), subject to certain terms and conditions set out in the Option Agreement. For the purposes of the discussion below, the Corporation and RSR shall be collectively referred to as, the "parties", and shall be individually referred to as a "party".

First Option

Under the original terms of the Option Agreement, in order to exercise the First Option the Corporation was required to make option payments of USD $20,000 on signing the Option Agreement and on each six month anniversary of the agreement and to incur exploration expenditures of USD $3,500,000 (or alternatively complete a prefeasibility study) during the three years following the date of execution of the Option Agreement. The amendment to the Option Agreement signed on June 30, 2009 extended the three-year First Option period a further eighteen months, expiring on November 28, 2012, and increasing the amount of each subsequent option payment payable on each six month anniversary during the term of the First Option, from USD $20,000 to USD $30,000.

A further amendment to the Option Agreement was signed on April 27, 2010 in order to accelerate the acquisition of the 60% interest in the Wigu Hill Property by the Corporation making a final option payment of USD $150,000 to RSR on or before April 30, 2010. No other option payments or exploration expenditures were required under the terms of the amended Option Agreement in order for the Corporation to exercise the First Option.

The Corporation duly and validly exercised the First Option by making the final option payment to RSR in the amount of USD $150,000 on April 30, 2010 in accordance with the terms of the amendment to the Option Agreement dated April 27, 2010. The April 27, 2010 amendment to the Option Agreement also provides that upon exercise of the First Option, the Corporation is required to pay an additional USD $50,000 to RSR upon RSR transfering the Licenses to a newly formed joint venture company (see below) initially owned 60% by the Corporation and 40% by RSR. The Corporation is also obligated, upon exercise of the First Option, to either:

(a) incur exploration expenditures on the Wigu Hill Property or make cash payments to RSR, or to incur a combination of cash payments and exploration expenditures, in the aggregate amount of not less than USD $3,500,000 on or before November 28, 2012; or

(b) complete a prefeasibility study, which shall determine the mining and milling extraction methods and rates, the product recoveries, environmental and permitting issues, and the preliminary capital and operating cost estimates for the project, and identity any areas of concern that require further research during the feasibility study stage on or before November 28, 2012.

Second Option

Pursuant to the Option Agreement, upon satisfaction by the Corporation of its obligation to either incur USD $3,500,000 on the Wigu Hill Property or complete a prefeasibility study, the Corporation may, within sixty (60) days after November 28, 2012, at its sole discretion elect to acquire a further undivided 10% beneficial interest in the Wigu Hill Property by paying to RSR USD $2,000,000, inclusive of all applicable value added taxes, sales taxes and excise duties. Upon such payment, the Corporation shall be deemed to have exercised the Second Option and to have earned its additional 10% undivided interest in the Wigu Hill Property. The USD $2,000,000 payment may by mutual agreement, if the Shares are at the time of exercise of the Second Option traded on a stock exchange, be paid by the issuance of Shares at the market price of such Shares at the date of exercise of the Second Option.

Joint Venture

Pursuant to the Option Agreement, after the exercise of the First Option, RSR is required to transfer the Licenses comprising the Wigu Hill Property to a newly-formed joint venture company incorporated under the laws of Tanzania or such other jurisdiction of incorporation as agreed, and the Corporation will concurrently pay RSR a further USD $50,000. The joint venture company will carry out, if warranted, the development and operation of one or more mines on the Wigu Hill Property. As at the date of this Prospectus, the First Option has been exercised but the joint venture company has not yet been formed and the concurrent payment to RSR of USD $50,000 has not been made by the Corporation. The Licenses are to be transferred to the joint venture company once formed. The parties have until April 30, 2011 to finalize and execute a formal option and shareholders agreement and all other agreements necessary or appropriate to implement the terms of the joint venture.

Pursuant to the exercise of the First Option, the initial share structure of the joint venture company shall be such that the Corporation will hold 60% of the shares of the company and RSR will hold the remaining 40%. Upon exercise of the Second Option (see below), the Corporation will hold 70% of the shares in the joint venture company and RSR will hold 30%.

The board of directors of the joint venture company shall appoint and supervise a manager to carry out development and mining activities on the Wigu Hill Property. The manager shall have the exclusive right to manage and operate all work programs on the Wigu Hill Property and all such work programs shall be in the sole discretion of the manager. Provided that the Corporation continues to own the largest number of voting shares of the joint venture company, the Corporation shall be entitled to be appointed as such manager by the board of directors of the joint venture company.

Funding required by the joint venture company shall be provided by the parties in proportion to their respective ownership of the joint venture company. The board of directors of the joint venture company shall direct that such contributions be provided by the parties either by purchasing shares of the joint venture company or by lending funds to the joint venture company. If a party fails to provide funding to the joint venture company the non-contributing party's shareholding in the company shall be diluted in accordance with the formula set out below:

$$\text{Percentage of joint venture company held by party} = \frac{((A + B) \times 100)}{C}$$

Where:

A = the deemed contributions of the party to the joint venture party;

B = the actual contributions of the party to the joint venture party (excluding option payments made and expenditures incurred by the Corporation pursuant to the First Option, and the payment required pursuant to the Second Option);

C = the total contributions (deemed and actual) of both parties to the joint venture company.

The deemed contributions to the joint venture company for the parties shall be as follows:

Where the Corporation exercises the First Option:

| | |
|---|---|
| The Corporation: | expenditures incurred during the period from the first date of execution of the Option Agreement until exercise of the First Option (the "Montero Work Costs"); |
| RSR: | 2/3of the Montero Work Costs. |

Where the Corporation exercises both the First Option and Second Option:

| | |
|---|---|
| The Corporation: | the Montero Work Costs; |
| RSR: | 3/7ths of the Montero Work Costs. |

Any such dilution may be implemented by the issuance of additional shares of the joint venture company to the other party. If a party's percentage shareholding in the joint venture company is diluted to less than ten percent (10%), then its shareholding in the joint venture company shall automatically convert to a 2.5% NSR. Such diluted party shall then transfer to the other shareholder all its right, title and interest (other than the NSR) in the joint venture company in consideration of the sum of USD $1.00. Where RSR holds the NSR, the Corporation shall have the right to purchase all or part of the NSR at any time and from time to time for a purchase price of USD $1,000,000 per one-half percent (0.5%) of the NSR.

Key General Terms

Pursuant to the Option Agreement, upon commencement of commercial production, a reclamation fund shall be established to which the Corporation, RSR and the joint venture company shall be obliged to contribute. The manager of the joint venture company shall in its reasonable discretion accept security in lieu of such payment being made in cash. The fund need not be maintained if the Corporation acquires all of RSR's interest in the joint venture company.

Either the Corporation or RSR may elect to withdraw as a shareholder of the joint venture company by offering its shares in writing to the other party for USD $ 1.00. If the other party does not accept the offer in writing within ninety (90) days, then the manager will cease operations.

RSR is entitled twice in each calendar year to inspect data generated in respect of the Wigu Hill Property (collectively the "Property Data"). The manager of the joint venture shall provide to all the parties, quarterly reports regarding exploration activities on the Wigu Hill Property. On termination of the Option Agreement or any other agreements contemplated thereunder, the manager and the operator of the joint venture company (whether the Corporation or RSR) shall disclose to the parties all Property Data generated by exploration and development and not previously disclosed. RSR shall not have access to any interpretative data, reports or results generated by the Corporation at its own expense and on its own behalf in respect of the Wigu Hill Property for the internal use of the Corporation or its affiliates. Information received by RSR shall be treated as confidential in accordance with the provisions of the Option Agreement.

## Other Properties in Tanzania

### *Iringa and Liwale*

On April 24, 2007, the Corporation purchased all the right, title and interest in certain licenses from a Tanzanian vendor as follows: three licenses in the Iringa area, four licenses in the Liwale area and one license of which was subsequently disposed. The consideration paid for all of the licenses was a) 1,600,000 Shares issued with a fair value of $0.20 per Share; b) a payment of USD $50,000; and c) the payment of all back taxes and applicable penalties in respect of renewals relating to the licenses.

The Iringa license area is 350 kms west-south-west of Dar es Salaam located in the Kilombera Basin covering an area of 748 $km^2$ within which indications of uranium mineralization occur in a granite-pegmatite host. Exploration work has consisted of a reconnaissance site visit with a sampling program for multi element analysis. The Iringa license area historically has high radiometric background readings ranging from +1,000cps to 3,500cps. Further work would evaluate the uranium potential and association with the alkali granites.

The Kimhandu (32 $km^2$) and Kilombero (765 $km^2$) licenses are grouped with the Iringa license area. In May 2009, the Corporation decided not to pursue exploration on the Kilombero license and it was surrendered.

The Liwale license area is approximately 400 kms south-west of Dar es Salaam and is located in the east edge of the Selous (Luwegu) Basin. The license area covers approximately 1,811 $km^2$ in total. Reconnaissance fieldwork was conducted in 2007 with sampling and scintillometer surveying. The Liwale license area covers a swathe of the Selous basin infilled with Karoo System age sandstone known to host uranium mineralization throughout southern Africa. The Selous Basin has the key characteristics required for the formation of such deposits. Reconnaissance fieldwork in 2007 over the central license area was covered with a scintillometer survey and hand auger, shallow trenching and stream sampling and results indicated a peak value of 6.67 ppm uranium. There has been no further exploration work conducted on the Iringa and Liwale license areas, however the Corporation has maintained the licenses in good standing.

## Properties in Canada

### *Girard Claim Area, Quebec*

The Girard Claim area is 100% owned by the Corporation and is located 33 km south of Cadillac town which lies within the Abitibi-Temiscamingue region, in south-west Quebec province. The license area is accessible via Highway 117 and all weather roads access through the centre of the license block. The terrain is partially covered by glacial till and is undulating with temperate forest. The claims are contiguous over an 89.5 $km^2$ area.

On April 25, 2007, the Corporation entered into an agreement to acquire a 100% interest in Girard claims for consideration of 2,000,000 Shares (issued) at a deemed price of $0.20 per Share and by incurring exploration expenditures totaling $640,000 over five years. The Girard claim area covers 157 license claims.

Anniversary payments totaling $235,000 and payable on or before November 7 each year were as follows: $35,000 – 2007 (paid); $65,000 – 2008 (paid); $115,000 – 2009; $10,000 – 2010; and $10,000 – 2011. On July 10, 2009, the Corporation entered into arrangement whereby the remaining payments were to be paid as follows: $115,000 due May 7, 2010; $10,000 due May 7, 2011 and $10,000 due May 7, 2012. On May 7, 2010 the Corporation satisfied the remaining of such payment obligations by issuing 1,000,000 Shares at a deemed price of $0.135 per Share.

The claims are subject to a 2.0% NSR. The Corporation has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

The exploration work in 2007 included a reconnaissance mapping and radiometric and scintillometer surveys. From the results, three areas were identified with presence of uranium in anomalous concentrations, namely: the North Beraud zone; the Ridge and an area previously explored in the 1980s. The 2009 exploration program included an infill till sampling and coincident magnetic survey over the North Beraud uranium/rare earth anomaly in the western/central zone of the license area. A total of 29 line kms were cut and sampled. Results of the program indicated three main target areas for anomalous uranium values in the western portion of the grid sampled and the contouring of the values above 4.75ppm uranium delineated a series of flat lying zones with higher uranium values. Results indicated amounts greater than 100ppm of more valuable heavy REE in combined values of erbium, dysprosium and ytterbium.

In 2008, the Corporation continued with exploration work over the claim area including geological sampling, radiometric and scintillometer surveys. A technical report was undertaken by SRK Consulting (UK) Ltd. (“SRK”). Recommendations from the technical report indicated that exploration work to be focused in the areas where anomalous radiometric results have been obtained and samples have shown uranium grades to exist.

On May 7, 2010, pursuant to a shares for debt agreement, the commitment for all remaining anniversary payment obligations was satisfied by issuing 1,000,000 Shares at a deemed price of $0.135 per Share.

There has been no further exploration work conducted on the Girard claim area, however the Corporation has maintained the licenses in good standing.

*Lac Yvonne Claim Area, Quebec*

The Lac Yvonne claim area is located approximately 100 km south of Chibougamau in the Bressani Township, in south-west Quebec province. The property is comprised of 18 claims which are wholly-owned by the Corporation. The claims are contiguous, covering a 10.1 $km^2$ area. Historical data indicate uranium and gold showings along granite/pegmatite-greywacke/iron formation sheared contacts. The license area hosts three pegmatite uranium showings.

On March 14, 2008, the Corporation entered into a purchase and sale agreement to acquire a 100% interest in twelve of the Lac Yvonne claims for consideration of 100,000 Shares at a deemed price of $0.40 per Share, which were issued on April 10, 2008. A further six claims were transferred subsequent to the initial acquisition.

The claims are subject to a 2.0% NSR. The Corporation has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

In February 2010, exploration work included 12.6 kms of line-cutting followed by a magnetic geophysical survey. Subsequent exploration work includes a radiometric survey on the area not previously surveyed and mapping on the dikes as outlined in the magnetic geophysical survey from earlier in the year.

Property in South Africa

*Phosco Project*

On May 7, 2010 the Corporation's newly-formed wholly-owned subsidiary, MPL, a company incorporated in the British Virgin Islands, entered into a binding term sheet agreement with Eurozone Investments Limited ("Eurozone"), whereby MPL has the exclusive right to acquire the shares in Eurozone's subsidiary, Mellosat (Pty) Limited ("Mellosat"). Mellosat and its subsidiaries holds interests in four phosphate exploration projects in South Africa (the "Phosco assets"). The Corporation paid $100,000 to Eurozone in consideration for receiving an exclusivity period to conduct due diligence. In September, 2010, the Corporation and Eurozone rescinded this agreement and updated this acquisition with a new agreement, extending the time period during which the Corporation can conduct due diligence and covering substantially the same terms as the prior agreement. On October 18, 2010, MPL entered into a new binding term sheet agreement with Celtic Trust Company Limited ("Celtic"), the parent company of Eurozone, whereby MPL has the exclusive right to acquire the shares in Eurozone, whose subsidiaries own the Phosco assets. The exclusivity period of nine months to complete due diligence commenced on October 18, 2010 and expires on July 18, 2011. The consideration for receiving this exclusivity period is covered by the payment to Eurozone of $100,000 noted above. On or before July 18, 2011, the expiry of the exclusivity period, the Corporation must allot and issue five million Shares of the Corporation if it plans to proceed with the acquisition of Eurozone.

The Phosco project covers four phosphate exploration projects in South Africa, namely Phillips Kraal, Duyker Eiland and Lamberts Bay in the Western Cape and Bierkraal in the Northwest Province. The due diligence reported that there is sufficient topographical evidence to indicate an accumulation of phosphatic sediments in the Lamberts Bay area. The Duyker Eiland project area has historical prospecting results of 30Mt of phosphatic sands and the Bierkraal project area is located in an apatite rich layer of the Bushveld Igneous Complex.

All preliminary costs of this transaction totaling $172,787 have been classified as mineral properties and exploration expenditures at this time. If the transaction does not proceed at the end of the exclusivity period on July 18, 2011, these costs will be charged to operations.

During the exclusivity period, the compilation of the historic data, field visits, mapping and inspecting of drilling locations continues.

## Three-Year History

2007

The Corporation was formed in order to fund and undertake mineral exploration, primarily in eastern and southern Africa. Initial founders and seed capital financings raised an aggregate of $1,811,000 by issuance of 9,335,000 Shares. The Minjingu licence in Tanzania was acquired for 200,000 Shares at a deemed price of $0.20 per Share and cash proceeds of USD$50,000, and the Girard Claim Area in Quebec was acquired for 500,000 Shares at a deemed price of $0.20 per Share. The funds received from the equity financing were predominantly used to conduct uranium exploration work on each of the properties and to search for other projects.

2008

The Corporation continued exploration work on its uranium properties in Quebec and Tanzania and signed the Option Agreement with RSR for the Wigu Hill Property in Tanzania. See "Description of the Business - Wigu Hill and the Option Agreement".

The Corporation issued the remaining 1,400,000 Shares at a deemed price of $0.20 for the acquisition of the Iringa and Liwale licences in Tanzania, and the remaining 1,500,000 Shares at a deemed price of $0.35 for the acquisition of the Girard Claims in Quebec. The Corporation acquired the Lac Yvonne uranium/gold project area in Quebec for 100,000 Shares at a deemed price of $0.40 per Share, and completed exploration work on the property primarily involving sampling and a scintillometer survey.

2009

The Corporation completed a rights offering of 11,083,340 Shares at $0.12 per Share for gross proceeds of $1,330,001 in the fourth quarter of 2009.

2010

In April of 2010, the Corporation amended the terms of the Option Agreement and made a USD $150,000 payment to satisfy the requirements under the amended Option Agreement to acquire a 60% equity interest in the Wigu Hill Property. The Corporation is required to make a further USD $50,000 payment to RSR when the Wigu Hill Property is transferred into the joint-venture company. As at the date of this Prospectus the Corporation has earned the 60% interest in the Wigu Hill Property, however the joint venture company has not yet been formed.

The Corporation continued to fund the exploration activity on the Wigu Hill Property as well as maintaining the other Tanzanian and Quebec licences in good standing.

On May 7, 2010 the Corporation's newly-formed subsidiary MPL entered into a binding term sheet agreement with Eurozone. See above "Description of the Business – Introduction – Property in South Africa".

## Mining Regulation in Tanzania

Set out below is a summary of certain provisions of the mining legislation and the mining industry in Tanzania. It does not purport to be a comprehensive statement of all relevant provisions. It is included for the purposes of background information only and should not be relied on or used for any other purpose.

The *Mining Act 2010*, Act No. 14 of 2010 (the "Mining Act Restated") was promulgated by the Tanzanian Government on April 23, 2010. The Mining Act is not yet operational, but is intended to repeal and replace the current *Mining Act*, Cap. 123 (Revised Edition, 2002) as amended from time to time ("the Mining Act") upon which this summary is based. Pertinent changes contained in the Mining Act Restated include an increase of the State royalty from the current 3% net smelter returns royalty (a "NSR") to 4% based on the gross value if any base metals produced, and a provision for the State to negotiate a free-carried interest in a mining development that is subject to a development agreement between the developer and the Government of Tanzania. It has not been determined when the Mining Act Restated will come into force since it only becomes effective upon the date that the Minister for Energy and Minerals so appoints. If implemented, the Mining Act Restated may have a negative impact on future mine developments relative to the provisions of the existing Mining Act.

In Tanzania, the Mining Act and the regulations thereunder establish State ownership of minerals and provide rights and conditions whereby the rights to explore, develop and produce such minerals are granted. The rights to explore for minerals and to develop a mine are regulated by the Ministry of Energy and Minerals of Tanzania (the ''Ministry''), through its Mineral Rights Management Section, a governmental organization established to enhance efficiency in the processing and granting of mineral rights in Tanzania in accordance with the Mining Act.

The Mining Act groups minerals into the following categories: (i) all minerals other than building materials or gemstones; (ii) building materials; and (iii) gemstones.

A prospecting licence ("Prospecting Licence") is granted for an initial prospecting period of three years (except a Prospecting Licence for gemstones, in which case the period may not exceed two years and is not subject to renewal). A Prospecting Licence covering a preliminary reconnaissance period ("Reconnaissance Prospecting Licence") for all minerals other than building materials and gemstones may be granted for a period not exceeding two years subject to renewal.

The Ministry will, unless the holder is in default and the Ministry has issued a default notice, renew Prospecting Licences for two successive periods each not exceeding two years, if an application is made: (i) at the end of the preliminary reconnaissance period, for the initial prospecting period; (ii) at the end of the initial prospecting period, or as the case may be, at the end of the first renewal period; and (iii) at the end of the second renewal period for the period required to complete a feasibility study, if applicable. The holder of a Prospecting Licence shall relinquish 50% of the prospecting area upon each renewal of the licence.

The maximum area that a Reconnaissance Prospecting Licence is permitted to cover is 5,000 $km^2$. For a Prospecting Licence for all minerals other than building materials or gemstones the maximum area permitted during the initial period is 200 $km^2$. For a Prospecting Licence for building materials or gemstones the maximum area permitted is 10 $km^2$.

The annual rent on a Reconnaissance Prospecting Licence is calculated by multiplying the area of the licence in square kilometres allocated in the grant by USD $10. The annual rent on a Prospecting Licence for its initial prospecting period is calculated by multiplying the area of the licence in square kilometres allocated by the grant by USD $20.

The holder of a Prospecting Licence or a Reconnaissance Prospecting Licence must (i) commence prospecting operations within three months from the date of grant, or such further period as permitted by the Ministry; (ii) give notice to the Ministry of any mineral discovery of potential commercial value; and (iii) expend on prospecting operations not less than the amount prescribed. In the case of a Reconnaissance Prospecting Licence a lump sum amount of USD $100,000 per year is required to be expended on the property. If the area of such property exceeds 1,000 $km^2$, an additional amount of USD $100/$km^2$ in excess of 1,000 $km^2$ must be expended each year. The minimum expenditure required for a Prospecting Licence for the initial prospecting period is USD $300/$km^2$ each year. The minimum expenditure required for a Prospecting Licence for the first renewal period is USD $1,000/$km^2$ each year.

Each mineral right granted by the Ministry is conditional upon the holder of that right providing employment and training to Tanzanian citizens where possible. The holder of a Prospecting Licence or a Reconnaissance Prospecting Licence is entitled to assign the mineral rights thereunder, or an undivided proportionate part thereof, without the approval of the Ministry.

In the event that a holder of a Prospecting Licence has found a deposit that is potentially of commercial significance and has the potential to be developed within a period of ten years given different market or technical/operational conditions, the holder may apply for a Retention Licence for a period of five years, which may be renewed for an additional five-year period. If a Retention Licence is granted, it shall only cover that part of the Prospecting Licence that the Ministry anticipates is required to mine the deposit identified by the holder.

A Special Mining Licence is required for mining operations, which is granted for a period of twenty-five years and can be renewed for an additional period of twenty-five years. The application of a Special Mining Licence must be accompanied by a proposed program for mining operations, a forecast of capital investment, the applicant's environmental management plan, and the proposed employment and training plan. Special Mining Licences must have their perimeters surveyed.

Generally, rights enshrined in a Prospecting Licence or a Special Mining Licence are subject to surface rights. In excising the rights provided under a prospecting licence where there is existence of a surface right, the holder of the Prospecting Licence or Special Mining License shall obtain written consent from the owner or occupier of the said surface right. If the owner or occupier unreasonably withholds such consent, the Mining Act provides that the Ministry may direct that the need for consent is dispensed with.

In the event that the rights in the mineral right cannot be exercised without affecting the surface rights thereto, the holder of the Prospecting Licence or Special Mining Licence may advise the owner or occupier of the land to vacate the area. The holder of the prospecting or mining right will be liable to pay the owner or the occupier a fair and reasonable compensation as outlined in the *Land Act* No. 4 of 1999, Cap. 113 (Revised Edition, 2002).

Consent is also required from the Minister and local government authorities in the following areas: (i) any land dedicated or set apart for any public purpose other than mining; (ii) any land dedicated as a place for burial; (iii) any land which is site of or is within 100 metres of any building , reservoir or dam owned by the Government; (iv) any land forming part of a licensed or Government aerodrome or of any Government landing ground, or which is within 1000 metres of the boundaries thereof; or (v) any reserved area or any protected monument declared under the Antiquities Act. There are also other areas that are reserved under different statutes in respect of which consent must be sought from the Ministry or local authorities responsible therefor.

The operations of the Corporation in Tanzania are subject to laws and regulations concerning the environment. If a Prospecting Licence is converted to a Special Mining Licence then Part II of the Regulations under the Mining Act with respect to an environmental impact assessment and responsibility in mines, Mining (Safe Working and Occupational Health) applies. It is not anticipated that there will be any special steps other than those which are customary in the mining industry upon conversion of the Prospecting Licence to a Special Mining Licence.

**Wigu Hill Property**

The following disclosure relating to the Wigu Hill Property has been derived from the Technical Report. Mr. Siegfried, the author of the Technical Report, is a "qualified person" within the meaning of NI 43-101 and is independent of the Corporation. The Technical Report is available for inspection during regular business hours at the Corporation's head office at 20 Adelaide Street East, Suite 400, Toronto, Ontario, M5C 2T6. The Technical Report may also be reviewed under the Corporation's profile on the SEDAR website at www.sedar.com. The disclosure in the prospectus derived from the Technical Report has been prepared with the consent of Mr. Siegfried and GeoAfrica Prospecting Services.

Property Description and Location

The Wigu Hill Property consists of two contiguous exploration licenses which are located north of the village of Kisaki in Eastern Tanzania. RSR holds Prospecting Licence #3379/2005 and Prospecting Licence #4834/2007 which were granted on the July 1, 2005 and November 9, 2007 respectively, each for three year periods. The original Prospecting License 3379/2005 covered an area of 61.3 km$^2$ which was reduced to 29.40 km$^2$ in 2008 and further reduced to 15.125km$^2$ on July 1, 2010. The relinquished portions of application No. HQ-P18736 for 30,655 km$^2$ and application No. HQ-P21911 for 15.25 km$^2$ have been submitted for re-application. The Prospecting Licence #4834/2007 covering an area of 80.58 km$^2$ is due for renewal on November 9, 2010 for a term of two years, and the relinquished portion will be submitted for re-application.


Figure 1: Location of the Wigu Hill Property

The Wigu Hill Property is currently held 60% by the Corporation and 40% by RSR and is subject to the Option Agreement with RSR as described under "Description of the Business - Wigu Hill and the Option Agreement". The Option Agreement was amended on April 27, 2010 pursuant to which the Corporation acquired its 60% interest in the Prospecting Licences #3379/2005 and #4834/2007 comprising the Wigu Hill Property through combined payment of exploration costs and funds to RSR. The Option Agreement also provides for a Second Option through a payment of USD $2 million by 2012, which will allow the Corporation to acquire a further 10% of the Wigu Hill Property. The Licences are to be held through a joint venture company formed pursuant to the Option Agreement, such company to be held 60% by the Corporation and 40% by RSR (subject to exercise of the Second Option). The joint venture company is to be funded by the Corporation and RSR in proportion to their respective percentage ownership of the joint venture company. If one of the parties fails to fund the joint venture company, a dilution clause will then apply whereby such party's interest in the joint venture company will be decreased, and if to less than 10%, such remaining interest in the joint venture company will be transferred to the other party in exchange for a 2.5% NSR and USD $1.00. The Wigu Hill Property also covers the Maji Ya Weta Hill to the south which was explored previously for its niobium and apatite potential.

The Licences held by the Corporation and RSR are not subject to encumbrance, but under Tanzanian law the license holder or joint venture partner is required to employ and train Tanzanians when possible.

The Wigu Hill Property, is a large, REE enriched, carbonatite vein system located south of Morogoro, Tanzania, about 170 kilometres southwest of Dar es Salaam. The area can be accessed by all-weather road from Dar es Salaam via Morogoro, or directly by rail to the Kisaki siding just 12 kilometres from the Wigu Hill Property.

The Wigu Hill Property comprises fenitised quartzo-feldspathic gneisses referred to previously as granulite (James, 1957), which have been invaded by a large number of carbonatite dikes. The exposed gneissic rocks display fenitisation (alkaline metasomatism) consisting of potassium-feldspar and ferric iron oxide replacement of the country rock with almost total preservation of the original gneissic banding.

Subsequent to the fenitisation these gneisses were fractured, brecciated and infiltrated by carbonatite veins containing largely dolomite, bastnaesite and quartz. The dikes are principally coarse-grained dolomitic carbonatite with numerous rounded and angular xenoliths of fenitised gneiss. Few calcio-carbonatites dikes appear to be present, the majority being dolomite carbonatites.

The dikes are generally resistant to weathering and fresh with a weathered exterior crust. Many are, however, covered with soil and the full extent of the distribution is still to be established. Many of the larger veins, which have a width of 3 to 6 m, can be traced for well over 150 m. In addition a large number of veins of limited width (less than 2 m) have been identified. Areas surrounding the dikes are brecciated and the matrix is composed of REE enriched carbonatite material. It is quite possible that these breccia zones could be mined together with the dikes themselves.

The dikes themselves vary from pure carbonatite including REE minerals to gneissic-breccias veined with carbonatite. One of the most persistent of these larger dikes runs along the crest of the hill and can be traced over a strike of 700 m. Another roughly parallel dike occurs on the lower slopes of the hill and can be traced for over 600 m, while a third forms much of the western ridge. The major dikes appear to dip vertically. The late stage calcite stringers or veins are further observed to intrude parallel to the gneissic banding in the massive fenite.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The area is fairly accessible being located adjacent to the main road between Kisaki and Morogoro. A short hike before the base of the hill is necessary to reach the target area. The infrastructure in the area is considered reasonable with the railway line only 12 kilometres from site and providing a 170 km link to Dar es Salaam.

Wigu Hill itself is a prominent hill of elliptical shape located on the southern edge of a recent rift of probable Cretaceous age. The long axis of the hill approaches 6.4 km while the short axis is approximately 3.2 km. The hill rises 550 m above the surrounding plains which are generally at 250 m above sea level while the highest peak is 796 m above sea level.

History

The area was first described by a worker of the Geological Survey in the early 1950s. This was part of a carbonatite reconnaissance program conducted in Tanganyika at that stage primarily aimed at rare metals. Subsequently a number of field trips have reconfirmed what was mapped and sampled, but most importantly to date no drilling has been completed on the Wigu Hill Property.

In 1957, New Consolidated Goldfields Ltd. examined the hill as a rare earth prospect. Exploration was superficial but included some trenching and pitting. The highest values of REE were obtained from the main dike on the ridge between Wigu and Wigu East beacons. Here four samples collected over a distance of 40 metres ranged from 12.7% to 16.3% and averaged over 14.5% REE.

The area was later explored for Molycorp Minerals in 1973. It was reported that from one rock sample analysis gave a total REE result of about 18 weight percent almost exclusively from bastnaesite. Follow up laboratory work for Molycorp Minerals was completed.

Table 1: Historic Exploration Activities on the Wigu Hill Property

| Year | Company | Exploration Activities |
|---|---|---|
| 1955 | Geological Survey of Tanganyika | Mapping, grab sampling |
| 1957 | New Consolidated Goldfields | Detailed mapping and survey, limited pitting |
| 1973 | Molycorp Minerals | Reconnaissance mapping, grab sampling |
| 1987 | Tanzanian Canadian Agrogeology | Grab sampling |
| 2000 | Taren Mining | Grab sampling |
| 2007 | The Federal Institute for Geosciences and Natural Resources (“BGR”) | Grab sampling |
| 2008 | Montero Mining and Exploration Ltd. | Grab sampling |
| 2009 | Montero Mining and Exploration Ltd. | Prospect mapping, grab sampling |
| 2010 | Montero Mining and Exploration Ltd. | Detailed mapping, trench sampling |

In 1987 the Tanzanian-Canadian Agrogeology Project conducted limited sampling on the Wigu Hill Property for its phosphate potential. Although the phosphate samples reported were generally less than 1 % $P_2O_5$, two samples collected from the top of Wigu Hill by this company reported 12.6% LREO (AG 1) and 9.3% LREO (AG 2) respectively (LREO = light rare earth oxide).

During December of 2000, geologists including P. R. Siegfried visited the occurrence. Two days of mapping and sampling were completed. A visit to Dodoma and the Geological Survey was carried out after the field visit and previous geological reports were obtained and the ground holding situation investigated.

Sampling of representative parts of the dike by these investigators revealed between 6% and 12% total REE. Another company completed an assessment of the Wigu Hill Property in 2004 but did not include any sampling data.

In 2007 BGR through its assistance program in industrial minerals to the Tanzanian government visited the site and sampled some of the dikes on the lower slopes. It was clear at this stage that access would be the greatest problem in getting any further work completed on the Wigu Hill Property. Their samples showed some fairly enriched results in one of the two samples collected (sample TZ-07-WH-1 and sample TZ-07-WH-2) reported 4.1 % and 0.1 % REE respectively.

The Corporation entered into an agreement with RSR in 2007, and as part of that agreement an initial field visit in January of 2008 was completed when geologists visited the site. Thirty samples were collected, and although some reported low grade mineralisation, the REE mineralisation was again confirmed by more than 15% of the samples having greater than 4% REE. The high values of Ba and Sr in almost all samples indicate that the correct carbonatite veins were sampled.

## Geological Setting

### *Regional Geology*

The Wigu Hill Property is located on the southern parts of the Uluguru massif which is underlain by Ubendian age (Paleoproterozoic) metasediments consisting of high grade gneisses and generally clean carbonate rocks (Sampson and Wright, 1964). The area of Wigu Hill itself is underlain by quartz feldspar gneisses, biotite quartz feldspar gneisses as well as occasional amphibole and pyroxene gneisses. A strong fabric is pervasive throughout these rocks although little evidence of folding is noted.

The Uluguru massif is truncated on its southern side by a major Karoo age (possibly Permian) rift which is still active today. The hills to the south of the Wigu Hill Property are also comprised of Ubendian metasediments and therefore suggest continuity at depth. It is unknown how thick the valley fill between the two flanking edges is, but the presence of a marked magnetic anomaly within this zone suggests that the surficial sediments may be of only a shallow nature.

### *District Geology*

The flanking hills, made up largely of resistant weathering Wigu Hill fenitised gneisses, comprise the northern parts of the Wigu Hill Property and it is within these gneisses that the carbonatite dikes occur. The dikes are numerous and generally narrow (less than 2 m), but some have been located which extend over 200 m in length and thicken up to 10 m or so. Within these dikes, zones often exceeding 150 m in length and up to 2 m wide occur that are very rich in REE-bearing minerals. These minerals form the prominent crystals observed in the dikes (See Plate 2 of the Technical Report).

The dikes are generally straight edged and have sharp contacts with the surrounding gneisses. In some parts, however, the contact is brecciated and it is possible that ‘ore grade’ mineralisation is also present. It is clear that some of the dikes have experienced periodic or episodic intrusion as witnessed by the often parallel, multiple zones of REE mineralisation. It can be noted that the crystallisation of the characteristic columnar ‘fingers’ of the as yet unidentified mineral occurred fairly early as in some dikes fragments or xenoliths of these already crystallised minerals occur. These large crystals are noted to be made of a finer grained mixture of quartz, synchysite and bastnaesite surrounded by dolomite. Strontianite and barite are commonly associated and mineralogically a number of similarities with the Mountain Pass deposit (a deposit of bastnaesite located in California, United States) are evident.

The REEs occur predominantly in the minerals bastnaesite, monazite and synchysite, although others such as parasite and goyazite have also been encountered. These minerals cannot yet be individually distinguished in the field but areas of enrichment are noted by a characteristic greeny-yellow colouration and a significant increase in density. Monazite and apatite are important accessory constituents and are the common phosphate minerals identified at present. It is unclear at this stage how enriched the apatite is in REE and this needs to be established. The monazite is recognised by light green colour – similar to that encountered at Kangankunde (a deposit of monazite located in central Malawi) while the apatite is commonly pink.

Much of the bastnaesite appears as polycrystalline aggregates intimately crystallized with barite, strontianite, synchysite, dolomite and quartz. These aggregates replace columnar, hexagonal crystals which weather positively (see Plate 2 of the Technical Report). Some of these columnar pseudomorphs exceed 5 cm in length and 2 cm in width. Although the original mineral is replaced and no evidence of its nature other than the habit is visible, it has been suggested that the original mineral was burbankite and that the crystallisation occurred during quenching.

## *Mineralogy*

The definition and identification of the REE bearing minerals in any REE project is crucial at an early stage of the investigation. Many REE bearing minerals are not amenable to physical separation (for example crandallite and florencite) while others, such as zircon or allanite are refractory. Additionally, some REE minerals contain excessive amounts of thorium or uranium which can pose problems in disposal. Accordingly, it is the conclusion of the author of the Technical Report that at least initial mineralogical studies are completed at earliest opportunity.

### Microscopic Investigation

A suite of thin sections were prepared at the Geological Survey of Namibia and were analyzed by the author of the Technical Report through study of both transmitted as well as reflected light microscopy. Thin section analysis shows samples of the REE carbonatite dikes to be dominantly composed of coarse tabular bastnaesite grains of approximately 2 mm. Accessory amounts of monazite and synchysite are present. Staining around certain grains indicates possible highly manganiferous material which could be the result of lower temperature alteration or metasomatic alteration. In some parts a light pink coloration is imparted to the rock. Accessory fine grained quartz is observed.

Samples collected from outcropping carbonate dikes in the central parts of the Wigu Hill Property often have interesting nodular textures which were found under the microscope to be dominantly composed of dolomite with lesser amounts of quartz, monazite and an unknown REE-bearing mineral. The “nodular” appearance is due to single 3 to 5 mm grains of dolomite (possible xenocrysts) which are surrounded by areas of quartz, barite and the REE mineral. It is possible that the REE mineral is goyazite but further study is needed. Dark brown oxides (probably after sulphides) are common.

Generally the most well mineralized REE bearing dikes are composed of intergrown carbonate grains which enclose and are enclosed by radiating crystals of REE-minerals dominated by bastnaesite (approximately 20%) and synchysite (approximately 10%). Limited supergene florencite occurs presumably only as a superficial weathering product.

The samples collected from the top and western parts of the Wigu Hill Property are regarded to be the most representative of the REE mineralization recorded. Many of these outcrops also reveal a positive weathering, radiating hexagonal mineral which is generally white rather than yellow in colour. Under thin section it is clear these crystals are replaced by acicular, radiating needles of synchysite although it is difficult to distinguish from bastnaesite by thin section alone. Associated quartz, dolomite, strontianite and minor amounts of barite make up the remainder of these rocks.

In some samples dominantly composed of white carbonate, opaque minerals were observed. Polished sections were prepared and under reflected light it was observed to be pyrite. Many of these grains are interestingly rimmed by a thin layer of sphalerite. The contact with the pyrite is intergrown with sphalerite while the outer contact is euhedral mimicking the habit of pyrite suggesting later replacement of the edges of the pyrite by sphalerite. The unoxidised nature of these sulphides strongly suggests that very little weathering or supergene alteration has been experienced by these rocks in strong contrast with most other REE deposits. Minor, very late stage veins of barite, quartz and carbonate are associated with these areas of sulphide mineralization.

In these rocks it can be noted that medium grained (0.5 mm) grains of dolomite make up the majority of the rock (greater than 50%). These rocks showed well developed association of the REE-mineral phases (including bastnaesite and synchysite) with quartz. The quartz is crystallized together with minor barite and together with the REE minerals makes up about 40% of the rock. Most of the quartz is seriate textured and fine intergrowths appear to replace original carbonate grains. Carbonate grains are also often rimmed by fine grained monazite which makes up about 5% of the rock. Through these intergrowths the REE-mineralization observed is secondary to and replaces the large crystallized hexagonal mineral phase. The Technical Report states that this suggests significant sub solidus replacement of a presently unknown REE bearing silicate phase.

Cathode luminescence is a very effective method of determining lanthanide minerals. A single sample was submitted for CL investigation according to the Technical Report. The sample studied was found to be dominated by dolomite, barite, quartz, strontianite and the REE-bearing mineral synchysite. Accessory amounts of apatite and monazite were reported. Possible Dy activation is indicated by the yellow apatite. No investigation of the REE content of the apatite has yet been completed.

XRD Analysis

X-Ray Diffraction ("XRD") is a long standing and recognized analytical technique used to identify mineral phases present in rocks. Samples of material encompassing the entire spectrum of REE concentration sampled at the Wigu Hill Property were submitted for XRD analysis at the Geological Survey of Namibia. A total of nineteen samples were submitted for analysis. These samples were the same as those submitted to Activation Laboratories Ltd., Ontario, Canada ("Actlabs") for independent chemical analysis. Together with review of the analytical chemical data these XRD results are important for the identification of the REE minerals present which are demonstrated to be dominated by bastnaesite, followed by synchysite and monazite.

The dominant mineral component in all samples was identified as ankerite but on thorough review of the twenty peaks was found to rather represent an iron-rich dolomite phase. Associated are minor to major amounts of quartz and accessory bastnaesite. XRD analysis of a number of the samples shows that the carbonatite rock is dominated by (Ce)-synchysite as well as bastnaesite and minor quartz and dolomite. These results are of a semi-quantitative nature only as indicated in Appendix D of the Technical Report.

An important consideration is that the high grade samples (greater than 10% REE) all contained a significant amount of monazite (estimated at 5%) and this indicates that the generally common but minor amounts of phosphate ($P_2O_5$ in the 2 – 3 % range) is probably contained within this mineral phase. It is therefore expected that any thorium (Th) or heavy REE present will report within this mineral. XRD analysis shows that the carbonate phase present is dolomite while only minor amounts of strontianite where identified. Appendix C of the Technical Report details the XRD traces of the samples analyzed.

## Deposit Type

The USGS has recorded that the Wigu Hill Property REE deposit is one of the richest on the planet with an estimated grade of 20% REE. The Technical Report states that the carbonatite veins at the Wigu Hill Property share some similarities with Mountain Pass in terms of bulk mineralogy. The common association with strontianite (viz. celestite) and barite as well as dolomite is clear. Although no clear association with a large carbonatite center is noted at Mountain Pass, the geochemistry suggests involvement of alkaline magmas. According to the Technical Report, the narrow veins of Karonge (a deposit of bastnaesite located in Burundi) have been shown to consist of hydrothermally altered pre-existing REE minerals which now are represented by bastnaesite. Both deposits have overlap with what is known of the geological setting at the Wigu Hill Property and in summary the deposit type would be best described as a high level, carbonatite hosted REE dike deposit.

This is in contrast to many carbonatite or alkaline hosted REE deposits in which highly anomalous, but rarely economic grades of REE mineralization, are present. The Wigu Hill Property dikes also appear to be surrounded by low grade REE mineralization in the surrounding country rocks although the extent and grade is unknown. Given these parameters the exploration program has been designed to map out individual dikes in order to quantify their lengths and thicknesses, as well as allowing detailed sampling to properly investigate the variability in grade both across and along the dikes as well as the surrounding country rocks.

### Mineralization

Historical analyses indicated that the REE mineralization encountered at the Wigu Hill Property is LREE dominated (elements La, Ce, Pr and Nd) which is characteristic of most carbonatites. Recent analyses performed on some of the rock samples collected show a similar chondrite normalized pattern dominated by LREE. These elements constitute more than 98% of the total REE. This is similar to Mountain Pass and Bayan Obo (a presently mined REE deposit, located in central China) and is illustrated as Figure 3 of the Technical Report.

Carbonatites are igneous, usually intrusive, carbonate rocks which mainly occur in rifted environments. Carbonatites range in age from the early Proterozoic to the present day. Although numerous smaller veins, dikes and plugs are known, only approximately 350 to 400, large (greater than 3 km) intrusive complexes have been identified to date. These include recent and undeformed, as well as metamorphosed examples.

A suite of characteristic elements is noted to occur within many carbonatites and this enrichment can often be up to economic grades. These include the following elements: U, Th, Y, P, Nb, F, REE, Zr, Sr and Ba. Additionally, some carbonatites may be significantly enriched in Cu, Fe or Ti.

Supergene weathering is an important consideration in the exploration of economic carbonatites. Elluvial as well as supergene processes can cause significant upgrading of economic minerals. Enrichment of four to five times hard rock grades of phosphate and niobium are particularly common. Vermiculite - the weathered product of phlogopite or biotite alteration - is also a possible exploration target. In Brazil, all developed mineral deposits occurring within carbonatites such as Araxa, Jacapiranga or Salitre have experienced significant enrichment chiefly by lateritic weathering processes. The climatic regime is therefore an important aspect for delineating areas of potential mineralization. In the case of the Wigu Hill Property very little supergene alteration is apparent and in fact fresh sulphides are observed on outcrop.

This indicates the unweathered nature of the rock. Given the location of the Wigu Hill Property on the edge of an active rift, periodic uplift increases the rate of physical rather than chemical weathering. This is attested to by the particularly steep slopes of the mountain edge and suggests that a similar style of mineralization will be encountered at depth as that exposed at surface.

This is in sharp contrast to many REE deposits which are presently being investigated. For example, the Technical Report states that the carbonatite veins of the Bear Lodge deposit (a deposit located in Wyoming, United States) are an example of dikes which have experienced extensive supergene weathering. This appears to exist to at least a depth of 60 m and has affected the composition and type of REE minerals considerably. Mount Weld (a large, deeply weathered carbonatite located in Western Australia), and Zandkopsdrift (a large weathered carbonatite located in the Northern Cape, South Africa) are examples of multiple weathering events superimposed on large circular carbonatite complexes and are enriched in REE largely through secondary precipitation of REE minerals by the residual processes acting during weathering.

Mineralisation at the Wigu Hill Property therefore appears genetically related to the initial sudden volatile-rich precipitation of an early, hexagonal REE-bearing silicate mineral. This occurred under conditions of rapid cooling which produced the radiating fans of crystals observed. These original crystals should therefore be viewed as evidence of quenching. Historical research suggests that this early replaced phase could have been the mineral burbankite.

The seriate or mosaic textures identified in the thin sections of the rocks indicate that extensive, probably sub-solidus replacement has occurred after crystallization of these megacrysts. As earlier proposed, complete alteration of these grains to an intergrowth of dolomite, quartz, barite, strontianite, as well as the REE-carbonate minerals synchysite and bastnaesite, and the REE-phosphate monazite, occurred. This is most probably the result of the active fluid regime existing immediately after crystallization within the recently crystallized carbonatite rocks.

Historical Estimates of Production

No previous production has occurred, the Wigu Hill Property having only been investigated by grab sampling and mapping.

Exploration

The Wigu Hill Property carbonatite has been explored for REE by a number of persons. See "Description of the Business – Wigu hill Property – History" for a summary of the history of such exploration work. Potentially economic levels of mineralization in commodities other than REE such as niobium, apatite or fluorite, have not been discovered on the Wigu Hill Property. Although the area is characterized by a radiometric anomaly, as are many carbonatites, the values of uranium are low (less than 10 ppm). It is probable that the radiometric response is chiefly a result of thorium associated with monazite.

The Corporation has already embarked on a detailed mapping and trenching program which will enable a better definition of the setting, distribution and nature of the mineralization. This detailed mapping and trenching has been completed on an area located on the southeast of the hill. This target (Target 1) reported some of the more anomalous REE mineralization, and it is the most accessible target area at present. Trenches were dug at right angles to the strike of the carbonatite dikes and diamond saw cut channel sampling completed. The dikes have been sampled at 1 m intervals or narrower where warranted to ensure geological uniformity. These samples are awaiting analysis. This area has now been mapped in detail and shows the distribution of the carbonatite veins and alteration as indicated on Figure 5.

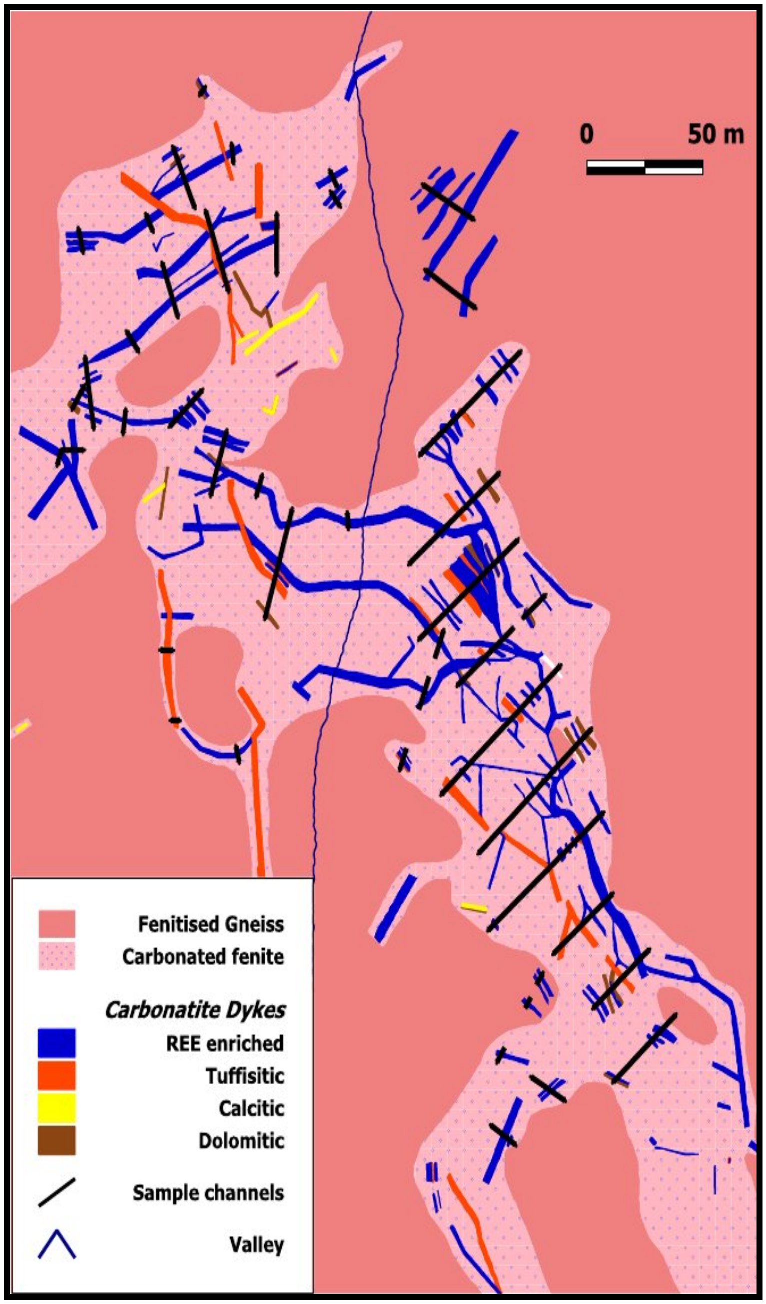



Figure 5: Detailed Geology of Target 1

Drilling

The Corporation has not undertaken any drilling on the Wigu Hill Property as of the date of this Prospectus.

Sample Preparation and Transportation Methodology

The sample collection process followed to date is as follows: collection of 1 kg sample from outcrop which is double bagged and transported by the Corporation to Mwanza. In Mwanza the samples are delivered to SGS South Africa (Pty) Ltd. ("SGS") laboratories trading as African Assay Laboratories (TZ) Ltd., Mwanza Geochem Lab located at Nyanza Glass Compound, Kenyatta Rd, Nyegezi, Mwanza, Tanzania. The samples are placed into bulk bags and then shipped to SGS Johannesburg, South Africa by air.

In Johannesburg the samples are prepared and crushed, milled and analyzed by SGS Lakefield, South Africa. Reporting is then direct from SGS in Johannesburg to the Corporation. All pulps have been collected and are presently stored in Johannesburg. A reference sample consisting of an approximate 0.5 kg 'half' sample has been retained at Kisaki.

As the rocks are well indurated and lack excessively soft minerals it is unlikely that transport will affect the samples between collection and the laboratory. Furthermore as already demonstrated the tenor of the mineralization is largely in percent fractions and not minor amounts such as ppm (contrast with gold or PGE samples) and therefore it is believed that the laboratories used will be able to quantify the analyses very well as REE are commonly measured and are accurate in sub-percentage amounts.

Initial sampling was completed on a wide spacing and targeted the following rock types:

- mineralized bastnaesite dikes,
- breccia selvage zones to these dikes,
- carbonate-rich fenitised gneisses adjacent to the dikes, and
- fenitised gneisses forming the host rocks to the dikes.

The geological controls are still poorly understood but generally the dikes appear to be orientated in an east-west direction over the entire hill, and vary in width from narrow stringers to broad dikes of over five meters in width. It can therefore be clearly demonstrated that further sampling should be completed both over the dikes and surrounding rocks and that a sample interval of one meter should be used for the collection of samples. This will also enable easier comparison and quantification with the combined meter by meter planned drill core sampling.

During site visits the sampling methodology and bagging procedures were demonstrated by all staff. A well managed chain of command is clear with the samples being handled and transported by only one laboratory after submission of the samples by the Corporation in Mwanza. In the opinion of the author of the Technical Report it is very unlikely that any tampering or 'salting' of samples can be carried out during transport.

<u>Sampling and Analysis</u>

REE analysis is plagued with problems both due to the number of elements as well as the different oxidation states of the elements themselves. All samples have been analyzed by SGS Lakefield laboratories in Johannesburg. From the initial forty-five odd samples analyzed by SGS, a select sub set was collected of the original samples and submitted as a reference/validation suite to Actlabs. These laboratories are recognized as specialists in rare earth element analysis.

The SGS samples were analysed for the LREE (La-Sm) by XRF, while the minor and heavier REE (Sm-Lu) were by peroxide fusion solution and ICP-MS. Analysis for the entire REE suite conducted by Actlabs involved a lithium metaborate fusion followed by analysis of the fused sample by ICP-MS. All samples were reported as individual REE.

<u>Data Verification</u>

The section in the Technical Report from which this section is based, was compiled with the assistance of a recognized specialist in carbonatite and REE geochemistry. To date 226 major, trace and REE assays have been completed for the Corporation by SGS Lakefield Labs in Johannesburg, South Africa using identical assaying procedures. The relevant batch numbers are LA076091, LA75855 and LA75856 which can be referred to in Appendix E of the Technical Report. A subset of nineteen samples from the initial forty-five samples were submitted to Actlabs for validation purposes.

Problems were encountered with some of the SGS sample results as discussed below. Comparison of the results showed a general increase in difference in results with an increase in atomic number. This importantly does not affect the light REEs (which comprise 99% of the REE at the Wigu Hill Property) but is of concern relating to the HREE and warrants further investigation.

The various sample sub-sets were compared and the following observations were made. The Ce, La, Pr and Nd results were in good agreement and had less than a 5% difference. These results therefore can be used for further work. The intermediate and heavy rare earths, however, displayed very different results and therefore cannot be used for further work.

The LREE (La, Ce, Pr, Nd and Sm) were analyzed using XRF on a pressed powder pellet. La, Ce and Nd concentrations were reported as element and oxide weight % while Pr and Sm were reported only as weight % oxide. Quoted detection limits were 0.03% (La, Ce, Nd) and 0.01% (Sm, Pr) – i.e. 300 ppm and 100 ppm respectively.

HREE and Sm were determined by ICP and reported as element in parts per million. The analytical procedure is given as "IMS95A" in the assay certificates but no procedure of this name is listed in the descriptions (the closest being "IMS 90A" which is described as "REE by $N_2O_2$ fusion, ICP-MS"). The remaining trace elements – all determined by XRF on pressed pellets - were all reported as % rather than as ppm.

The use of two completely different techniques to assay the REE, one utilizing whole rock powder (XRF), the other dissolved sample (ICP), is irregular and is regarded to be the cause of the errors recorded. When plotted into a series of chondrite-normalised diagrams (see Figures 6 and 7 of the Technical Report), a feature is the markedly more irregular pattern of the normalised REE values for the heavy REE (Eu-Lu) for the SGS data relative to that measured by Actlabs. This irregular pattern is a conspicuous feature of all the Wigu Hill data analyzed. It is significant that the "break" in the pattern in the SGS traces occurs at the "interface" between the two analytical procedures applied. This signifies a serious problem in the accuracy of the SGS HREE data.

When compared in a series of binary plots (see Figures 8 and 9 of the Technical Report), the SGS and Actlabs results for individual LREE compare reasonably well, within ± 5%, while there is an apparent bias in the La data with the Actlabs results being 5 - 10% higher than SGS. This is however, close to the level of uncertainty of the technique. It was therefore concluded that the LREE data can be incorporated and used for further investigation.

Significant and serious differences were encountered in the results for the HREE, as the Actlabs results were significantly less than those of SGS labs. Dy illustrates this well (see Figure 9 of the Technical Report) where it is indicated that the Dy is only 30% of the concentrations reported by SGS. These differences are even more extreme in the heaviest REE such as Yb or Gd. When such serious differences are encountered in a comparison of two laboratories' results, it is generally not possible to establish which laboratory's results are more accurate. However, the systematic variation in the chemical behavior of the REE with changing atomic number is well established and widely utilized in geochemical studies.

The above analysis revealed unacceptable differences in the assay results of the HREE reported by SGS and Actlabs. As a consequence, although the agreement between the laboratories is of an acceptable nature for the LREE, none of the HREE assay results on the Wigu Hill Property determined by SGS can be considered of the quality required to be used in a code-compliant NI 43-101 report or announcement. This is a minor point given that the HREE comprise 1% of the TREE at the Wigu Hill Property but will need to be addressed for further analytical process.

Adjacent Properties

The published 1:1,000,000 Geological Survey map of Tanzania indicates the known mineral occurrences in this area to include REE at the Wigu Hill Property, niobium (Nb) at Maji Ya Weta, and apatite (P) at the Zizi carbonatite.

Maji Ya Weta occurs 10 kilometres to the south of Wigu Hill and rises some 300 m above the surrounding plains. The area was investigated in 1953 and it was noted that Maji Ya Weta, as Wigu Hill, is not a single carbonatite body or plug, but is made up of a number of narrow carbonatite dikes rarely exceeding 0.5 metres in width.

The carbonatite dikes, which intrude Proterozoic banded pyroxene granulites and pegmatites, strike in the general direction 140$^{o}$. A coarse grained breccia consisting of basement fragments in a carbonatite matrix is exposed at the western part of the Maji Ya Weta hill. Fine-grained carbonatite dikes cut the breccia.

A sample of a dike from the summit of Maji Ya Weta was found to contain 0.24% $Nb_2O_5$. The Tanzanian-Canadian Agrogeology Project assessed Maji Ya Weta as a source of phosphate but values were generally less than 3% $P_2O_5$. These samples were, however, only assayed for phosphates. Carbonatite vents, dikes and plugs have also been located approximately 30 to 50 kilometres southeast of Maji Ya Weta near the Rufiji River. These dikes have a general strike direction of 135$^{o}$ and are known collectively as the Zizi carbonatite.

The area between the Wigu Hill and Maji Ya Weta area is characterised by a singular massive magnetic anomaly which is interpreted to reflect a large igneous intrusion. The area is located in the middle of the flat lying sediment covered area south of Wigu Hill. Geophysical evidence suggests the possibility of a central, magnetite-rich plug of approximately 2.5 km diameter beneath a covering of Pleistocene alluvium. This therefore could be the ultimate source of the carbonatite dikes at both Wigu and Maji Ya Weta.

The author of the Technical Report was unable to visit any of these described neighbouring or adjacent properties during this field excursion, and was therefore unable to verify the information presented above. It is, however, clear that further potential for the commodities phosphate, niobium and possibly further REE mineralization is present in these areas.

Mineral Processing Studies

In the case of REE projects, where many minerals may have only limited potential as sources of REE, mineral processing studies should be addressed as soon as possible during the geological investigation. To the knowledge of the author of the Technical Report no metallurgical testing of the Wigu Hill Property material has yet taken place. A bulk metallurgical sample of 100 kg has been collected by the Corporation, which intends to initiate studies of this nature at soonest opportunity.

Mineral Resource and Mineral Reserve Estimates

No resources have been quantified or declared as all work completed to date has only involved the collection of grab samples. Additionally, no resource estimates have been calculated for tonnage, as the Wigu Hill Property has only been mapped in limited detail and the extent of the dikes has not yet been quantified. Given the sampling completed to date, however, it is possible to infer a value distribution for the general or bulk REO composition. This is demonstrated by the pie diagram below (Figure 12). The most valuable parts of the deposit are contained within the LREO especially Nd and to a lesser degree La, Ce and Pr. However, a potentially significant proportion of the value is held within Eu. The recovery of this Eu is a challenge which will need to be studied during metallurgical studies. It is unknown which, if any, mineral is preferentially enriched in this element.

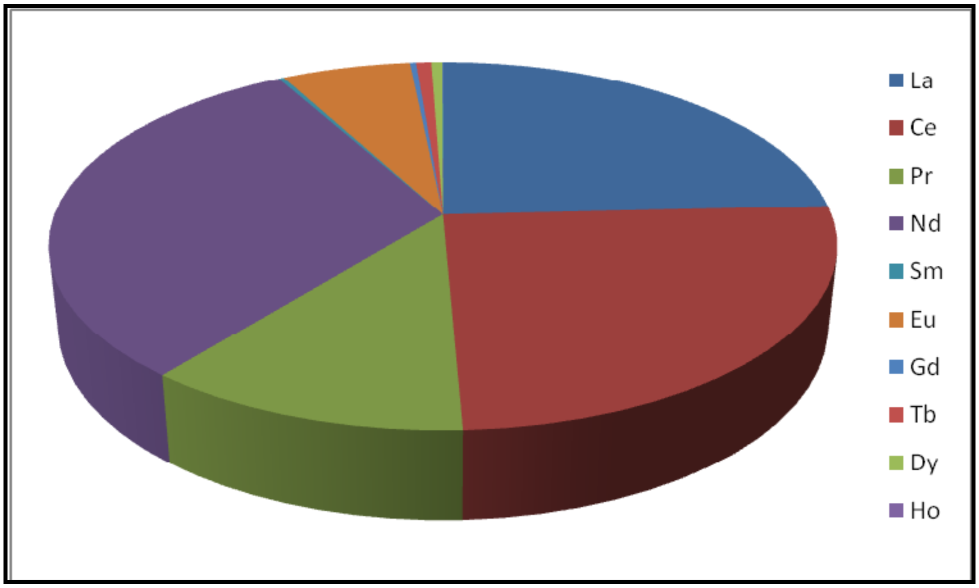



Figure 12: Proportional Value Distribution of REO at the Wigu Hill Property

<u>Other Relevant Data and Information</u>

This section deals with the general state of the REE market, the importance of 'correct' mineralogy as well as a summary of the various potential competitor projects which are currently being developed.

*REE - Introduction*

The rare earths are a moderately abundant group of seventeen elements composed of scandium (Sc), yttrium (Y) and the 15 lanthanides. The lanthanides comprise a group of elements with atomic numbers 57 through 71 that includes the following: lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), promethium (Pm), samarium (Sm), europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb), and lutetium (Lu).

The elemental forms of rare earths are iron gray to silvery lustrous metals that are typically soft, malleable, and ductile and usually reactive, especially at elevated temperatures or when finely divided. Melting points range from 798$^{o}$C for cerium to 1663$^{o}$C for lutetium. The rare earth's unique properties are used in a wide variety of applications.

Rare earth elements and yttrium are a geochemically coherent group of elements because they are similar in their chemical properties. Despite chemical similarities, the REE may show significant distribution variations in different minerals or in the same mineral crystallized under different environmental conditions. Some of the factors that control the distribution of REE in minerals include: (1) ionic radius differences; (2) crystal structure; (3) basicity differences; (4) oxidation states; (5) stability of complexes;

(6) melt structure in magmas; (7) REE content and distribution in source fluids; (8) the role of temperature and pressure; and (9) relative solubility of REE and their migratory capacity in hydrothermal solutions and in the weathering environment.

The principal economic sources of rare earths are the minerals bastnaesite, monazite, xenotime, and the lateritic ion-adsorption clays. These minerals concentrate in undersaturated rocks like carbonatites through primary magmatic, hydrothermal and supergene processes. Bastnaesite and monazite and are found in lateritic ion adsorption clay ores located in China. Monazite and xenotime are also recovered as a by-product of titanium and zirconium mining from placer deposits worldwide.

Rare-earth metals continue to be used in an increasing range of applications and this factor, combined with their strategic importance to the developed and developing economies of the world, has resulted in an increased demand for rare-earth elements (REE), rare-earth oxides (REO) and rare-earth minerals (REM) in the international market. Exploration and research emphasis has been placed on the development of new sources of REM and improved separation and purification techniques.

Hydrometallurgical processing and chemical purification of ore yield REEs as salts such as the chloride, carbonate, nitrate, fluoride and halide which may be calcined to form REOs or reduced through electrolysis or methalthermic reduction to REM's. REEs are used in a large variety of applications which can be classified according to the types of compounds involved. The first compound type contains mixtures of REEs with proportions similar to those found in natural ores. These compounds are used in the production of; (1) high-strength micro-alloyed steel, ductile iron and superalloys; (2) petroleum-cracking catalysts; (3) starting materials for mischmetal manufacture and rare-earth silicides; and (4) mixed rare-earth polishing compounds and carbon arcs, used in fluorescent lights. The second type of compound contains a high concentration (~ 90%) of a single REE. Applications include; (1) discolouring and polishing agents for glass; (2) magnetic and electronic materials; (3) hosts and activators in phosphors, lasers and lighting; (4) uses such as in neutron capture, super conductors, energy-storage systems and fibre optics. No substitutes or alternatives for REE have been found for their main uses, although palladium can be substituted in catalyst applications.

*REE – Geological Settings*

The vast majority of deposits containing REE minerals are associated with carbonatites or alkaline intrusions. These are summarized on the Table below.

Table 2: Genetic Types of Deposits of REE Minerals (Wigu Hill Property in **bold and shaded**).

| Genetic Type | Examples | Lithology and Mineralization | Mt | REO % |
|---|---|---|---|---|
| **Magmatic Primary** | Montain Pass, United States | Bastnaesite and parasite as primary phases in late stage carbonatite sills and dikes (1 400 Ma). | 31 | 8.8 |
| | Kangankunde, Malawi | Primary monazite in late stage ankeritic strontium rich carbonatite (125 Ma). | 11 | 1.97 |
| | Kola Peninsula, Russia | Loparite in agpaitic nepheline syenite containing up to 30 wt % REO (?). | - | - |
| | Oka, Quebec | Apatite in carbonatite containing up to 8 wt % REO (117 Ma). | - | <0.5 |
| | Mt. Pajarito, United States | Eudyalite in perialkaline granite-quartz syenite complex (1170 Ma). | 24 | 0.18 |
| | Bayan Obo, China | Hydrothermal basnaesite and monazite associated with iron ore, possible carbonatite link (65 Ma?). | 300 | 8.5 |

| | | | | |
|---|---|---|---|---|
| **Hydrothermal** | Karonge, Burundi | Hydrothermal veins of high grade bastnaesite and minor monazite cutting quartzites and schists (?). | Small | >15 |
| | **Wigu Hill, Tanzania** | **Hydrothermal veins of high grade bastnaesite, monazite and synchysite in carbonatite dikes cutting fenitised gneiss (120 Ma?)** | **?** | **>10** |
| | Pilanesberg, South Africa | Britholite fissures in tinguaite and foyaite (1300 Ma) | 1.2 | 6.54 |
| **Supergene** | Araxa, Minas Gerais, Brazil | Supergene monazite, gorceixite and goyazite in 150 m thick laterite developed over carbonatite (91 Ma) | 0.8 | 13.5 |
| | Catalao I, Brazil | Supergene monazite, rhadophane, florencite and gorceixite/goyazite in laterite developed over carbonatite (83 Ma). | - | - |
| | Seis Lagos, Brazil | Intense lateritic weathering of carbonatites producing deep regolith of insoluble iron and aluminium oxides accompanied by supergene cerianite, monazite, rhadophane and florencite. | - | 1.5 |
| | Mrima Hill, Kenya | Carbonatite ringing agglomerate, covered and flanked by residual soils containing supergene gorceixite, monazite and goyazite. | 6 | 5 |
| | Buru Hill, Kenya | Carbonatite covered by thick laterised and monazite enriched residuum. | 10.7 | 2.63 |
| | Mount Weld, Australia | Large carbonatite overlain by thick regolith formed by intense weathering contains supergene monazite, cerianite, xenotime and churchite. (2064 Ma) | 15.4 | 12 |
| **Sedimentary Marine Placers** | China, Indonesia, Malaysia, E Australia, DRC | Monazite and xenotime from marine placers | - | <1 |
| | W Australia, India, Brazil, South Africa, Sri Lanka, SE USA | Monazite from marine placers as by product of titanium mining | - | <0.1 |
| **Fluviatile** | Elliot Lake, Canada | Proterozoic quartz-pebble conglomerates containing brannerite uranianite and uraniferous monazite, mined for uranium with yttrium as by-product. | - | <0.06 |
| **Ion-Absorption** | Xunuwu and Longnan, China | Rare earth cations released from weathering of granite are adsorbed by aluminosilicate minerals. | - | <1 |

*REE – Mineralogy and Economics*

Economic concentrations of REEs occur in igneous, sedimentary and metamorphic rocks, but only in a restricted number of geological environments. The most important igneous sources are associated with alkali, especially carbonatite, magmatism. A genetic classification of REE deposits associated with carbonatites is as follows; (1) primary, from carbonatite melts; (2) hydrothermal and (3) supergene, developed in carbonatite derived laterites.

The most important sedimentary deposits of REEs are fluviatile and marine placers. Monazite is generally the most abundant rare earth mineral in placer deposits, although xenotime is a common accessory mineral. Monazite is almost always recovered as a by-product of titanium and zirconium mining from beach or marine placers (South Africa, Australia, Brazil and India), less commonly tin in the case of fluviatile placers (Malaysia and Thailand) and uranium mining (Canada). REEs sometimes occur in enhanced concentrations as a result of metamorphic processes. Significant concentrations of REEs occur in some metamorphosed palaeo-placer deposits (Witwatersrand, South Africa).

Bastnaesite

Bastnaesite [(REE)($CO_3$)F] is the most important REE-bearing mineral because of its occurrence as a high-grade accessory mineral of igneous and hydrothermal origin from Mountain Pass, USA; Bayan Obo, China; the Wigu Hill Property, Tanzania; and Karonge, Burundi. Considerable variables are reported in the composition of bastnaesite including members that have Ce, La, Nd and Y as the dominant elements in the REE crystallographic sites. However, a strong light REE enrichment is always encountered for this mineral in all deposits where bastnaesite occurs from established or near ore quantities. The most common occurrence for bastnaesite is in hydrothermal systems such as Karonge in Burundi and possibly Bayan Obo in China. Bastnaesite from Mountain Pass appears to be the exception as it represents a primary igneous mineral, although further study may prove this otherwise. Examples of supergene bastnaesite are rarely found due to the chemical instability of the carbonate minerals in the weathering zone. Due to acid reaction it quickly weathers to more hydrous minerals such as ancylite. Synchysite is almost always associated with bastnaesite in these deposits.

Monazite

Monazite [(REE)$PO_4$] is the most common and abundant independent REE mineral, occurring as an accessory mineral in granitic rocks and in many metamorphic rocks. Monazite is chemically and mechanically stable, and in the weathering cycle it becomes concentrated in beach sands and river placers throughout the world. In some beach sand placer deposits, monazite is a by-product of titanium and tin mining. Monazite almost invariably shows light REE selectivity. Historically, the major source of monazite worldwide has been from beach sands although hard rock mining such as at Steenkampskraal (a monazite deposit located in the Northern Cape, South Africa) has historically taken place. Supergene and hydrothermal monazite constitute large tonnages in some carbonatite complexes that have been subjected to deep lateritic weathering such as Araxa and Catalao 1 in Brazil, and Mount Weld in Australia. In these deposits monazite is produced from the release of REE contained within calcite, dolomite and apatite during weathering and its subsequent reconstitution with $PO_4^{3-}$.

Britholite

Britholite, [(REE,Ca)$_5$($SiO_4$,$PO_4$)$_3$(OH,F)], has the same structure and is chemically analogous to apatite and has a complex REE distribution that may show radical differences that reflect the specific physiochemical conditions for formation. Britholite contains major amounts of thorium and is always strongly radioactive. Britholite occurs in many different environments as a trace mineral but deposits approaching economic quantities are confined to alkaline rocks and in one carbonatite at Oka (a carbonatite located in the St. Lawrence area of Quebec, Canada).

Ancylite

Ancylite [Sr(REE)($CO_3$)$_2$(OH.$H_2O$)] is predominantly a mineral of hydrothermal origin. Complete chemical analyses for ancylite are sparse but suggest light REE selectivity. Ancylite occurs in alkaline complexes containing nepheline syenites and related alkaline rocks. Ancylite is generally a rare mineral of academic interest, but in carbonatites ancylite may occur in ore quantities. In the Brazil carbonatites of Araxa and Catalao I it occurs in micro fractures in fresh carbonatite.

Allanite

Allanite [(CE,Ca,Y)$_2$(Al,$Fe^{3+}$)$_3$($SiO_4$)$_3$(OH)] is a widespread accessory mineral occurring in igneous, metamorphic and hydrothermal environments. The REE distribution of allanite is complex with both light and heavy REE dominance recorded. In some granite pegmatites, alkali granite environments and skarns, allanite is a major REE bearing phase in grades approaching economical potential. In carbonatites, allanite is always of hydrothermal origin although to date economic quantities have not been reported.

Xenotime

Xenotime [$YPO_4$] in nature always contains REE substituting for Y with heavy REE selectivity. The most common dominant REE is dysprosium or ytterbium. Xenotime can be found in small quantities in diverse geological environments including acid and alkaline igneous rocks, pegmatites, gneisses and schists. It is a major component of the Lofdal HREE bearing carbonatite veins located in north-western Namibia. The major economic source to date has been from beach placers in Malaysia, Thailand and Australia where it is a by-product of titanium and tin mining. Epigenetic mineralization related to Proterozoic arkosic-conglomeritic sandstone offers some potential for economic xenotime deposits. Higher solubility and migratory capacity of yttrium and the heavy REE in certain environments of supergene weathering, or the activity of hydrothermal solutions has caused the isolation of these elements from light REE-dominant sources and their subsequent precipitation as xenotime and churchite mineralization such as at Mount Weld, Australia.

Crandallite group minerals

The REE-bearing members of the crandallite group include florencite [$(REE)Al_3(PO_4)_2(OH)_6$], gorceixite [$(Ba,REE)\ Al_3(PO_4)_2(OH_5.H_2O)$], goyazite [$(Sr,REE)Al_3(PO_4)_2(OH_5.H_2O)$], and crandallite [$(Ca,REE)Al_3(PO_4)_2(OH_5.H_2O)$]. These minerals are confined to the zone of weathering of carbonatites and have also been found as limited mineralisation in sedimentary rocks in many parts of the world.

By-product REE from loparite

Loparite [$(REE,Na,Ca)_2(Ti,Nb)_2O_6$] is a member of the perovskite group ($CaTiO_3$) where REE and niobium (Nb) occur as major cations substituting for Ca and Ti respectively. The REE distribution in laporites is strongly light REE selective. In agpaitic nepheline syenite complexes of the Kola Peninsula (located in northern Russia bordering Finland), loparite is mined for Nb and REEs.

By-product REE from apatite

Apatite from carbonatites and alkaline igneous rocks have been shown to contain up 19 weight % REO but generally the REO values for apatite are in the range of 0.4 and 5 wt %. The REE distribution in apatite is always strongly light REE selective. REE recovery from apatite mining is restricted to the Kola Peninsula alkaline complexes. The Nolan’s Bore project in Australia as well as the Hoidas Lake deposit (located in northern Saskatchewan) are both potential projects utilizing this method of REE extraction.

By-product REE and Y from eudialyte

Eudialyte [$Na_4(Ca,Ce)(Fe,Mn,Y)ZrSi1_8O_{22}(OH,Cl)_2$ is a trigonal silicate occurring mostly in agpaitic nepheline syenite complexes and peralkaline granites. Substitution of REE in the structures takes place in moderate quantities with values reaching as high as greater than 10% REO + $Y_2O_3$ with a complex REE distribution showing both light and heavy enrichment.

*REE – World Production, Demand and Prices*

Bastnaesite is the world’s principal source of REE although significant quantities are also recovered from monazite. Xenotime and ion-adsorption clays account for a much smaller part of the total production but are important sources of yttrium and the HREEs. World reserves of rare earths were estimated to be 100 Mt of contained REO. China, with 43%, has the largest share of the world's reserves.

Table 4: REE content of major and potential source minerals from some deposits

| | USA Mountain Pass, CA Bastnasite | China Baiyunebo, Nei Monggol Bastnasite | Australia Copel, WA Monazite | Australia N. Stradbroke Is., Qld. Monazite | Australia Mt. Weld Monazite | USA Green Cove Springs, FL Monazite | China Nangang, Guangdong Monazite | Brazil E. coast Monazite | Malaysia Lahat, Perak Xenotime | China southeast Guangdong Xenotime | China Xunwu, Jiangxi Province RE in clay | China Longnan, Jiangxi Province RE in clay |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Lanthanum | 33.20 | 23.00 | 23.89 | 21.50 | 26.00 | 17.50 | 23.00 | 24.00 | 1.24 | 1.20 | 43.37 | 1.82 |
| Cerium | 49.10 | 50.00 | 46.02 | 45.80 | 51.00 | 43.70 | 42.70 | 47.00 | 3.13 | 3.00 | 2.38 | 0.37 |
| Praseodymium | 4.34 | 6.20 | 5.04 | 5.30 | 4.00 | 5.00 | 4.10 | 4.50 | 0.49 | 0.60 | 9.02 | 0.74 |
| Neodymium | 12.00 | 18.50 | 17.38 | 18.60 | 15.00 | 17.50 | 17.00 | 18.50 | 1.59 | 3.50 | 31.65 | 3.00 |
| Samarium | 0.79 | 0.80 | 2.53 | 3.10 | 1.80 | 4.90 | 3.00 | 3.00 | 1.14 | 2.20 | 3.90 | 2.82 |
| Europium | 0.12 | 0.20 | 0.05 | 0.80 | 0.40 | 0.16 | 0.10 | 0.06 | 0.01 | 0.20 | 0.50 | 0.12 |
| Gadolinium | 0.17 | 0.70 | 1.49 | 1.80 | 1.00 | 6.60 | 2.00 | 1.00 | 3.47 | 5.00 | 3.00 | 6.85 |
| Terbium | 0.02 | 0.10 | 0.04 | 0.29 | 0.10 | 0.26 | 0.70 | 0.10 | 0.91 | 1.20 | trace | 1.29 |
| Dysprosium | 0.03 | 0.10 | 0.69 | 0.64 | 0.20 | 0.90 | 0.80 | 0.35 | 8.32 | 9.10 | trace | 6.67 |
| Holmium | 0.01 | trace | 0.05 | 0.12 | 0.10 | 0.11 | 1.20 | 0.04 | 1.98 | 2.60 | trace | 1.64 |
| Erbium | 0.00 | trace | 0.21 | 0.18 | 0.20 | trace | 0.30 | 0.07 | 6.43 | 5.60 | trace | 4.85 |
| Thulium | 0.00 | trace | 0.02 | 0.03 | trace | trace | trace | 0.01 | 1.12 | 1.30 | trace | 0.70 |
| Ytterbium | 0.00 | trace | 0.12 | 0.11 | 0.10 | 0.21 | 2.40 | 0.02 | 6.77 | 6.00 | 0.26 | 2.46 |
| Lutetium | 0.00 | trace | 0.04 | 0.01 | trace | trace | 0.14 | ND | 0.99 | 1.80 | 0.10 | 0.36 |
| Yttrium | 0.09 | 0.50 | 2.41 | 2.50 | trace | 3.20 | 2.40 | 1.40 | 61.00 | 59.30 | 8.00 | 65.00 |

Percent of total rare-earth content

The world production for REO in 2008 was estimated at 124,000 tons with China accounting for more than 90% of world production from Baotou, Miapping and the Sichuan area. A few years ago over 200 REE processing plants were producing cheap lower quality batteries but this has changed significantly. China's REE processing capacity has now reached over 110,000 tons/annum with significant consolidation within the industry. It seems that the Chinese have realized the importance of onward processing of their REE material and the recent enactment of large export tax tariffs on domestic raw material production support this premise. During 2008, Russia was the second largest producer at 3,000 tons, largely as chemical concentrates, while the USA produced about 2,000 tons from stockpiled material at Mountain Pass.

While China and Japan consume over 70% of REE worldwide, significant demand and growth is expected from the United States, Germany and France. World demand for REE is expected to reach 200,000 tonnes by 2015 with the largest growth expected to be from China estimated at over 8 % per annum. If recent trends in new technologies, especially NiMH batteries, continue, there will be significant shortfall in available Nd, Tb, Dy and Eu. Of these, Nd is expected to have the most effect on the industry as the shortfall could be as high as 7,000 tonnes.

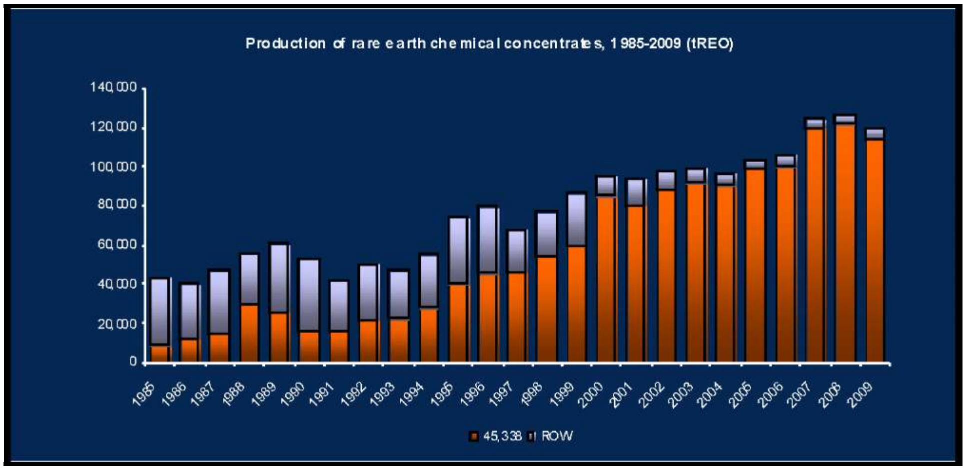



Figure 13: Past and Future World Production of REO

According to the Technical Report, as at the date of the Technical Report Bastnaesite concentrate was trading at approximately USD $2.30/kg REO at 70% leached. Individual REO prices are shown in Table 5. Due to overproduction, most rare earth prices fell after 1999 with the price of major rare earth commodities falling by up to 40%. This has of course changed drastically over the last five years and by all accounts demand by major Chinese rare earth companies will continue. See “Special Note Regarding Forward-Looking Information”.

| Element | Price in USD in 1999 ($) | Price in USD in 2010 ($) |
|---|---:|---:|
| Lanthanum | 23.00 | 6.30 |
| Cerium | 23.00 | 4.60 |
| Praeseodymium | 32.00 | 26.70 |
| Neodymium | 22.00 | 28.60 |
| Samarium | 75.00 | 3.40 |
| Europium | 700.00 | 510.00 |
| Gadolinium | 115.00 | 10.00 |
| Terbium | 685.00 | 490.00 |
| Dysprosium | 65.00 | 162.00 |
| Holmium | 485.00 | 25.00 |
| Erthrium | 150.00 | 55.00 |
| Thulium | 3600.00 | 90.00 |
| Ytterbium | 230.00 | 25.00 |
| Lutetium | - | 500.00 |

Table 5: REO Prices in 1999 and 2010

Global use of rare earths, especially in automotive pollution catalysts, permanent magnets, and rechargeable batteries is expected to increase in future as demand for automobiles, electronics, and portable micro electronic equipment grows. Rare earth markets are expected to require greater amounts of higher purity mixed and separated products. Future growth is forecast for rare earths in magnetic refrigeration, rechargeable nickel hydride batteries, fibre optics, and medical applications including magnetic resonance imaging (“MRI”) contrast agents and surgical lasers. See “Special Note Regarding Forward-Looking Information”.

World reserves are sufficient to meet forecast demand well into this century, however, several of the world class REE deposits in Australia and Canada have yet to be developed because world demand is currently satisfied by existing Chinese production and further China is expected to stay the world's principal rare-earth supplier. See "Special Note Regarding Forward-Looking Information".

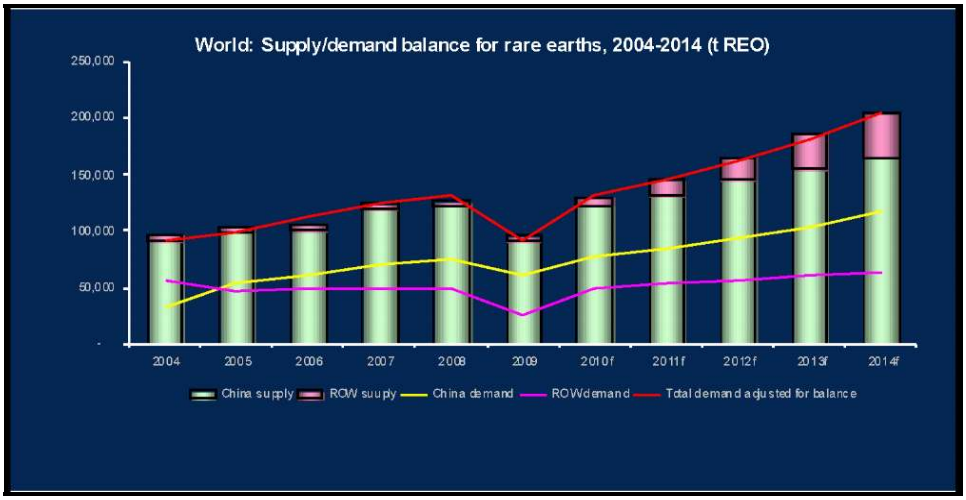



Figure 14: World Supply and Demand Curve for REE

The long term outlook, however, is for an increasingly competitive and diverse group of rare-earth producers to supply the world's needs. As research and technology continue to advance the knowledge of rare earths and their interactions with other elements, the economic base of the REE industry is expected to continue to grow. New applications are expected to be discovered and be developed especially in the defence and communications industries. See "Special Note Regarding Forward-Looking Information".

<u>Interpretation and Conclusions</u>

The author of the Technical Report has concluded that the geological setting of the Wigu Hill Property has significant potential for the development of an economic REE deposit and that further exploration is necessary to advance the understanding of the Wigu Hill Property.

In contrast to many REE deposits the dikes appear unweathered and are generally fairly homogenous in terms of mineralogy, REE distribution and grade. Testing of the continuity of mineralization is deemed the most necessary intervention and should be completed by detailed trench sampling, and the drilling of an initial 2,500 m to 3,000 m of diamond core. This will enable at least one of the many larger veins to be quantified in terms of grade and tonnage and allow for an initial resource estimate.

Testing of metallurgical samples is needed, as only limited information has been generated characterizing the metallurgical behaviour of the rare earth minerals themselves. The mineralogical studies completed have provided only an initial understanding on the setting and types of REE bearing minerals which occur at the Wigu Hill Property. These are noted to be dominated by bastnaesite, synchysite and monazite, all of which are presently used as REE source material.

Many of the minerals are furthermore generally coarse grained and have a generally limited mineralogical suite. As discussed many of the REE minerals are not amenable to processing, but in the case of the Wigu Hill Property the dominance of bastnaesite (mineral of choice) is regarded to be very encouraging for the positive development of the Wigu Hill Property.

Continued exploration is further needed to identify which of the many other dikes may be of significant tonnage and grade to complete further detailed study.

## Recommendations

The Wigu Hill Property is identified by the author of the Technical Report as favourable for further exploration as a substantial resource of high grade REE mineralization is identified at the Wigu Hill Property. However, a number of concerns are identified which need to be addressed as they could affect the progress and success of development of the Wigu Hill Property. These are not regarded to be prejudicial to the study at this stage, and include aspects of metallurgy, accessibility and environment.

Metallurgical test work should be initiated as there is always a possibility of real difficulties in mineral processing being present and the earlier in the investigation that this is realized the better. Therefore, metallurgical processing and mineralogical studies need to be completed as soon as possible and are addressed through the Phase 1 budget contained in the Technical Report.

Drilling will be needed to define the mineralization at depth. However, as the slopes of the Wigu Hill Property are very steep and access is limited, careful planning and construction of roads is necessary. Site preparation should be started only after detailed topographical survey has been completed so as to maximize the safety, and ease of access. Accordingly accurate survey and preparation of a detailed DTM should be initiated at soonest opportunity.

Environmental aspects are identified regarding an area of afro-montane forest on the crest of Wigu Hill itself. Environmental impact assessment and instigation of an environmental management plan ("EMP") should be completed prior to drilling. Careful environmental monitoring of the area as well as the erection of a weather station should be considered necessary at this early stage. The potential for environmental opposition is real in Tanzania and this should therefore be addressed through the necessary interventions and according to the laws of the country. Social and community involvement and interaction as well as information distribution needs to be secured.

### *Recommended Expenditures*

Detailed field mapping and sampling of the Wigu Hill Property should remain the focus, with trenching considered enabling better mapping of individual dikes. Detailed channel sampling is proposed for further exploration as it is certain that many more veins remain to be identified.

A program of chip sampling from selected dike outcrops across the Wigu Hill Property has identified bastnaesite and synchysite in carbonatite rocks. The initial reconnaissance sampling was undertaken on a wide spacing and encompassed: (1) the mineralized bastnaesite dikes, (2) the breccia selvage zones to the dikes, (3) the carbonate-rich fenitised gneisses adjacent to the dikes, and (4) the fenitised gneisses forming the host rocks to the dikes. Preliminary regional scale mapping demonstrated that the carbonatite dikes occur as outcrops or suboutcrops over the entire hill, and vary in width from narrow stringers to broad dikes of 5 meters width.

Controlled air photography and interpretation, including detailed topographic and DGPS is vital at this stage for ground control and access planning as discussed.

The drilling of the dikes by means of diamond core is needed to in order to define the mineralization better. Diamond core drilling is far better suited for study of the veining and textural relationships of the REE minerals. This follows as a consequence that metallurgical studies of bulk samples from the dikes at depth may be initiated.

In terms of regional work it is important that ground magnetic survey of area between Wigu Hill and Maji Ya Weta be completed. This will allow for modeling of the known magnetic body so as to predict a depth to causative source. Further study through soil geochemical sampling and ultimately drilling should be considered.

*Phase I Exploration Program*

The carbonatite dikes of the Wigu Hill Property occur on a steep sided hill reaching a maximum elevation of 800 m. Since the hill slopes are so steep access is very difficult. However, on the basis of data obtained from the regional mapping a number of priority areas were identified as being excellent targets for detailed exploration. Each of these areas is about 300 m by 400 m or more in extent.

Two of these areas on the western side of Wigu Hill have been identified for follow-up detailed mapping, trenching and sampling. This work can only commence after the rain season in Tanzania which occurs between February and May. Fieldwork on this Phase 1 is scheduled to start in June and the focus will be to map, trench and sample the carbonatite veins and enclosing lithologies in detail. Once the sampling of these two areas has been finalized, the samples will be sent to a selected laboratory for analysis.

While this work is under way, a bulk sample will be submitted for bench scale metallurgical test work. The timing of this test work will be dependent upon securing a suitable sample from the site and securing proposals from competent laboratory facilities. This work will be accompanied by detailed mineralogical studies.

A listing of the requirements for an environmental review has already been undertaken by one of the Corporation’s geologists. A professional group will be approached to undertake an environmental overview and study of the license areas so that a detailed EMP can be drawn up. This EMP will provide the necessary guidelines for all Phase I and Phase II activities.

Table 6: Estimated Expense for Proposed Phase I Exploration

| Expenditure Category | Expenditure (USD$) | Expenditure (CDN$)(1) |
|---|---:|---:|
| Topographic survey of Wigu Hill Property and preparation of DTM | 21,000 | 21,338 |
| Detailed mapping and channel sampling for dike 1 | 75,000 | 76,208 |
| Mineralogical investigations (British Geological Survey, others) | 26,000 | 26,419 |
| Environmental study and EMP preparation | 43,000 | 43,692 |
| Preparation of Commercial Reference Material | 20,000 | 20,322 |
| Metallurgical testing (separation, liberation, flotation studies) | 270,000 | 274,347 |
| Project mapping for other dikes | 60,000 | 60,966 |
| Access planning and development of roads, sites | 87,000 | 88,401 |
| Drilling (2000 m for 21 to 25 holes) | 410,000 | 416,601 |
| Drill sampling (1800 m + Quality Assurance and Quality Control) | 136,000 | 138,190 |
| **TOTAL – Phase I Exploration** | **1,148,000** | **1,166,483** |

Note:

(1) Based on the United States dollar to Canadian dollar closing exchange rate (USD$1.00 to $1.0161) as at November 1, 2010, as reported by the Bank of Canada.

*Phase II Exploration Program*

Once the Phase I exploration has been completed and the results assessed, more detailed evaluation work will be considered for Phase 2. The definition of the Phase 2 evaluation will be highly dependent upon the results returned, however it will be expected to involve a similar but more intensive and expanded work program to that described above under "Phase 1 Exploration Program". The most important means of investigation will again be diamond drilling and this aspect of the studies presented will be vital in determining any potential resource present on the Wigu Hill Property.

Phase II should follow with the increased drilling planned to expand and upgrade the initial resource identified in Phase I.

Table 7: Estimated Expense for Proposed Phase II Exploration

| Expenditure Category | Expenditure (USD$) | Expenditure (CDN$)(1) |
|---|---|---|
| Drilling (5000 m with 55 – 65 holes) | 1,200,000 | 1,219,320 |
| Sampling (4500 m with 10% Quality Assurance and Quality Control) | 340,000 | 345,474 |
| Metallurgical work (optimization) | 410,000 | 416,601 |
| Regional work including magnetic survey | 145,000 | 147,335 |
| Vehicles (two 4x4) | 50,000 | 50,805 |
| Environmental and social awareness | 120,000 | 121,932 |
| **TOTAL Phase II Exploration** | **2 265,000** | **2,301,467** |

Note:

(1) Based on the United States dollar to Canadian dollar closing exchange rate (USD$1.00 to $1.0161) as at November 1, 2010, as reported by the Bank of Canada.

## USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Units hereunder are estimated to be $3,545,000 after deducting the Agents' Commission ($280,000) together with the estimated expenses of the Offering of $175,000. See "Plan of Distribution".

Available funds:

| | Maximum Offering |
|---|---|
| Net Proceeds(1) | $3,545,000 |
| Existing Working Capital (Deficiency) (2) | $(71,503) |
| **Total Funds Available(3)** | **$3,473,497** |

Notes:

(1) Gross proceeds of $4,000,000, less the Agents' Commission of 7% of the gross proceeds of the Offering and estimated expenses of the Offering of $175,000.

(2) Unaudited estimate as at November 5, 2010.

(3) The description of the total funds available does not include, or make allowance for, funds to be received by the Corporation upon exercise of outstanding incentive stock options or Warrants or other rights to purchase Shares, the proceeds of which will be added to the Corporation's working capital position. See "Option to Purchase Securities".

The use of the net proceeds of the Offering by the Corporation is consistent with the Corporation's stated business objectives (see "Business Objectives and Milestones" below), and the total funds available of $3,473,497, as calculated above, will be allocated as follows during the eighteen month period following the Closing Date (see "Special Note Regarding Forward-Looking Information"):

| | **Maximum Offering** |
|---|---:|
| General & Administrative Budget (estimate for 18 months) | $790,000 |
| Payment upon transfer of 60% interest in Wigu Hill Property | $50,000 |
| Phase I Exploration Program on the Wigu Hill Property | $1,166,483 |
| Begin Phase II Exploration Program(1) on the Wigu Hill Property | $1,000,000 |
| Exploration program – REE and Uranium – Quebec | $30,000 |
| Exploration Program – Uranium Tanzania properties | $25,000 |
| Working Capital | $412,014 |
| **Total** | **$3,473,497** |

Notes:

(1) The amount represents only a portion of the total funds required for the Phase II exploration program, and additional financing will be required to complete the program. See "Risk Factors".

Given that the Corporation is still in the exploration phase and has not earned any revenue since its inception, while the Corporation intends to spend the funds available to it as stated in this Prospectus, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.

**Business Objectives and Milestones:**

The primary business objective of the Corporation is to explore for REE, phosphates and uranium and to further develop the resource potential on the Wigu Hill Property in Tanzania, and the other mineral properties of the Corporation.

Assuming that the results from the Wigu Hill Property Phase 1 exploration program are encouraging, the Corporation intends to commence the Phase II exploration program and satisfy its commitment to either incur exploration expenditures of USD $3,500,000 or alternatively complete a prefeasibility study on or before November 28, 2012 (see "Special Note Regarding Forward-Looking Information").

The Corporation will advance the other assets in its portfolio by geological exploration and acquire additional assets that it believes will add value to the Corporation (see "Special Note Regarding Forward-Looking Information").

Although the Corporation intends to expend the net proceeds from the offering as set forth above, there may be circumstances where for sound business reasons, a reallocation of funds may be deemed prudent or necessary, and may vary materially from that set forth above. While actual expenditures may differ from the above amounts and allocations, the net proceeds will be used by the Corporation in furtherance of its business. See "Special Note Regarding Forward-Looking Information" and "Risk Factors".

## DIVIDENDS OR DISTRIBUTIONS

The Corporation has never declared or paid cash dividends or distributions on its Shares. The Corporation currently intends to retain any future earnings to fund the development and growth of its business and will pay dividends and/or distributions, if any, in the future as the Board see fit.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Financial information in this Prospectus, unless otherwise indicated, is presented in Canadian dollars and derived from information contained in the Corporation's Financial Statements and related notes thereto included in this Prospectus, which were prepared in accordance with GAAP.**

The following management discussion and analysis includes financial information from, and should be read in conjunction with the audited and unaudited Financial Statements and the notes thereto included in this prospectus, as well as the disclosure contained throughout this Prospectus. This section may contain forward-looking information that involves risk, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in such forward-looking information. See "Special Note Regarding Forward-looking Information".

### MD&A - Years Ended December 31, 2007, 2008 and 2009, and the Period Ended June 30, 2010

The MD&A is dated as of the date of this Prospectus and discloses specified information up to that date. The Financial Statements are prepared in accordance with Canadian GAAP.

<u>Overall Performance</u>

*Overview of the Corporation*

The Corporation was incorporated on October 5, 2006 under the laws of British Columbia, Canada. The Corporation is primarily engaged in the acquisition and exploration of mineral properties in Tanzania, Quebec, and South Africa.

In 2007, the Corporation incorporated had two wholly-owned subsidiaries to operate in Tanzania: Montero Tanzania Limited ("Montero Tan") and Montero Resources Limited ("MRL"). The Corporation subsequently (on March 11, 2010) received consent from the Ministry to complete a sale of Montero Tan, to Minjingu Trust Limited, a company which has a director in common with the Corporation, for proceeds of $1 (resulting in a gain on disposition of $19,638 for the year ended December 31, 2009). The only asset involved in this sale was the revoked licence comprising the Minjingu licence area, which was previously impaired by the Company to a book value of $1. The Corporation also subsequently incorporated two wholly-owned holding companies incorporated in the British Virgin Islands ("BVI"); Montero Resource Holding Limited ("MRHL") and Montero Projects Limited ("MPL") See "Intercorporate Relationships".

The key performance driver for the Corporation is to find and develop mineral deposits to create wealth for shareholders. This is being achieved through acquiring and exploring properties which have the highest potential for future discoveries. Management works to rationalize all of its significant core holdings to maintain percentage ownership while working with others to share the risk of exploration of these properties. Management acquires its mineral properties through earn-in arrangements, staking and the issuance of Shares where possible to preserve the Corporation's cash reserves.

*Highlights for Year ended December 31, 2008*

- The Corporation signed the Option Agreement with respect to the Wigu Hill Property in Tanzania.
- The Corporation continued its exploration work on the Girard claim area in Quebec, Canada and entered into an agreement to acquire 100% interest in the Lac Yvonne claim area in Quebec, Canada.

- The Corporation recorded an impairment of the Minjingu property in Tanzania totalling $465,417 due to the notification from the Government of Tanzania of its intention to rescind the Notification of Grant of a Mineral Right for the Minjingu area.
- The Corporation's operating expenses increased from $481,916 in 2007 to $611,879 for the year ended December 31, 2008 primarily due to increased activity in the Corporation's operations. In addition, exploration work continued on the Corporation's mineral properties whereby a total of $263,579 was spent during the year compared to expenditures of $710,284 in the previous year.
- The Corporation recorded a net loss of $1,068,987 ($0.08 per Share) for the year ended December 31, 2008 compared to a net loss of $465,122 ($0.08 per Share) for the year ended December 31, 2007.

*Highlights for Year ended December 31, 2009*

- The Corporation focused on REE and associated minerals.
- The Corporation identified the Wigu Hill Property REE project in Tanzania to host high REE grades and enriched in the more valuable "heavy REEs". Results received from the exploration sampling program gave high Total Rare Earth Oxides (TREO) results up to 26.2% TREO.
- The Corporation signed an amended agreement with respect to the Wigu Hill Property in Tanzania, whereby a further 18-month extension for the First Option was arranged, expiring on November 28, 2012.
- The Corporation continued its exploration work on the Girard claim area and Lac Yvonne in Quebec, Canada.
- The Corporation issued 11,083,340 Shares at a price of $0.12 per Share for cash proceeds of $1.3 million.
- The Corporation's operating expenses decreased from $611,879 in 2008 to $325,429 for the year ended December 31, 2009 primarily due to decreased activity in the Corporation's operations.
- Minimal exploration work continued on the Corporation's mineral properties whereby a total of $251,807 was spent during the year compared to expenditures of $263,579 in the previous year with the majority being spent on the Wigu Hill Property in Tanzania.
- The Corporation recorded a net loss of $390,410 ($0.03 per Share) for the year ended December 31, 2009 compared to a net loss of $1,068,987 ($0.08 per Share) for the year ended December 31, 2008.

*Highlights for Period ended June 30, 2010*

- The Corporation signed an amended Option Agreement with respect to the Wigu Hill Property in Tanzania, whereby it accelerated its earn in to 60% of the project by making a once off full and final option payment to RSR (Tanzania) Limited ("RSR") the holder of the licences over the Wigu Hill Property.
- The Corporation continued work on the Wigu Hill Property in Tanzania with focussed exploration program on the eastern extent of the Wigu Hill Property carbonatite complex. The exploration program included delineation of drilling targets on the REO enriched carbonatite dikes with trenching, geological mapping and hand-held radiometrics.
- The Corporation signed a binding term sheet with respect to the Phosco projects in South Africa, and due diligence commenced.
- The Corporation continued its exploration work on the Girard and Lac Yvonne claim areas in Quebec, Canada.
- The Corporation issued 1,112,391 Shares for the settlement of accrued consulting and director fees totalling $143,237 to preserve cash reserves.
- A private placement financing was completed in June, whereby the Corporation issued 3,250,000 Shares at $0.25 for cash proceeds of $812,500.

- The Corporation's operating expenses increased from $101,376 for the six month period ended June 30, 2009 to $563,561 for the six month period ended June 30, 2010 primarily due to increased activity in the Corporation's operations.
- Exploration work continued on the Corporation's mineral properties whereby a total of $933,359 was spent during the six month ended June 30, 2010 compared to expenditures of $78,620 in the comparative period in 2009 with the majority being spent on the Wigu Hill Property in Tanzania. In addition, the Corporation settled its remaining obligations of the Girard property in Quebec by issuing 1,000,000 Shares valued at $135,000.
- The Corporation recorded a net loss of $543,033 ($0.02 per Share) for the six months ended June 30, 2010 compared to a net loss of $166,822 ($0.01 per Share) for period ended June 30, 2009.

*Exploration Results for the Years ended December 31, 2007, 2008 and 2009, and the period ended June 30, 2010*

Michael J. Evans, the Corporation's consulting geologist, who is a qualified person as defined by NI 43-101, reviewed the technical information presented in the following sections herein.

Tanzania

*Wigu Hill Property – As at December 31, 2008*

On May 26, 2008, the Corporation and RSR entered into the Option Agreement. See "Description of the Business - Wigu Hill and the Option Agreement".

During the year ended December 31, 2008, the Corporation incurred acquisition costs totaling $54,027 which represents the commitment under the Option Agreement of the option payments and the annual renewal license fees. In addition, exploration work commenced and expenditures totaling $68,524 were incurred for the year ended December 31, 2008. This work primarily involved initial reconnaissance work and reconnaissance rock chip sampling.

*Wigu Hill Property – As at December 31, 2009*

An addendum to the Option Agreement was signed on June 30, 2009 whereby the three-year First Option period was extended a further 18 months to expire November 28, 2012, and the amount of each further option payment payable on each six month anniversary during the term of the First Option, was increased from USD $20,000 to USD $30,000. (See "Description of the Business - Wigu Hill and the Option Agreement").

The exploration sampling program in 2009 identified a number of REE enriched sheeted carbonatite dike systems that form the complex.

During the year ended December 31, 2009, the Corporation incurred acquisition costs of $65,428 which represents the commitment under the agreement of the option payments and the annual renewal license fees. Exploration expenditures of $103,225 were incurred for the latter half of 2009, which included detailed geological mapping, scintillometer survey and trench and grab sampling to define drill targets.

*Wigu Hill Property – As at June 30, 2010*

A further amendment to the Option Agreement was signed on April 27, 2010 to accelerate the 60% earn-in % by a final payment of USD $150,000 to RSR on or before April 30, 2010 (which payment was made on April

30, 2010). No other option payments or exploration expenditures are required in order for the Corporation to exercise the First Option and the Corporation has a 60% vested interest in the Wigu Hill Property.

The exploration program on the Wigu Hill Property carbonatites continued in 2010. The exploration has been guided by a weak, but anomalous radiometric response from the carbonatite dikes due to the presence of trace amounts of uranium and thorium in most of the carbonatite dikes. Detailed mapping was undertaken over a selected area in the south-east extent of the Wigu Hill Property which was identified from the initial exploration sampling. An initial program of 39 trenches with a cumulative length of 680m at 25m intervals over a strike length of 400m was undertaken and detailed sampling of the individual carbonatite dikes and their enclosing gneissic rocks is in process. The initial samples await submission for analysis. Three additional areas have been delineated for initial exploration, with the easternmost target being selected for detailed assessment and evaluation. Detailed mapping and trenching of the main dikes continues in a program which is expected to last the year. A total of 40 trenches with a cumulative length of 760m have been completed to date and detailed sampling and geological logging of the trenches continues.

A 500kg bastnasite-rich bulk sample was taken from the south-east exploration area and transported to African Mineral Standards (AMIS) in Johannesburg, South Africa. AMIS specializes in preparing analytical standards for the minerals industry and they have been requested to prepare a standard from 400kg of this bulk sample for inclusion with the samples being assessed in the Corporation's evaluation program.

The quality control sample was collected from a bastnasite-rich carbonatite dike on the Tembo (Target 6) target. An initial assay undertaken by AMIS indicates a total REE content of 8.33% with Ce and La being dominant at 5.08% and 3.48% respectively, and has supported a focused exploration program which is designed to delineate drilling targets on the REO enriched carbonatite dikes in the eastern portion of the Wigu Hill Property carbonatite complex.

During the six months ended June 30, 2010, the Corporation incurred acquisition costs of $182,782 which represents the commitment under the Option Agreement of the option payments and the annual renewal license fees. Exploration expenditures of $541,198 were incurred in the six months ended June 30, 2010 which included detailed geological mapping, trenching, and road building to access and prepare drill target areas.

Events subsequent to June 30, 2010

A base camp was established on the eastern end of the Wigu Hill Property and a road was established around the base of the hill and on the eastern flank. This has greatly facilitated work efficiencies on site. Exploration has concentrated on identifying REE enriched carbonatite dikes and undertaking detailed mapping and trenching on the selected areas where these are best developed. Detailed mapping and sampling of the trenches in the south-east of the Wigu Hill Property progressed to an advanced stage. Preparations began to commence drilling activities with a view to outlining a preliminary resource.

For more information on the Wigu Hill Property, see "Description of the Business – Wigu Hill Property."

*Iringa, Liwale and Minjingu License Areas – As at December 31, 2008*

On April 24, 2007, the Corporation purchased all the right, title and interest in certain licenses from a Tanzanian vendor as follows: three licenses in the Iringa area, four licenses in the Liwale area and one in the Minjingu area. See "Description of the Business – Other Properties in Tanzania – Iringa and Liwale".

During the year ended December 31, 2008, the Corporation incurred acquisition costs totaling $14,985 which represents annual license renewal payments on the licenses. In addition, exploration expenditure on the Iringa and Liwale license areas totaling $38,575 was incurred for the year ended December 31, 2008. On the Minjingu license area, exploration expenditures totaling $135,501 was incurred with the work primarily for the technical report and site visits in follow-up of the 2007 drilling program and related travelling and geological consulting fees.

*Iringa, Liwale and Minjingu License Areas – As at December 31, 2009*

During the year ended December 31, 2009, the Corporation incurred acquisition costs totaling $5,618 which represents annual license renewal payments on the licenses. In addition, exploration expenditure on the Iringa and Liwale license areas totaling $1,059 was incurred for the year ended December 31, 2009. The Corporation decided not to pursue exploration on the Kilombero license in the Iringa area and wrote off the related mineral properties and exploration expenditure costs of $65,518 as an impairment loss.

*Iringa and Liwale License Areas – As at June 30, 2010*

During the six months ended June 30, 2010, the Corporation incurred acquisition costs of $4,630 and $9,840 which represent annual license renewal payments on the Iringa and Liwale licenses respectively.

Events subsequent to June 30, 2010

There has been no further exploration work conducted on the Iringa and Liwale license areas, however the Corporation has maintained the licenses in good standing.

Canada

*Girard Claim Area, Quebec – As at December 31, 2008*

During the year ended December 31, 2008, the Corporation incurred acquisition costs totaling $596,502 which represent the issue of the remaining 1,000,000 Shares as set out in the agreement dated April 25, 2007. In addition, exploration expenditures totaling $31,291 for the year ended December 31, 2008. This work primarily involved the costs to complete the technical report and the assay costs for rare earth elements on samples collected in the 2007 exploration program. In addition the Corporation received government tax credits of $67,565.

*Girard Claim Area, Quebec – As at December 31, 2009*

During the year ended December 31, 2009, the Corporation incurred acquisition costs of $12,855 representing the annual license fees. In addition, exploration expenditures of $59,444 were incurred for the year ended December 31, 2009.

*Girard Claim Area, Quebec – As at June 30, 2010*

During the six months ended June 30, 2010, the Corporation incurred acquisition costs of $138,381 which represents the remaining obligations in respect of the agreement and annual license fees. Of this amount, $135,000 was settled through the issuance of 1,000,000 Shares. In addition, exploration expenditures totaling $33,587 for the six month period ended June 30, 2010 were incurred and government tax credits of $23,272 for the 2007 and 2008 exploration periods were received.

Events subsequent to June 30, 2010

There has been no further exploration work conducted on the Girard claim area, however the Corporation has maintained the licenses in good standing.

*Lac Yvonne Claim Area, Quebec – As at December 31, 2008*

During the year ended December 31, 2008, the Corporation incurred acquisition costs totaling $35,626 which represent the issue of 100,000 Shares valued at $35,000 and the license renewal and transfer fees totaling $1,626. In addition, exploration expenditures totaling $16,911 were incurred for the year ended December 31, 2008. This work primarily involved a sampling and scintillometer survey.

*Lac Yvonne Claim Area, Quebec – As at December 31, 2009*

During the year ended December 31, 2009, the Corporation incurred acquisition costs of $468 which represent the license renewal fees. In addition, exploration expenditures of $3,710 were incurred for the year ended December 31, 2009.

*Lac Yvonne Claim Area, Quebec – As at June 30, 2010*

In February 2010, exploration work included 12.6 kms of line-cutting followed by a magnetic geophysical survey.

During the six month period ended June 30, 2010, the Corporation incurred acquisition costs of $572 which represents license renewal fees. In addition, exploration expenditures of $13,450 were incurred for the period and government tax credits of $5,704 for the 2008 exploration period were received.

Events subsequent to June 30, 2010

Exploration work subsequent to June 30, 2010 includes a radiometric survey on the area not previously surveyed and mapping on the dikes as outlined in the magnetic geophysical survey from earlier in the year, in addition to the collection of samples for REE analysis.

South Africa

*Phosco Project – As at June 30, 2010*

All preliminary costs of this transaction totaling $172,787 have been classified as mineral properties and exploration expenditures at this time. If the transaction does not proceed at the end of the exclusivity period on July 18, 2011, these costs will be charged to operations.

During the six months ended June 30, 2010, the Corporation's initial costs of this transaction totaled $172,787 which includes costs of $154,249 representing the payment to Eurozone and other due diligence costs.

During the exclusivity period, the compilation of the historic data, field visits, mapping and inspecting of drilling locations continues.

*Financial performance – As at December 31, 2007*

During the year ended December 31, 2007, the Corporation entered into agreements to acquire the licences in the Iringa, Liwale and Minjingu claim areas in Tanzania, and licences in the Girard, Quebec claim area for a total of 3,600,000 Shares. During the year, 700,000 of such Shares were issued at a deemed price of $0.20 per Share (500,000 of such Shares in respect of the Girard, Quebec claims and 200,000 of such Shares in respect of the Tanzanian claim areas), with the remaining 2,900,000 Shares issued in the year ended December 31, 2008.

*Financial Performance – As at December 31, 2008*

During the year ended December 31, 2008, the Corporation entered into the Option Agreement covering the Prospecting Licences in Tanzania and signed agreements to acquire the Lac Yvonne claims in Quebec, Canada, the details as noted above. The expenditures on the Corporation's mineral properties for acquisition costs and exploration expenditures are outlined above. The total cash expenditures on these mineral properties totalled $263,579 for the year ended December 31, 2008 compared to $710,284 for the previous year. In addition, the remaining 2,900,000 Shares owing pursuant to property acquisition agreements entered into in 2007 were issued as follows: 1,400,000 Shares for the Tanzania properties, issued at a deemed price of $0.20 per Share; and 1,500,000 Shares issued for the Girard claim area at a deemed price of $0.35 per Share. The Corporation also issued 100,000 Shares at a deemed price of $0.35 per Share for the Lac Yvonne claims.

The Corporation's operating costs were higher than the previous year primarily due to stock-based compensation expense related to current year stock options granted, offset by a significant reduction in property investigation costs. Overall expenses increased from $481,916 for the year ended December 31, 2007 to $611,879 for the year ended December 31, 2008.

At December 31, 2008, the Corporation had cash and cash equivalents on hand of $115,131 compared to $759,734 on December 31, 2007. The Corporation will require further financing to fund its exploration programs, for operations and for general working capital purposes. Further details on financing alternatives available to the Corporation are more fully discussed below under "Liquidity and Capital Resources".

*Financial Performance – As at December 31, 2009*

During the year ended December 31, 2009, the Corporation amended the Option Agreement covering the Prospecting Licenses in Tanzania. The expenditures on all of the Corporation's mineral properties for acquisition costs and exploration expenditures are outlined above. The total cash expenditures on these mineral properties totaled $251,807 for the year ended December 31, 2009 compared to $263,579 for the previous year.

The Corporation's operating costs were lower than the previous year primarily due to decreased activity in the Corporation. Overall operating expenses decreased from $611,879 for the year ended December 31, 2008 to $325,249 for the year ended December 31, 2009, primarily due to no stock-based compensation expense in 2009 as no new stock options were granted.

At December 31, 2009, the Corporation had cash and cash equivalents on hand of $936,560 compared to $115,131 on December 31, 2008. The Corporation will require further financing to fund its exploration programs, for operations and for general working capital purposes. Further details on financing alternatives available to the Corporation are more fully discussed below under the heading "Liquidity and Capital Resources".

*Financial Performance – As at June 30, 2010*

During the six months ended June 30, 2010, the Corporation continued exploration work on its mineral properties and maintained their licenses through the payment of the required acquisition costs, including license fees. The majority of the work was conducted on the Wigu Hill Property in Tanzania. The details of the expenditures on the Corporation's mineral properties for acquisition costs and exploration expenditures are outlined above. The total cash expenditures on these mineral properties totaled $933,359 for the six months ended June 30, 2010 compared to $78,620 for the same period in the previous year. In addition, the Corporation issued 1,000,000 Shares at a deemed price of $0.135 per Share to settle the remaining obligations due with respect to the Girard property in Quebec.

The Corporation's operating costs increased for the six month period ended June 30, 2010 compared to the previous comparative six months ended June 30, 2009, primarily due to increased activity in the Corporation and related costs incurred to prepare the Corporation for its IPO filing. Audit and tax fees increased due to more activity in the companies. Consulting fees increased due to more manpower resources being required in the financial area as well as for assistance to the CEO. Investor relations and management fees increased due to initial IPO costs and more time required by management to be spent on The Corporation. Other costs including legal fees and office and general expenses are higher due to increased activity in the Corporation. The Corporation granted stock options during the six months ended June 30, 2010 which resulted in $167,109 of stock-based compensation expense.

At June 30, 2010, the Corporation had cash and cash equivalents on hand of $626,695 compared to $936,950 on December 31, 2009. The Corporation will require further financing to fund its exploration programs, for operations and for general working capital purposes. Further details on financing alternatives available to the Corporation are more fully discussed below under the heading "Liquidity and Capital Resources".

*Objectives of the Corporation and the Year Ahead*

The Corporation's corporate objectives are to focus on the exploration, discovery and development of grass-roots REE, phosphate and uranium deposits in geologically prospective under-explored regions in southern and east Africa and Quebec, Canada.

The Corporation believes that it has a portfolio of REE, phosphate and uranium projects that can add value to the Corporation and will seek methods of adding value to these assets by drilling resources in a timely fashion by raising exploration funding or joint venture or by disposal of non-strategic assets.

The Corporation has managed its cash flow to maximize the expenditures which can be spent on its exploration programs and reduce to a minimum corporate expenses with small offices, contracted staff and minimal overheads.

Selected Financial Information

The following table sets forth selected financial information with respect to the Corporation as at and for the years ended December 31, 2007, 2008 and 2009, and the six month periods ended June 30, 2009 and 2010. The selected financial information has been derived from the audited and unaudited Financial Statements of the Corporation for the financial periods indicated. The following should be read in conjunction with the said Financial Statements and related notes thereto, which are included in this Prospectus.

| | Six months ended June 30, | | Year ended December 31, | | |
|---|---|---|---|---|---|
| | **2010 (Unaudited)** | **2009 (Unaudited)** | **2009 (Audited)** | **2008 (Audited)** | **2007 (Audited)** |
| Total Revenue | Nil | Nil | Nil | Nil | Nil |
| Net and Comprehensive (Loss) | $(543,033) | $(166,822) | $(390,410) | $(1,068,987) | $(465,122) |
| # Shares Outstanding | 30,115,730 | 13,035,001 | 24,753,341 | 13,035,001 | 10,035,001 |
| Weighted Average Number of Shares Outstanding | 26,092,223 | 13,035,001 | 14,999,107 | 12,740,754 | 6,075,412 |
| Net Income (Loss) per Share | $(0.02) | $(0.01) | $(0.03) | $(0.08) | $(0.08) |
| Total Assets | $3,548,646 | $1,667,478 | $2,747,234 | $1,742,242 | $1,922,991 |
| Total long-term Liabilities | Nil | Nil | Nil | Nil | Nil |
| Total Financial Liabilities | $278,938 | $273,238 | $136,859 | $181,180 | $158,114 |
| Cash Dividends Declared Per Share | Nil | Nil | Nil | Nil | Nil |
| Total Shareholders' Equity | $3,269,708 | $1,394,240 | $2,610,375 | $1,561,062 | $1,764,877 |

Results of Operations

During the financial year ended December 31, 2008, the Corporation entered into acquisition agreements respecting its properties in Tanzania and Quebec, and also conducted exploration work on its mineral properties. The Corporation continued exploration work on such mineral properties during the year ended December 31, 2009. During the period ended June 30, 2010, the Corporation continued its exploration work on its mineral properties and entered into additional agreements respecting its properties in Tanzania, Quebec and South Africa. A summary of expenditures made during the applicable periods is outlined below:

| | **Mineral Property Expenditures for the** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Period ended June 30, 2010** | | | **Year ended December 31, 2009** | | | **Year ended December 31, 2008** | | |
| | Acquisition | Exploration | Total | Acquisition | Exploration | Total | Acquisition | Exploration | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Tanzania** | | | | | | | | | |
| Wigu Hill | 182,782 | 541,198 | 723,980 | 65,428 | 103,255 | 168,653 | 54,027 | 68,524 | 122,551 |
| Iringa, Liwale | 14,470 | 109 | 14,579 | 5,618 | 1,059 | 6,677 | 14,501 | 38,575 | 53,076 |
| Minjingu | (1) | - | (1) | - | - | - | 484 | 135,501 | 135,985 |
| **Canada** | | | | | | | | | |
| Girard | 138,381 | 10,315 | 148,696 | 12,855 | 59,444 | 72,299 | 596,502 | 31,291 | 627,793 |
| Lac Yvonne | 572 | 7,746 | 8,318 | 468 | 3,710 | 4,178 | 35,626 | 16,911 | 52,537 |
| **South Africa** | | | | | | | | | |
| Phosco | 154,249 | 18,538 | 172,787 | - | - | - | - | - | - |
| **Total** | **490,453** | **577,906** | **1,068,359** | **84,369** | **167,438** | **251,807** | **701,140** | **290,802** | **991,942** |

*As at December 31, 2008*

Acquisition costs included the issuance of cash and Shares pursuant to the related agreements as fully outlined under the heading “Overall Performance- Exploration Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010” and Note 5 to the Financial Statements for the year ended December 31, 2008, included in this Prospectus. In Tanzania acquisition costs consisted of the earn-in payments for the Wigu Hill Property and the license costs of Liwale, Iringa and Minjingu license areas. The exploration expenditures in Tanzania mainly comprised of reconnaissance and sampling programs at the Wigu Hill Property, Iringa and Liwale license areas and the final costs associated with the technical report for the Minjingu license. In Quebec the acquisition costs for the Girard and Lac Yvonne claim areas represents the issue of the remaining Shares for the Girard claim area and the acquisition costs of the Lac Yvonne claim area. The Quebec exploration expenditures relate to costs for the technical report on the Girard claim area and the sampling program and scintillometer survey at Lac Yvonne claim area. Further detail is outlined above under the heading “Overall Performance - Exploration Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010”.

The costs are capitalized in accordance with the Corporation’s accounting policy and are reflected in mineral properties and exploration expenditures. After the Corporation received notice from the Government of Tanzania that it rescinded the Notification of Grant of a Mineral Right on the Minjingu area, the related costs totaling $465,417 were written-off to operations as impairment of mineral properties. In addition, the Corporation received government tax credits of $67,565 related to its Girard property in Quebec, Canada and these have been recorded as a recovery of exploration costs.

The Corporation’s operating expenses increased during the year ended December 31, 2008 compared to the year ended December 31, 2007. Significant changes in these expenses are outlined below.

Audit and Tax Fees

Audit and tax fees increased from $2,405 to $43,789 due to more activity in the Corporation. The year ended December 31, 2008 represented a full year of operations in Canada and the commencement of operations in Tanzania, which increased the Corporation’s audit fees. In addition, tax fees were incurred as the companies within the group commenced operations.

Directors’ Fees

Directors’ fees increased from $4,000 to $14,637 due to a full year of activity in 2008 as well as the commencement of operations in Tanzania, which required related payments for directors’ fees in the subsidiary company.

Legal Fees

Legal fees were reduced from $100,054 to $56,831 as costs were incurred in 2007 for private placements in that year which were not required in 2008.

Project Investigation Costs

Project investigation costs declined from $201,022 in 2007 to $11,980 in 2008 since the Corporation is now focused on its properties in Tanzania and Quebec and is currently not investigating other potential projects.

### Stock Based Compensation

Stock-based compensation was $305,172 for the year ended December 31, 2008 compared to $Nil for the prior year due to the granting of stock options during the year, whereas no stock options were granted in the prior year.

### Impairment of Mineral Properties

The Corporation wrote-off the Minjingu license in 2008 totaling $465,417 as an impairment of mineral properties due to the Government of Tanzania through the Ministry rescinding the Notification of Grant of a Mineral Right on the Minjingu license area that was originally granted to the Corporation. The Corporation has lodged an appeal with the Attorney General for restitution of the license or compensation thereof.

### Net and Comprehensive Loss

The Corporation's net and comprehensive (loss) for the year ended December 31, 2008 was $(1,068,987), ($0.08) per Share, compared with a net and comprehensive loss of $(465,122), ($0.08) per Share in the prior year.

### Cash and Cash Equivalents

The Corporation's cash and cash equivalents amounted to $115,131 at December 31, 2008 compared to $759,734 at December 31, 2007. Working capital (deficiency) was $(62,842) at December 31, 2008 compared to $618,434 at December 31, 2007. The Corporation will require further financing to fund its exploration programs, pay for its operations and for general working capital purposes. See details on financing alternatives available to the Corporation as more fully discussed under the heading "Liquidity and Capital Resources".

### Commitments and Contingencies

The Corporation had no commitments for operating lease rentals. The Corporation had commitments for Share issuances, cash payments and exploration expenditure commitments related to its mineral properties pursuant to the applicable acquisition agreements. These details are outlined under the heading "Overall performance – Explorations Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010", and in Note 5 to the Financial Statements for the year ended December 31, 2008, which are included in this Prospectus.

The Corporation had no contingencies as at December 31, 2008.

*As at December 31, 2009*

Acquisition costs included the issuance of cash and Shares pursuant to the related agreements as fully outlined under the heading "Overall Performance - Exploration Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010" and Note 6 to the Financial Statements for the year ended December 31, 2009, included in this Prospectus. In Tanzania, acquisition costs consisted of the earn-in payments for the Wigu Hill Property and the license costs of Liwale and Iringa license areas. The exploration expenditures in Tanzania mainly comprised of reconnaissance and sampling programs at the Wigu Hill Property. In Quebec, the acquisition costs for the Girard and Lac Yvonne claim areas represent the annual license fees. The Quebec exploration expenditures relate to the sampling and survey programs on the Girard claim area and data review at Lac Yvonne claim area. Further detail is outlined above under the heading “Overall Performance - Exploration Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010”.

During the year, the Corporation decided not to pursue exploration in one of the license areas of Iringa and wrote off the related mineral properties and exploration expenditures costs of $65,518 as an impairment loss.

The Corporation’s operating expenses decreased during the year ended December 31, 2009 compared to the year ended December 31, 2008. Significant changes in these expenses are outlined below.

Accounting and Administrative Wages

Accounting and administrative wages increased from $Nil in 2008 to $13,758 due to the need for administrative assistance in Tanzania to manage the local operations.

Audit and Tax Fees

Audit and tax fees increased from $43,789 to 61,832 due to increased requirements for these services in Canada and Tanzania.

Stock Based Compensation

Stock based Compensation was $Nil for the year ended December 31, 2009 compared to $305,172 for the year ended December 31, 2008 due to no stock options being granted during the year.

Impairment of Mineral Properties

The Corporation recorded an impairment of mineral properties of $65,518 for the year ended December 31, 2009 when the Corporation decided not to pursue exploration on the Kilombero license in the Iringa area. In 2008, the Corporation wrote off all costs related to the Minjingu license totaling $465,417 when the Government of Tanzania rescinded the Notification of Grant of a Mineral Right on the Minjingu license area that was originally granted to the Corporation.

Net and Comprehensive Loss

The Corporation’s net and comprehensive (loss) for the year ended December 31, 2009 was $(390,410), ($0.03) per Share, compared with a net and comprehensive loss of $(1,068,987), ($0.08) per Share in the prior year.

Cash and Cash Equivalents

The Corporation’s cash and cash equivalents amounted to $936,950 at December 31, 2009 compared to $115,131 at December 31, 2008. Working capital (deficiency) was $805,751 at December 31, 2009 compared to $(62,842) at December 31, 2008. The Corporation will require further financing to fund its exploration programs, pay for its operations and for general working capital purposes. See details on financing alternatives available to the Corporation as more fully discussed under the heading “Liquidity and Capital Resources”.

Commitments and Contingencies

The Corporation had no commitments for operating lease rentals. The Corporation had commitments for Share issuances, cash payments and exploration expenditure commitments related to its mineral properties pursuant to the acquisition agreements. These details are outlined in "Overall Performance - Exploration Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010" and Note 6 to the Financial Statements for the year ended December 31, 2009.

The Corporation had no contingencies as at December 31, 2009.

*As at June 30, 2010*

Acquisition costs included the issuance of cash and Shares pursuant to the related agreements as fully outlined under the heading "Overall Performance - Exploration Results for the Year" and Note 4 to the Financial Statements for the six months ended June 30, 2010, which are included in this Prospectus. In Tanzania acquisition costs consisted of the commitment under the Option Agreement on the Wigu Hill Property and annual licence fees. The exploration expenditures in Tanzania mainly comprised of detailed geological mapping, trenching and road building to access and prepare drill target areas. In Quebec the acquisition costs represent the issue of Shares to settle the remaining obligations for the Girard claim area and annual licence fees. The Quebec exploration expenditures relate to the magnetic surveys on the Girard and Lac Yvonne claim areas. Further detail is outlined above under the heading "Overall Performance - Exploration Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010".

During the six month period ended June 30, 2010, the Corporation received government tax credits of $28,976 related to its properties in Quebec, Canada and these have been recorded as a recovery of exploration costs.

The Corporation's operating expenses increased during the six months ended June 30, 2010 compared to the six months ended June 30, 2009 due to increased activity in the Corporation. Significant changes in these expenses are outlined below.

Audit and Tax Fees

Audit and tax fees increased from $940 to $24,557 during the comparable six month period due to more activity in the Corporation and corporate restructuring undertaken. In addition, tax fees were incurred as the subsidiary companies within the group commenced operations in the prior year.

Consulting Fees

Consulting fees increased from $Nil to $27,840 during the comparable six month period due to more manpower resources required in the Corporation in the financial area as well as administrative support for the CEO.

Investor Relations Expenses

Investor relations expenses of $29,583 were undertaken for promotional material and consulting fees to prepare the Corporation for its proposed IPO and to inform potential investors about the Corporation.

### Legal Fees

Legal fees increased from $30,489 to $48,858 during the comparable six month period due to legal requirements for property agreements, private placements and other corporate restructuring.

### Office and General Costs

Office and general costs increased from $1,395 to $38,682 during the comparable six month period due to the incorporation of two companies in the British Virgin Islands and increased Corporation operations.

### Management Fees

Management fees increased from $48,031 to $100,724 during the comparable six month period as more time was required to be spent on Corporation activities by management, namely, the CFO and CEO.

### Project Investigation Costs

Project investigation costs of $18,816 were incurred in respect of initial due diligence costs on the Phosco property prior to the execution of the binding term sheet.

### Stock Based Compensation

Stock-based compensation was $167,109 for the six month period ended June 30, 2010 compared to $Nil for the prior comparative period due to additional stock options being granted during the period.

### Travel Costs

Travel costs increased from $13,672 to $63,676 during the comparable six month period due to an increase in the Corporation's activity during the six months ended June 30, 2010.

### Impairment of Mineral Properties

The Corporation realized a gain on sale of subsidiary of $19,638, when they received consent from the Ministry and completed a sale of its subsidiary, Montero Tan, to Minjingu Trust Limited ("Minjingu Trust"), a company which has a director in common with the Corporation, for proceeds of $1, resulting in a gain on disposition of $19,638. The only asset involved in this sale was the revoked licence comprising the Minjingu licence area, which was previously impaired by the Corporation to a book value of $1.

### Net and Comprehensive Loss

The Corporation's net and comprehensive (loss) for the six months ended June 30, 2010 was $(543,033), ($0.02) per Share, compared with a net and comprehensive loss of $(166,822), ($0.01) per Share in the prior six month period.

### Cash and Cash Equivalents

The Corporation's cash and cash equivalents amounted to $626,695 at June 30, 2010 compared to $936,950 at December 31, 2009. Working capital was $363,530 at June 30, 2010 compared to $805,751 at December 31, 2009. The Corporation will require further financing to fund its exploration programs, pay for its operations and for general working capital purposes. See details on financing alternatives available to the Corporation as more fully discussed under the heading "Liquidity and Capital Resources".

Commitments and Contingencies

The Corporation had no commitments for operating lease rentals. The Corporation had commitments for Share issuances, cash payments and exploration expenditure commitments related to its mineral properties pursuant to the acquisition agreements. These details are outlined under the heading "Overall Performance - Exploration Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010" and Note 4 to the Financial Statements for the six months ended June 30, 2010, which are included in this Prospectus.

The Corporation had no contingencies as at June 30, 2010.

*Segmented Information*

All of the Corporation's operations are in the mineral properties exploration industry with its principal business activity in the acquisition and exploration of mineral properties, which are located in Tanzania, Canada, and South Africa. The location of the Corporation's assets by geographic area as of June 30, 2010, December 31, 2009 and 2008 is as follows:

| | **June 30, 2010 ($)** | **December 31, 2009 ($)** | **December 31, 2008 ($)** |
|---|---|---|---|
| | | **$** | **$** |
| Tanzania | 1,523,937 | 760,444 | 647,389 |
| Canada | 1,851,992 | 1,986,790 | 1,094,853 |
| South Africa | 172,787 | - | - |
| | **3,548,646** | **2,747,234** | **1,742,242** |

Summary of Quarterly Results

The following table sets out selected quarterly information for the eight most recently completed quarters prior to each of the periods ended June 30, 2010, December 31, 2009 and December 31, 2008.

| | **June 30, 2010 (Q2) ($)** | **March 31, 2010 (Q1) ($)** | **Dec. 31, 2009 (Q4) ($)** | **Sept. 30, 2009 (Q3) ($)** | **June 30, 2009 (Q2) ($)** | **March 31, 2009 (Q1) ($)** | **Dec. 31, 2008 (Q4) ($)** |
|---|---|---|---|---|---|---|---|
| Legal, audit, tax fees | 42,738 | 30,677 | 62,757 | 24,141 | 3,514 | 27,915 | 29,551 |
| Management fees | 49,763 | 50,961 | 49,496 | 14,500 | 31,584 | 16,447 | 17,148 |
| Stock-based compensation | 42,324 | 124,785 | - | - | - | - | 26,525 |
| Other cash expenses | 114,725 | 107,588 | 60,982 | 11,997 | 5,154 | 16,762 | 12,340 |
| Impairment of mineral properties | - | - | - | - | 65,518 | - | 465,417 |
| Interest income | (230) | (660) | (284) | (1) | - | (72) | (821) |
| Net Loss | (249,320) | (293,713) | (172,951) | (50,637) | (105,770) | (61,052) | (550,161) |
| Loss per Share Basic and diluted | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.03) | (0.04) |
| Mineral properties | 2,843,892 | 2,057,937 | 1,775,533 | 1,632,491 | 1,602,346 | 1,608,919 | 1,589,244 |
| Total assets | 3,548,646 | 2,703,571 | 2,747,234 | 1,693,277 | 1,667,478 | 1,733,257 | 1,742,242 |
| Total liabilities | 278,938 | 174,367 | 136,859 | 175,740 | 273,238 | 233,247 | 181,180 |
| Shareholders' equity | 3,269,708 | 2,529,204 | 2,610,375 | 1,517,537 | 1,394,240 | 1,500,010 | 1,561,062 |

| | Sept. 30, 2008 (Q3) ($) | June 30, 2008 (Q2) ($) | March 31, 2008 (Q1) ($) | Dec. 31, 2007 (Q4) ($) | Sept. 30, 2007 (Q3) ($) | June 30, 2007 (Q2) ($) | March 31, 2007 (Q1) ($) |
|---|---|---|---|---|---|---|---|
| Legal, audit, tax fees | 9,825 | 34,943 | 26,301 | 18,036 | 30,774 | 44,983 | 8,666 |
| Management fees | 12,510 | 34,070 | 47,188 | 31,229 | 32,560 | 21,288 | 22,901 |
| Stock-based compensation | - | 52,952 | 225,694 | - | - | - | - |
| Other cash expenses | 12,060 | 28,049 | 42,722 | 120,131 | 79,695 | 33,480 | 38,173 |
| Impairment of mineral properties | - | - | - | - | - | - | - |
| Interest income | (1,123) | (1,831) | (4,534) | (9,144) | (6,774) | (876) | - |
| Net Loss | (33,272) | (148,183) | (337,371) | (160,252) | (136,255) | (98,875) | (69,740) |
| Loss per Share Basic and diluted | (0.01) | (0.01) | (0.03) | (0.02) | (0.02) | (0.02) | (0.03) |
| Mineral properties | 1,757,161 | 1,747,174 | 1,598,378 | 1,130,284 | 564,642 | 129,826 | 8,666 |
| Total assets | 2,000,733 | 2,064,760 | 2,103,482 | 1,922,991 | 1,649,388 | 1,665,690 | 186,297 |
| Total liabilities | 136,036 | 166,791 | 150,282 | 158,114 | 44,259 | 24,306 | 82,038 |
| Shareholders' equity | 1,864,697 | 1,897,969 | 1,953,200 | 1,764,877 | 1,605,129 | 1,641,384 | 104,259 |

Note: Loss per Share amounts disclosed above on a quarterly basis may not necessarily equal the cumulative amounts disclosed in the Corporation's Financial Statements, due to the timing of changes in the weighted average number of Shares throughout the year versus the weighted average number of Shares throughout the quarter. The above quarterly information is prepared in accordance with GAAP.

*Discussion on Quarterly Results as at December 31, 2008*

Generally, the expenditures increased from the beginning of 2007 as the Corporation increased its operational activity in 2008, particularly in Tanzania. Legal, audit and tax fees are required due to annual audits, tax advice, assistance with private placements and preparation of legal documents and the timing of these expenditures is dependent upon the timing of the private placement, execution of legal documents, etc., which is reflected in the above quarterly amounts. Management fees represent costs for management remuneration and decreased in Q3 and Q4 of 2008 due to limited activity and management decreasing their time spent on the Corporation.

Stock-based compensation is charged to operations as the stock options vest and is dependent upon the timing of the granting of the stock options. Other cash expenses are higher in Q3 and Q4 of 2007 due to project investigation costs being incurred in those periods. Mineral properties are reviewed for impairment on a periodic basis and any impairment write-downs are recorded when circumstances indicate that the carrying value of the mineral property may not be recoverable, which occurred in Q4 of 2008 when the Corporation wrote off the Minjingu carrying costs.

*Discussion on Quarterly Results as at December 31, 2009*

Generally, the expenditures remained constant in 2009 from 2008. Legal, audit and tax fees are required due to annual audits, tax advice, assistance with private placements and preparation of legal documents and the timing of these expenditures is dependent upon the timing of the private placement, execution of legal documents, etc., which is reflected in the above quarterly amounts. Management fees represent costs for management remuneration and fluctuate from quarter to quarter depending on the time they spend on the Corporation. Stock-based compensation is charged to operations as the stock options vest and is dependent upon the timing of the granting of the stock options. Other cash expenses are higher in Q4 of 2009 due to costs incurred for preparation of the Corporation for its IPO. Mineral properties are reviewed for impairment on a periodic basis and any impairment write-downs are recorded when circumstances indicate that the carrying value of the mineral property may not be recoverable, which occurred in Q4 of 2008 when the Corporation wrote off the Minjingu license and Q2 of 2009 when the Corporation wrote off one of its Iringa licenses.

### *Discussion on Quarterly Results as at June 30, 2010*

Generally, the expenditures have increased in 2010 due to increased activity in the Corporation and preparations for the Corporation's IPO filing. Legal, audit and tax fees are required due to annual audits, tax advice, assistance with private placements and preparation of legal documents and the timing of these expenditures is dependent upon the timing of the private placement, execution of legal documents, etc., which is reflected in the above quarterly amounts. Management fees represent costs for management remuneration and fluctuate from quarter to quarter depending on the time they spend on the Corporation. Stock-based compensation is charged to operations as the stock options vest and is dependent upon the timing of the granting of the stock options. Other cash expenses are higher in 2010 and Q4 of 2009 due to costs incurred for preparation of the Corporation for its IPO. Mineral properties are reviewed for impairment on a periodic basis and any impairment write-downs are recorded when circumstances indicate that the carrying value of the mineral property may not be recoverable, which occurred in Q4 of 2008 when the Corporation wrote off the Minjingu license and Q2 of 2009 when the Corporation wrote off one of its Iringa licenses. The Corporation sold one of its subsidiaries in Q1 of 2010 and realized a gain on this sale of $19,638.

### Liquidity and Capital Resources

The Corporation held cash and cash equivalents of $759,734 as at December 31, 2007, $115,131 as at December 31, 2008, $936,950 as at December 31, 2009, and $626,695 as at June 30, 2010. The Corporation reported working capital of $618,434 at December 31, 2007, a working capital (deficiency) of $(62,842) at December 31, 2008, working capital of $805,751 at December 31, 2009, and working capital of $363,530 at June 30, 2010.

The Corporation used cash for its operations of $322,418 for the year ended December 31, 2007, $356,953 for the year ended December 31, 2008, $183,617 for the year ended December 31, 2009 and $153,417 for the six months ended June 30, 2010 (compared to $5,168 for the six months ended June 30, 2009). The Corporation used cash in its financing activities of $24,071 for the year ended December 31, 2008 due to financing costs incurred compared to cash generated from the issuance of Shares of $1,811,000 for the year ended December 31, 2007. The Corporation generated cash of $1,257,243 from the issuance of Shares in 2009, and $776,521 during the six months ended June 30, 2010 (compared to $Nil during the six months ended June 30, 2009). The Corporation spent $728,848 on investing activities on mineral property expenditures and the purchase of equipment for the year ended December 31, 2007, $263,579 for the year ended December 31, 2008, $251,807 for the year ended December 31, 2009, and $933,359 for the six months ended June 30, 2010 (compared to $78,620 for the six month period ended June 30, 2009).

During the year ended December 31, 2008, the Corporation received government tax credits totaling $67,565 relating to exploration cost recoveries. Management expects only minimal government tax credits in the upcoming year due to limited exploration activity in Quebec on the Girard and Lac Yvonne claim areas.

On July 15, 2009, the directors and officers and companies associated with them entered into Shares for Debt Exchange Agreements for settlement of debts totaling $127,000 by the issuance of 635,000 Shares. On November 6, 2009, the Corporation closed a private placement issuing 11,083,340 Shares at $0.12 for proceeds of $1,330,001. A finder's fee of $51,840 was paid in conjunction with raising these funds.

During the six months ended June 30, 2010, the Corporation received government tax credits totaling $28,976 relating to exploration cost recoveries in Quebec. During the six months ended June 30, 2010, the Corporation settled debts totaling $143,237 by issuing 1,112,389 Shares. In addition, the Corporation completed a private placement financing by issuing 3,250,000 Shares for cash proceeds of $812,500.

The Corporation has no commitments for operating lease rentals. The Corporation has commitments for Share issuances, cash payments and exploration expenditure commitments related to its mineral properties pursuant to the acquisition agreements. These details are outlined under the heading "Overall Performance – Exploration Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010" and in Note 5 to the Financial Statements for the year ended December 31, 2008 in respect of such period, in Note 6 to the Financial Statements for the year ended December 31, 2009 in respect of such period, and in Note 4 to the Financial Statements for the period ended June 30, 2010 in respect of such period, all of which Financial Statements are included in this Prospectus.

The Corporation is dependent upon its ability to raise additional funds to support its operations and it does require additional financing since it is an exploration stage company with no current sources of revenue. Funding options available to the Corporation are outlined below.

The Corporation is currently a private company but intends to become a publicly traded corporation listed on a prescribed Canadian stock exchange in the near future. The Corporation then plans to utilize the public market when practicable to raise the additional funds it requires, either through brokered or non-brokered private placements. Currently, the Corporation relies on its current shareholders for financing its operations. See "Special Note Regarding Forward-looking Information" and "Risk Factors".

The Corporation issues Shares where possible for mineral property acquisitions as well as for debt settlements when practicable as noted above. In addition, the Corporation negotiates favourable funding terms for its mineral property payments where possible and amends the agreements, if required, to coincide with the Corporation's cash funds available. The Corporation works with other joint venture partners in exploring for its mineral properties to share the costs and risks in exploring them.

The Corporation grants stock options to promote the profitability and growth of the Corporation by facilitating the efforts to attract and retain its directors, officers and consultants.

Events subsequent to June 30, 2010

See above under the heading "Management's Discussion and Analysis – Exploration Results for the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010 – South Africa" and "Management's Discussion and Analysis - Proposed Transactions".

Off Balance Sheet Arrangements

There are currently no off balance sheet arrangements which could have a material effect on current or future results or operations, or the financial condition of the Corporation.

Transactions with Related Parties

During the years ended December 31, 2008 and 2009, and the six months ended June 30, 2010 and 2009, the Corporation incurred the following transactions with directors, officers or companies in which the directors have significant influence and interests:

| | June 30, 2010 ($) | Dec. 31, 2009 ($) | June 30, 2009 ($) | Dec. 31, 2008 ($) |
|---|---|---|---|---|
| Geological consulting fees and other (exploration expenditures) | 213,052 | 66,738 | 8,010 | 122,423 |
| Accounting and administrative wages | 6,897 | 13,758 | 732 | — |
| Consulting fees | 14,000 | — | — | — |
| Directors' fees | 9,106 | 15,209 | 6,000 | 14,637 |
| Investor relations | 21,800 | — | — | — |
| Management fees | 100,724 | 112,027 | 48,031 | 110,916 |
| Project investigation costs | 18,000 | 10,400 | — | — |

*For the Years ended December 31, 2008 and 2009, and the period ended June 30, 2010*

The geological consulting fees and exploration expenditure noted in the table above were capitalized as a component of the Corporation's mineral properties and exploration expenditures. The accounting and administrative wages, consulting fees, management fees and project investigation costs were charged to operations. Director fees were paid to individual directors or companies controlled by directors of the Corporation.

The amounts due to related parties represent amounts due to directors and officers or companies in which the directors have significant influence and/or interest, for management fees and reimbursement of costs. These amounts are unsecured, non-interest bearing and due on demand.

These transactions were in the normal course of business and were measured at the exchange amount, which is the amount established and agreed to by the related parties.

See "Directors and Officers", and "Executive Compensation" sections of this Prospectus.

Fourth Quarter

Please see the heading "Summary of Quarterly Results" for information on the fourth quarter of 2008 and 2009.

Proposed Transactions

The Corporation entered into the Agency Agreement on •, 2010 with Byron Securities Limited and Haywood Securities Inc. (together, the "Agents") whereby the Agents agreed to act as agents in respect to an Initial Public Offering ("IPO"). The Corporation proposes to issue • Units at a price of $0.• per Unit (the "Issue Price"). Each Unit shall consist of one Share and one half of one Share purchase warrant of the Corporation, each whole such warrant exercisable into one Share at $0. • for a period of twenty-four (24) months from the Closing Date. The Agents' Commission will include a cash commission of 7.0% of the gross proceeds raised pursuant to the Offering and $25,000 as a corporate finance fee. The Agents will also be granted Agents' Warrants equal to 7.0% of the number of Units sold. Each Agents' Warrant shall entitle the holder to purchase one Agents' Unit at the Issue Price for a period of twenty-four (24) months from the Closing Date. See "Plan of Distribution" and "Description of the Securities Distributed".

The Corporation has proposed, and reasonably expects to complete prior to the completion of the Offering, a private placement financing (the "Placement") of 3,700,000 Units on substantially the same terms as the Offering. The price of the Units will be $0.50 per Unit, and each Unit will consist of one Share and one half of one Warrant. Each whole Warrant shall be exercisable into one Share at a price of $0.70, for a period of twenty four (24) months from the date of the closing the Placement. The Placement may include a commission to certain qualified agents, on terms to be determined. See "Special Note Regarding Forward-Looking Information".

Changes in Accounting Policies including Initial Adoption

*Changes in accounting policies*

None.

*Initial adoption of accounting policies*

The following accounting standards, amendments to standards and guidance were adopted effective January 1, 2008:

Section 1535 – Capital disclosures

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance. The Corporation has included disclosures recommended by this new section in Note 11 to the Financial Statements as at December 31, 2008.

Section 3862 and 3863 – Financial instruments– Disclosures and Presentations

These standards replaced CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures required, which will enable users to evaluate the significance of financial instruments for an entity's position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, currency risk, interest rate risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. The Corporation has included disclosures recommended by this new section in Note 11 to the Financial Statements as at December 31, 2008.

Amendments to Section 1400 – Going Concern

General Standards of Financial Statement Presentation, CICA 1400, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. These new disclosures have been provided in Note 2 to the Financial Statements as at December 31, 2008 and Note 2 to the Financial Statements as at December 31, 2009.

EIC 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments.

EIC 174 – Mining Exploration Costs

In March 2009 the CICA approved EIC 174, Mining Exploration Costs. The guidance clarified that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that carrying amount may not be recoverable.

*New Accounting Standards*

In February 2008, the CICA Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (i.e., IFRS will replace Canadian generally accepted accounting principles for public companies). The official changeover date will apply for interim and financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation will be adopting these requirements on these required dates. The Corporation has determined that the key elements of this IFRS changeover on the Corporation will be in the areas of accounting for mineral properties' acquisition and exploration costs, accounting for share capital including stock option and Warrant valuations and general IFRS disclosure requirements. The Corporation is currently assessing the specific impact on the Corporation's financial reporting and developing an implementation timetable.

In January, 2009, the CICA issued Section 1582, "Business Combinations" which will provide the Canadian equivalent to IFRS 3, "Business Combinations" and will replace the existing Section 1581, "Business Combinations". The new standard will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year in which case an entity would also be required to early adopt Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests". Management does not expect that the adoption of these new standards will have a significant impact on the Corporation's financial statements.

Other pronouncements issued with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Corporation.

Financial Instruments and Other Instruments

*Financial Instruments*

The Corporation follows Canadian Institute of Chartered Accountants ("CICA") Sections 3855, "Financial Instruments – Recognition and Measurement" and Section 3856, "Hedges". Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial assets and liabilities (including derivatives), are to be measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Corporation's financial instruments consist of cash and cash equivalents, receivables, accounts payable and due to related parties. The carrying values of these financial instruments approximate their fair value unless otherwise noted.

Cash and cash equivalents are measured at face value, representing fair value, and classified as held-for-trading. Receivables, which are measured at amortized cost, are designated as loans and receivables. Accounts payable and due to related parties, which are measured at amortized cost, are designated as other financial liabilities.

The Corporation does not use any hedging instruments.

*Management of Capital*

The Corporation manages its capital to ensure that it will be able to continue as a going concern, while maximizing the return to stakeholders through the optimization of the issuance of equity instruments. The capital of the Corporation consists of equity attributable to common shareholders comprised of Share and stock options. The Corporation is not subject to any externally imposed capital requirements.

*Risk Management*

Industry Risk

The Corporation is engaged primarily in the mineral exploration field. The Corporation is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Corporation addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements, however environmental 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 that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is in its cash and cash equivalents. This risk relating to cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Currency Risk

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 Corporation operates in Tanzania, Canada and South Africa and portions of its expenditures are incurred in US dollars, Tanzanian Shillings, Canadian dollars and South African Rand. Due to the uncertainty and relative devaluation of the local currency in Tanzania and South Africa, most significant transactions are conducted in US dollars. Consequently, the Corporation is primarily exposed to changes in the Canadian dollar (CAD) compared to the United States dollar (USD). A significant fluctuation in the exchange rate of the USD compared to the CAD could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation does not engage in any hedging activities to reduce its foreign currency risk, but does manage the currency of its cash resources to complement the denomination of the expenditures required.

Foreign Mining Regulation

The Corporation provided an update on the permitting process following the promulgation of the Mining Act 2010 (‘the Act’) by the Tanzanian Government on April 23, 2010. The amendments to the Mining Act include the increasing of the state royalty from the current 3% NSR to 4% based on the gross value if any base metals produced, and a provision for the State to negotiate a free-carried interest in a mining development that is subject to a Development Agreement between the developer and the Government of Tanzania. If implemented, these amendments may have a negative impact on future mine developments relative to the provisions of the existing Mining Act.

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 Corporation is exposed to interest rate risk on its cash equivalents as these accrue interest at variable rates.

Liquidity and Funding Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Corporation’s objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Corporation’s ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as significant.

Additional Disclosure for Venture Issuers Without Significant Revenue

The information required on the Corporation’s mineral properties’ capitalized acquisition costs and exploration expenditures are readily available from the Corporation’s Financial Statements for the years ended December 31, 2008 and 2009 and for the six months ended June 30, 2010, all of which are included in this Prospectus.

Disclosure of Outstanding Share Data

The information on the Corporation’s Share capital including numbers of Shares outstanding, details of any conversion features, number of Shares issuable on conversion of stock options and Warrants, etc. are detailed in the Corporation’s Financial Statements for the year ended December 31, 2009 and 2008, which are included in this Prospectus. The number of Shares outstanding as of the date of this Prospectus is • Shares. See “Consolidated Capitalization”.

Risks and Uncertainties

Through its operations, the Corporation is exposed to various business risks set out below. Additional risks and uncertainties, including those of which the Corporation is not currently aware or that the Corporation currently deems immaterial, may also adversely affect the business of the Corporation.

- The Corporation has not been profitable since inception and it may continue to incur substantial losses.
- The Corporation operates in the highly speculative business of mining exploration and development and is currently in the exploration stage. The Corporation has not yet determined

whether their properties contain enough mineral reserves, such that their recovery would be economically viable.

- The Corporation is exploring for mineral resources and these commodities are subject to pricing and other risks.
- The Corporation may not be able to secure adequate financing to support the expenditures required to sustain the Corporation until profitable operations are achieved.
- The Corporation operates in foreign jurisdictions and although professional advice is obtained to ensure the Corporation meets all the local requirements, there may be deficiencies in some areas.
- The Corporation faces currency risks in its operations.
- The Corporation has limited personnel with various degrees of knowledge concerning their area of expertise and there may be instances where segregation of duties does not exist and reliance must be placed on outside advisors to assist with complex areas.

The Corporation uses its best efforts to mitigate the above risks using the resources at its disposal, but believes that uncertainties and risks do exist in its business operations.

The Corporation has incurred losses since inception and the Corporation had an accumulated deficit of $1,535,111 as at December 31, 2008, $1,925,521 as at December 31, 2009, and $2,468,554 as at June 30, 2010. The Corporation's Financial Statements are prepared in accordance with Canadian GAAP on a going concern basis which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Corporation to continue as a going concern is dependent upon the continued support from its shareholders and directors, the ability to continue to raise adequate financing or achieving profitable operations in the future, the outcome of which cannot be predicted at this time. Management is of the opinion sufficient working capital will be obtainable from external financing to meet the Corporation's liabilities and commitments as they become due, although there is risk that additional financing will not be available on a timely basis or on terms acceptable to the Corporation. The Corporation's Financial Statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue in business. Further details on financing alternatives available to the Corporation are more fully discussed under the heading "Liquidity and Capital Resources".

See "Special Note Regarding Forward-looking Information" and "Risk Factors".

## DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Corporation's authorized capital stock consists of an unlimited number of Shares of which 30,115,730 Shares are issued and outstanding as of the date of this Prospectus.

Pursuant to the Offering, Units will be distributed at the Issue Price to purchasers resident in the Offering Jurisdictions. Each Unit shall be comprised of one Share and one half of a Warrant. In addition, the Agents will receive Agents' Warrants entitling the Agents to purchase that number of Agents' Units that is equal to 7% of the number of Units issued pursuant to the Offering, being 560,000 Agents' Units.

### Shares

All Shares of the Corporation rank equally as to dividends, voting powers and participation in assets. All holders of Shares are entitled to receive notice of any meetings of shareholders of the Corporation, and to attend and to cast one vote per Share at all such meetings. Holders of Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Corporation's board of directors at its discretion from funds legally available therefor, and upon the liquidation, dissolution or winding up of the Corporation are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Shares with respect to dividends or liquidation. The Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

**Warrants**

Each Warrant will entitle the holder thereof to purchase one Share at a price of $0.70 per Share at any time on or before 5:00 p.m. (Toronto time) on the date that is twenty-four (24) months following the Closing Date.

**Agents' Warrants**

Each Agents' Warrant will entitle the holder to purchase one Agents' Unit at the Issue Price for a period of twenty-four (24) months following the Closing Date. Each Unit shall be comprised of one Share and one half of a Warrant.

This Prospectus qualifies the Offering of the Units, the Shares and Warrants comprising such Units, and the Agents' Warrants. See "Plan of Distribution".

## CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Corporation as at June 30, 2010 (unaudited), based on the interim Financial Statements of the Corporation for the six month period ended June 30, 2010. There has been no material change in the share and loan capital of the Corporation since the June 30, 2010 unaudited Financial Statements.

| Description | Authorized | Outstanding as at June 30, 2010 (unaudited) | Outstanding as at the date of this Prospectus | Outstanding after giving effect to the Maximum Offering (1) |
|---|---|---|---|---|
| Shares | Unlimited | $5,265,981 (30,115,730 Shares) | $5,265,981 (30,115,730 Shares) | $9,265,981 (38,115,730 Shares) |

Note:
(1) Before deducting the Agents' Commission ($280,000) and the expenses of the Offering (estimated to be $175,000);

Assuming that the Offering is completed hereunder, then there will be 38,115,730 Shares issued and outstanding, and the number of Shares issued and outstanding on a fully diluted basis will be 45,180,730, which accounts for the exercise all of the Corporation's 2,225,000 outstanding stock options, of all of the Warrants issued hereunder into 4,000,000 Shares, all Agents' Warrants issued hereunder into 560,000 Agents' Units comprised of 560,000 Shares and 280,000 Warrants, and the exercise of such Warrants into 280,000 Shares.

## OPTIONS TO PURCHASE SECURITIES

### Options

The Corporation has adopted an incentive stock option plan dated January 9, 2008 (the "Plan"), and the Plan is the Corporation's only equity compensation plan. The Plan is a rolling stock option plan, under which 10% of the outstanding Shares at any given time are available for issuance thereunder. The purpose of the Plan is to promote the profitability and growth of the Corporation by facilitating the efforts of the Corporation and its subsidiaries to attract and retain directors, senior officers, employees, management company employees and consultants. The Plan provides an incentive for and encourages ownership of the Shares by such persons to induce them to make a maximum contribution to the Corporation' s success and to benefit from increases in the value of the Shares.

The following information is intended to be a brief description and summary of the material features of the Plan.

(a) The number of Shares that are available for grants of options under the Plan shall be such number as may from time to time be approved by the Board or the Compensation Committee, provided that the aggregate number of Shares subject to director, senior officer, employee, management company employee and consultant incentive stock options, whether granted under the Plan or otherwise, shall not at any time exceed 10% of the number of outstanding Shares from time to time, calculated at the time of grant. Shares subject to options that have lapsed or been terminated, whether granted under the Plan or otherwise, shall upon such lapse or termination become available for option grants under the Plan.

(b) The purchase price of the Shares upon exercise of each option granted under the Plan shall be determined as follows: (i) until such time as the Shares are listed on a prescribed stock exchange or another stock exchange, the exercise price of the options granted under the Plan shall be determined by the Board or the Compensation Committee in its discretion; (ii) from and after the date that the Shares are listing on a stock exchange, but subject to (iii) below, the exercise price of the options granted under the Plan shall be fixed by the Board or the Compensation Committee at the time of the grant, such exercise price not to be less than the closing price at which the Shares were traded on such stock exchange on the most recent day upon which at least one board lot was traded on the stock exchange, less the maximum discount therefrom permitted by such stock exchange; and (iii) within ninety (90) days after the date the Corporation has completed an initial public offering and within ninety (90) days after any other distribution of Shares subsequent to the initial public offering, the exercise price of the options granted under the Plan shall not be less than (1) the purchase price determined under paragraph (ii) above; and (2) the price per Share paid by the public for the Shares acquired under the initial public offering.

(c) The aggregate number of Shares reserved for issuance pursuant to options granted to: (i) any one individual in any twelve-month period shall not exceed 5% of the number of Shares then outstanding; (ii) any one consultant in any twelve-month period shall not exceed 2% of the number of Shares then outstanding; and (iii) all persons employed to conduct investor relations activities in any twelve-month period shall not exceed 2% in the aggregate of the number of Shares then outstanding.

(d) Each option shall become exercisable at such time(s) as may be determined by the Board or the Compensation Committee at the time of the grant. If no such time(s) are so determined, then subject as hereinafter provided, each option (other than an option granted to a consultant performing investor relations activities for the Company or any of its subsidiaries) may be exercised from the date of the grant. Any option granted to a consultant performing investor relations activities for the Company or any of its subsidiaries shall vest in stages over a minimum of twelve (12) months, with no more than one fourth (1/4th) of the option vesting in any three (3) month period.

(e) Each option, unless sooner terminated in accordance with the terms, conditions and limitations of the option or unless sooner exercised, shall expire at the close of business on the date (the "Expiry Date") determined by the Board or the Compensation Committee at the time the option is granted, or failing such determination, on the fifth (5th) anniversary of the date of the grant of the option, provided that no option shall have a term exceeding five (5) years from the date of the grant, subject to the terms of the Plan.

(f) In the event that an optionee ceases to be eligible to receive options under the Plan, then such option shall remain exercisable for a period of ninety (90) days thereafter, provided that (i) in the event that an optionee conducting investor relations activities for the Company ceases to be eligible, an option granted to such optionee may only be exercisable for thirty (30) days thereafter; and (ii) in the event of the termination of the optionee by reason of disability, or by reason of retirement with the consent of the Board, an option granted to such optionee may be exercisable for one (1) year thereafter; and (iii) in the event of the death of the optionee, an option granted to such optionee may be exercised in whole or in part by the legal personal representatives of the optionee for one (1) year thereafter. Notwithstanding any of the foregoing, no options can be exercised after the Expiry Date thereof.

The following table provides information as of the date hereof, with respect to Shares that may be issued pursuant to options grant under the Plan. As at the date hereof, 2,225,000 stock options of the Corporation are outstanding.

| | **Aggregate Number of Applicable Individuals** | **Number of Shares Underlying Options** | **Exercise Price** | **Expiry Date** |
|---|---|---|---|---|
| Executive officers and past executive officers of the Corporation | 2 | 400,000<br>725,000 | \$0.15[(1)]<br>\$0.15 | Jan. 18, 2013<br>Jan. 25, 2015 |
| Directors and past directors of the Corporation | 3 | 100,000<br>125,000<br>450,000 | \$0.15[(1)]<br>\$0.15[(1)]<br>\$0.15 | Jan. 18, 2013<br>April 18, 2013<br>Jan. 25, 2015 |
| Executive officers and past executive officers of subsidiaries of the Corporation | Nil | Nil | N/A | N/A |
| Directors and past directors of subsidiaries of the Corporation | 1 | 50,000 | \$0.25 | May 20, 2015 |
| Employees and past employees of the Corporation | Nil | Nil | N/A | N/A |
| Consultants of the Corporation | 7 | 50,000<br>125,000<br>200,000 | \$0.15[(1)]<br>\$0.15<br>\$0.25 | Jan. 18, 2013<br>Jan. 25, 2015<br>May 20, 2015 |
| Other | Nil | Nil | N/A | N/A |
| **Total** | **13** | **2,225,000[(2)]** | | |

Notes:

(1) The options granted on January 18, 2008 and April 21, 2008 had an exercise price of \$0.40 and \$0.50 respectively, but were subsequently re-priced on January 25, 2010 to \$0.15 per option.

(2) These options will be subject to escrow. See "Escrowed Securities".

**Warrants**

Upon completion of the Offering, purchasers of Units will receive Shares and Warrants. Each Warrant will entitle the holder thereof to acquire one Share at a price of $0.70 per Share at any time on or before 5:00 p.m. (Toronto time) on the date that is twenty-four (24) months following the Closing Date. 4,000,000 whole Warrants will be issued pursuant to the Offering, and this Prospectus qualifies the issuance of the Warrants pursuant to the Offering. See "Plan of Distribution".

**Agents' Warrants**

Upon completion of the Offering, the Agents will receive Agents' Warrants entitling it to acquire that number of Agents' Units equal to 7% of the aggregate number of Units sold pursuant to the Offering, at the Issue Price at any time on or before 5:00 p.m. (Toronto time) on the date that is twenty-four (24) months following the Closing Date. This Prospectus qualifies the issuance of the Agents' Warrants pursuant to the Offering, and the Agents' Units upon exercise of the Agents' Warrants. Each Agents' Unit will consist of one Share and one-half of one Warrant.

## PRIOR SALES

The following table contains details of the prior sales of Shares during the twelve (12) months preceding the date of this Prospectus:

| Date | Number of Shares | Price | Gross Proceeds |
|---|---|---|---|
| November 6, 2009 | 11,083,340(1) | $0.120 | $1,330,001 |
| January 14, 2010 | 462,335(2) | $0.120 | $55,480 |
| March 31, 2010 | 650,054(2) | $0.135 | $87,757 |
| May 7, 2010 | 1,000,000(2) | $0.135 | $135,000 |
| June 16, 2010 | 3,250,000(1) | $0.250 | $812,500 |

Notes:

(1) Shares were issued pursuant to private placements.

(2) Shares were issued pursuant to debt settlements.

The Shares are not traded or quoted on a market place and there is currently no public market for the Shares. See "Risk Factors".

## ESCROWED SECURITIES

The following table sets forth details of the securities of the Corporation to be held in escrow following the completion of the Offering:

| Designation of Class | Number of Securities Held in Escrow(1)(5) | Percentage of Class prior to Completion of Offering | Percentage of Class upon Completion of Offering |
|---|---|---|---|
| Shares | 7,602,669(3) | 25.2%(2) | 19.9%(3) |
| Options | 1,850,000 | 83.1%(4) | 83.1%(4) |

Notes:

(1) Shares to be held in escrow are all Shares issued to "Principals" of the Corporation prior to the Offering, "Principals" being (i) directors and senior officers of the Corporation or any material operating subsidiary, (ii) promoters of the Corporation during the two years preceding this Offering, (iii) holders of more than 10% of the outstanding Shares immediately before the Closing Date who also have a right to elect or appoint a director or senior officer of the Corporation or a material operating subsidiary, (iv) holders of more than 20% of the outstanding Shares immediately before the Closing Date, (v) companies, trusts, partnerships or other entities held more than 50% by one or more of the foregoing, and (vi) spouses or other relatives that live at the same address as any of the foregoing.

(2) On the basis of 30,115,730 issued and outstanding Shares as at the date hereof.

(3) On the basis of 38,115,730 issued and outstanding Shares after giving effect to the Offering.
(4) On the basis of 2,225,000 stock options outstanding as at the date hereof and upon completion of the Offering.
(5) These securities are held in escrow by ● as depository. Pursuant to the Escrow Agreement, 10% of such securities held in escrow will be released from escrow on the date the Shares are listed on a prescribed stock exchange, and 15% every six months thereafter, subject to acceleration provisions provided for in National Policy 46-201 – *Escrow for Initial Public Offerings*.

## Seed Shares

Applicable stock exchange seed share resale restrictions imposed may be imposed, which would apply to securities issued to non-Principals prior to an initial public offering at a price which is below the initial public offering price. The release schedule of the Shares subject to such resale restrictions would be determined based on the price at which such Shares were issued in comparison with the Issue Price. Seed share resale restrictions would be imposed on the securities by imprinting legends on the applicable certificates representing such securities which set forth the particulars of the resale restrictions.

## PRINCIPAL HOLDERS OF SECURITIES

The following table sets forth the only persons, as at the date of this Prospectus, who own of record or, to the knowledge of the directors and officers of the Corporation, directly or indirectly beneficially own or exercise control or direction over, more than 10% of any class of securities of the Corporation as of the date hereof:

| Name of Shareholder | Type of Ownership | Number of Shares (and % of Outstanding Shares)(1) Owned, Controlled or Directed Prior to the Offering | Number of Shares (and % of Outstanding Shares) (1) Owned, Controlled or Directed Following Completion of the Offering(2) |
|---|---|---|---|
| A. Harwood | Registered and Beneficial; Beneficial; and Indirect(3) | 3,270,557 (10.9%) | 3,270,557 (8.6%)(4) |

Notes:
(1) On the basis of 30,115,730 issued and outstanding Shares as at the date hereof and 38,115,730 issued and outstanding Shares after giving effect to the Offering.
(2) Figures do not include any participation in the Offering. It is contemplated that Dr. Harwood may acquire Shares pursuant to the Offering.
(3) 2,540,001 of the Shares held by Dr. Harwood are held beneficially through holdings companies and 120,000 by family members of Dr. Harwood.
(4) On a fully diluted basis (see "Consolidated Capitalization"), 3,270,557 (7.2%) after completion of the Offering, not including any participation in the Offering by Dr. Harwood. It is contemplated that Dr. Harwood may acquire Shares pursuant to the Offering.

## DIRECTORS AND OFFICERS

The following table sets forth the name and municipality of residence of each director and executive officer of the Corporation, as well as such individual's age, position with the Corporation, principal occupation within the five preceding years and period of service as a director (if applicable). Each of the directors of the Corporation will hold office until the close of the next annual meeting of shareholders and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal.

| Name, Province or State, Country of Residence | Age | Position(s) with Corporation | Principal Occupation for Five Preceding Years | Director/ Officer of the Corporation Since | Number of Shares Held (%)(1) |
|---|---|---|---|---|---|
| Antony Harwood(3)(7)<br><br>Kensington, South Africa | 56 | President, CEO, Director | Former President and Chief Executive Officer, Africo Resources Ltd.;<br><br>Former Vice President, Placer Dome Inc. | Officer: June, 2009<br><br>Director: October, 2006 | 3,270,557 (10.9%) |
| Antonia Chapman<br><br>Ontario, Canada | 53 | CFO, Director | Chief Financial Officer, Oryx Mining and Exploration Limited;<br><br>Former Chief Financial Officer, Tri Origin Exploration Ltd. | Officer: May, 2007<br><br>Director: May, 2007 | 513,222 (1.7%) |
| John G. P. Dixon(4)(7)<br><br>Mwanza, Tanzania | 46 | Director | President, Oryx Mining and Exploration Limited;<br><br>Former consulting geologist, Bastillion Resources (Pty) Ltd. | February, 2007 | 1,709,408 (5.7%) |
| Andrew W. Thomson(3)((5)(6)<br><br>Ontario, Canada | 44 | Director | President and Chief Executive Officer, Soltoro Ltd.;<br><br>Former President, Director, Consultant, Thomson Holdings. | March, 2008 | 276,354 (0.9%) |
| Gregory C. Hall(2)(5)<br><br>Western Australia, Australia | 60 | Director | Consultant, Golden Phoenix International;<br><br>Chief Geologist, Placer Dome Asian Pacific. | January, 2010 | 233,128 (0.8%) |

Notes:

(1) Based on 30,115,730 Shares issued and outstanding as at the date hereof, and beneficially owned, controlled or directed, directly or indirectly by such directors and officers.
(2) Chair of the Compensation Committee.
(3) Member of the Compensation Committee.
(4) Chair of Nominating and Corporate Governance Committee.
(5) Member of Nominating and Corporate Governance Committee.
(6) Chair of the Audit Committee.
(7) Member of the Audit Committee.

The directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 6,002,669 Shares, representing 19.9% of all issued and outstanding Shares as of the date of this Prospectus. It is expected that some of the officers and directors, or their respective associates and/or affiliates, will acquire Shares pursuant to the Offering.

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

While Andrew Thomson, a director of the Corporation was the President of Link Mineral Ventures Ltd. (“Link Mineral”), a cease trade order was issued by the Ontario Securities Commission in August of 2001 against Link Mineral for failure to file financial statements by the prescribed deadline. Link Mineral was subsequently delisted from the Exchange for failing to meet the applicable minimum listing requirements.

Other than as set out above, no individual set forth in the above table is, as at the date of this Prospectus, or has been, within 10 years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while such proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after such proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while such proposed director was acting in the capacity as director, chief executive officer or chief financial officer.

No individual set forth in the above table (or any personal holding company of any such individual), is, as of the date of this Prospectus, or has been within ten (10) years before the date of this Prospectus, a director or executive officer of any company (including the Corporation) that, while such individual was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No individual as set forth in the above table (or any personal holding company of any such individual), has, within the ten (10) years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such individual.

No individual set forth in the above table (or any personal holding company of any such individual), has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

**Conflicts of Interest**

Certain of the officers and directors of the Corporation also serve as directors and/or officers of other companies involved in the mineral exploration and development business and consequently there exists the possibility for such officers or directors to be in a position of conflict. Any decision made by any of such officers or directors involving the Corporation will be made in accordance with their duties and obligations under the laws of British Columbia and Canada.

## Management

Set forth below is a description of the background of the officers and directors of the Corporation, including a description of each individual's principal occupation(s) within the past five years.

### *Antony Harwood, President, Chief Executive Officer and Director*

Dr. Harwood graduated from University of Wales, College Cardiff, with a B.Sc. (Honours) degree and Ph.D in Economic Geology. Dr. Harwood was appointed President and Chief Executive Officer of the Corporation in June, 2009. He is an independent contractor of the Corporation and devotes approximately 80-90% of his time to the Corporation. Between 2006 and 2009, Dr. Harwood held the position of President and Chief Executive Officer of Africo Resources Ltd., a Canadian company engaged in exploring, acquiring and developing base metal and gold assets in Africa. Between 2000 and 2006, Dr. Harwood served as a Vice President of Placer Dome Inc., a major Canadian gold mining company. Dr. Harwood's consulting agreement with the Corporation contains confidentiality, non-competition and non-solicitation provisions.

### *Antonia J. Chapman, Chief Financial Officer and Director*

Ms. Chapman is accounting and administration officer with a Management Advanced program diploma from the University of Witwatersrand, South Africa. Ms. Chapman was appointed Chief Financial Officer of the Corporation in 2007. She is an independent contractor of the Corporation and devotes approximately 50% of her time to the Corporation. Since 2008, Ms. Chapman has held the position of Chief Financial Officer of Oryx Mining and Exploration Limited, a private junior exploration company engaged in the exploration and development of gold and base metal assets in East Africa. Ms. Chapman has approximately 20 years experience and exposure in the junior exploration and mining industry in Africa and North America. Between 2004 and 2008, Ms. Chapman served as the Chief Financial Officer of Tri Origin Exploration Ltd., an Exchange listed Canadian company engaged in gold and base metal exploration and development in Canada and Australia. Ms. Chapman's consulting agreement with the Corporation contains confidentiality, non-competition and non-solicitation provisions.

### *John G. P. Dixon, Director*

Dr. Dixon obtained a B.Sc and B.Sc Honours in Geology and Applied Geology from the University of Natal (Durban) and a Ph.D from the University of Kwazulu Natal, South Africa. Dr. Dixon became a director of the Corporation in February, 2007. He is an independent contractor of the Corporation and devotes approximately 5% of his time to the Corporation. Since 2006, Mr. Dixon has held the position of President of Oryx Mining and Exploration Limited, a private junior exploration company engaged in the exploration and development of gold and base metal assets in East Africa. Between 1996 and 2006, Dr. Dixon worked as an independent geologist with Bastillion Resources (Pty) Ltd., a South African geological and mining consulting company. Dr. Dixon has not entered into a non-competition or non-disclosure agreement with the Corporation.

### *Andrew W. Thomson, Director*

Mr. Thomson became a director of the Corporation in March, 2008. He is an independent contractor of the Corporation and devotes approximately 3% of his time to the Corporation. Mr. Thomson is President and Chief Executive Officer of Soltoro Ltd., an Exchange listed exploration company focused on acquiring gold and silver deposits in Mexico. Mr. Thomson is also a director of Gossan Resources Limited, which is a Canadian exploration company listed on the Exchange. Mr. Thomson has not entered into a non-competition or non-disclosure agreement with the Corporation.

***Gregory C. Hall, Director***

Mr. Hall graduated from the University of New South Wales with a degree in Applied Science. Mr. Hall became a director of the Corporation in January, 2010. He is an independent contractor of the Corporation and devotes approximately 5% of his time to the Corporation. Mr. Hall is a seasoned geologist with over 35 years of international experience. Since 2006, Mr. Hall has held the position of Interim Chief Executive Officer and Managing Director of Triton Gold Limited, an Australian newly listed mineral resource development company engaged in the acquisition, exploration and development of gold and other precious and base metal properties, and is currently a director and QP with Colossus Minerals Inc., an Exchange listed company with properties in Brazil. From 1988 to 2006 Mr. Hall was employed by Placer Dome group of companies, serving the last 5 years as Chief Geologist – World Wide. He was directly involved in discovering Rio Tinto's Yandi iron ore mine and Barrick Gold's Granny Smith mine, and took part in the discoveries of Keringal and Wallaby in Australia's Eastern Goldfields, as well as the definition of AngloGold Ashanti's Sunrise gold mine. Mr. Hall has not entered into a non-competition or non-disclosure agreement with the Corporation.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis ("CD&A") is to provide information about the Corporation's executive compensation philosophy, objectives, and processes and to discuss compensation decisions relating to the Corporation' senior officers, being the three identified named executive officers (the "NEOs") during the Corporation's most recently completed financial year, ended December 31, 2009 (the "Last Financial Year"). The NEOs who are the focus of the CD&A and who appear in the compensation tables of this Circular are: Antony Harwood, the President and Chief Executive Officer (the "CEO"); Mark J. Pryor, the former Chief Executive Officer (the "Former CEO"); and Antonia Chapman, the Chief Financial Officer (the "CFO").

<u>Compensation Committee</u>

During the Last Financial Year, the Board did not have a committee established to consider the compensation of officers and directors. In order to assist the Board in fulfilling its oversight responsibilities with respect to human resources matters, the Board established a compensation committee (the "Compensation Committee") subsequent to the end of the Last Financial Year. The Compensation Committee is currently comprised of three directors, namely Gregory C. Hall (Chairman), Andrew W. Thomson and Antony Harwood. Messrs. Thomson and Hall are independent within the meaning of National Instrument 58-101 - Disclosure of Corporate Governance Practices ("NI 58-101"), and Dr. Harwood is not independent, as he is an officer of the Corporation.

The Compensation Committee's purpose is, among other things, to: (i) review and recommend to the Board the compensation plans, including the securities based compensation plans, long term incentive plans, and such other compensation plans or structures as are adopted by the Corporation from time to time; and (ii) establish and periodically review the Corporation's policies in the area of management benefits and perquisites. In performing its duties, the Compensation Committee has the authority to engage and compensate any outside advisors that it determines to be necessary to permit it to carry out its duties.

Compensation Process

The Board relies on the knowledge and experience of the members of the Compensation Committee to set appropriate levels of compensation for senior officers. Neither the Corporation nor the Compensation Committee currently has any contractual arrangement with any executive compensation consultant who has a role in determining or recommending the amount or form of senior officer compensation.

The Compensation Committee reviews the various elements of the NEOs' compensation in the context of the total compensation package (including salary, consulting fees and prior awards under the Plan) and recommends the NEOs' compensation packages. The Compensation Committee's recommendations regarding NEO compensation are presented to the independent members of the Board for their consideration and approval.

Compensation Program

*Principles/Objectives of the Compensation Program*

The primary goal of the Corporation's executive compensation program is to attract, motivate and retain top quality individuals at the executive level. The program is designed to ensure that the compensation provided to the Corporation's senior officers is determined with regard to the Corporation's business strategy and objectives and financial resources, and with the view of aligning the financial interests of the senior officers with the financial interests of the shareholders of the Corporation.

*Compensation Program Design and Analysis of Compensation Decisions*

Standard compensation arrangements for the Corporation's senior officers are composed of the following elements, which are linked to the Corporation's compensation and corporate objectives as follows:

| Compensation Element | Link to Compensation Objectives | Link to Corporate Objectives |
|---|---|---|
| Base Salary and/or Consulting Fees | Attract and Retain | Competitive pay ensures access to skilled employees necessary to achieve corporate objectives. |
| Stock Options | Motivate and Reward<br><br>Align interests with shareholders | Long-term incentives motivate and reward senior officers to increase shareholder value by the achievement of long-term corporate strategies and objectives. |

*Performance and Compensation*

The Corporation is an exploratory stage mining company and does not expect to be generating revenues from operations in the foreseeable future. As a result, the use of traditional performance standards, such as corporate profitability, is not considered by the Compensation Committee to be appropriate in the evaluation of corporate or NEO performance. The compensation of senior officers is also based, in part, on trends in the mineral exploration industry as well as achievement of the Corporation's business plans. The Board did not establish any quantifiable criteria during the Last Financial Year with respect to base compensation payable or the amount of equity compensation granted to NEOs and did not benchmark against a peer group of companies.

### Base Salaries and Consulting Fees

The Corporation provides senior officers with base salaries or consulting fees which represent their minimum compensation for services rendered during the Last Financial Year. NEOs' base compensation depends on the scope of their experience, responsibilities, leadership skills, performance, length of service, generally industry trends and practices competitiveness, and the Corporation's existing financial resources. Base salaries are reviewed annually by the Compensation Committee.

The Former CEO resigned as Chief Executive Officer of the Corporation on June 1, 2009, and since such date has not been compensated as an officer of the Corporation. Compensation for the CEO and the CFO for the Last Financial Year was paid on a pro-rata basis considering the number of months providing such management service to the Corporation and the proportion of time devoted to the Corporation. As of January 1, 2010, the CEO is paid a base annual salary of $120,000 which is no longer paid on a pro-rata basis. Other than the foregoing, there have been no changes to the base compensation of the NEOs following the Last Financial Year. The base compensation arrangements for the NEOs during the Last Financial year were as follows:

| NEO | Base Compensation |
|---|---|
| CEO | $120,000(1) |
| CFO | $80,000(2) |
| Former CEO | $120,000(3) |

Notes:

(1) Dr. Harwood was appointed as Chief Executive Officer on June 1, 2009. The CEO's compensation for the Last Financial Year was paid on a pro-rata basis considering the CEO provided services for 7 months at approximately 60% of his time. During the Last Financial Year, the CEO billed the Corporation an aggregate of $43,000 for services as the Chief Executive Officer.

(2) The CFO's compensation for the Last Financial Year was paid on a pro-rata basis considering the CFO provided services at approximately 55% of her time. During the Last Financial Year, the CFO billed the Corporation an aggregate of $44,800 for services as the Chief Financial Officer.

(3) Mr. Pryor resigned as Chief Executive Officer on June 1, 2009. The Former CEO's compensation for the Last Financial Year was paid on a pro-rata basis considering the Former CEO provided services for 5 months at approximately 60% of his time. During the Last Financial Year, the Former CEO billed the Corporation an aggregate of $30,041 for services as the Chief Executive Officer.

### Stock Options

The grant of options pursuant to the Plan is an integral component of the compensation arrangements of the senior officers of the Corporation. The Board believes that the grant of options to senior officers and Share ownership by such officers serves to motivate such officers to strive towards achievement of the Corporation's long-term strategic objectives, which will benefit the Corporation's shareholders. Options are awarded to directors, officers, employees and consultants of the Corporation by the Board, and on the basis of the recommendation of the Compensation Committee since its establishment. Decisions with respect to options granted are based upon the individual's level of responsibility and their contribution towards the Corporation's goals and objectives, and additionally may be awarded in recognition of the achievement of a particular goal or extraordinary service. The Board considers the overall number of options that are outstanding relative to the number of outstanding Shares in determining whether to make any new grants of options and the size of such grants.

During the Last Financial Year, on the basis of the above factors, the Board granted Nil options.

## Executive Compensation: Tables and Narrative

NEO Summary Compensation Table

The following table provides a summary of the compensation earned by the NEOs for services rendered in all capacities during the Last Financial Year:

| Name and Principal Position | Financial Year Ended Dec 31 | Salary ($)[2] | Share-Based Award ($) | Option -Based Award ($) | Non-Equity Incentive Plan Compensation ($) | | Pension Value ($) | All Other Compensation ($)[3] | Total Compensation ($) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Annual Incentive Plans | Long-Term Incentive Plans | | | |
| Antony Harwood, CEO[1] | 2009 | $43,000 | Nil | Nil | Nil | Nil | Nil | $2000 | $45,000 |
| | 2008 | $Nil | Nil | Nil | Nil | Nil | Nil | $4000 | $4,000 |
| Mark J. Pryor, Former CEO[1] | 2009 | $30,041 | Nil | Nil | Nil | Nil | Nil | $2000 | $32,041 |
| | 2008 | $80,727 | Nil | Nil | Nil | Nil | Nil | Nil | $80,727 |
| Antonia Chapman, CFO | 2009 | $44,800 | Nil | Nil | Nil | Nil | Nil | Nil | $44,800 |
| | 2008 | $37,500 | Nil | Nil | Nil | Nil | Nil | Nil | $37,500 |

Notes:

(1) Mr. Pryor resigned as Chief Executive Officer of the Corporation on June 1, 2009, and resigned as a director of the Corporation on January 15, 2010. Dr. Harwood was appointed as Chief Executive Officer of the Corporation on June 1, 2009.

(2) Compensation paid as consulting fees.

(3) Compensation represents director's fees in the amount of $4,000 per year, payable to the NEOs for their respective services as directors of the Corporation. The amounts paid to Messrs. Harwood and Pryor represent pro-rated amounts for their partial year of service as directors.

Incentive Plan Awards

The following table provides details regarding outstanding NEO option and Share-based awards as at December 31, 2009:

| *Outstanding Share-based awards and option-based awards* | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Option-based Awards** | | | | | **Share-based Awards** | |
| **Name** | **Option grant date** | **Number of securities underlying unexercised (#)** | **Option exercise price ($)** | **Option expiration date** | **Aggregate value of unexercised in-the-money options ($)** | **Number of Shares or units that have not vested (#)** | **Market or payout value of Share-based awards that have not vested ($)** |
| Antony Harwood | January 18, 2008 | 100,000 | $0.15(1) | Jan. 18, 2013 | $35,000 | Nil | N/A |
| Mark J. Pryor | January 18, 2008 | 300,000 | $0.15(1) | Jan. 18, 2013 | $105,000(2) | Nil | N/A |
| Antonia Chapman | January 18, 2008 | 300,000 | $0.15(1) | Jan. 18, 2013 | $105,000 | Nil | N/A |

Note:

(1) The options granted on January 18, 2008 had an exercise price of $0.40 but were subsequently re-priced on January 25, 2010 to $0.15 per option.

(2) Mr. Pryor resigned as a director on January 15, 2010, and the options granted to him were cancelled on September 15, 2010.

The following table provides details regarding outstanding NEO option-based awards, Share-based awards and non-equity incentive plan compensation, which vested and/or were earned during the Last Financial Year:

| *Incentive plan awards - value vested or earned during the year* | | | | |
|---|---|---|---|---|
| **Name** | **Financial Year Ended Dec. 31** | **Option-based awards - Value vested during the year(1) ($)** | **Share-based awards - Value vested during the year ($)** | **Non-equity incentive plan compensation - Value earned during the year ($)** |
| Antony Harwood | 2009 | Nil | Nil | Nil |
| Mark J. Pryor | 2009 | Nil | Nil | Nil |
| Antonia J. Chapman | 2009 | Nil | Nil | Nil |

Note:

(1) Identifies the aggregate dollar value that would have been realized by the NEO if the NEO had exercised all options exercisable under the option-based award on the vesting date(s) thereof.

## Termination and Change of Control

Other than as described below, there are no agreements, compensation plans, contracts or arrangements whereby a NEO is entitled to receive payments from the Corporation in the event of the resignation, retirement or other termination of the NEO's employment with the Corporation, change of control of the Corporation or a change in the NEO's responsibilities following a change in control.

Pursuant to the Consulting Agreement between the Corporation, Global Mining Services Limited and Antony Harwood, dated June 1, 2009, and to the Consulting Agreement between the Corporation, Criss Cross and Antonia Chapman, dated June 1, 2009 (hereinafter, Dr. Harwood and Ms. Chapman are the “respective parties”) the Corporation may terminate the agreement at its sole discretion, for any reason, upon providing to the respective parties reasonable notice of termination, or at the Corporation's option, payment of the full agreement price (referred to in this section as the “Fee”) in lieu of the notice period, to which the respective parties would be entitled under applicable employment standards legislation if he/she was an employee of the Corporation, together with all other payments or entitlements to which he/she would be entitled pursuant to applicable employment or employment standards legislation if the respective parties were employees of the Corporation. Any payment of the Fee in lieu of notice would be calculated on the basis of the annual Fee as of the date the notice of termination was received and would be provided in regular monthly installments. In the event of a change in control of the Corporation by way of a successful take-over, merger, amalgamation or reorganization pursuant to which ownership of more than 5l% of the Corporation’s Shares are acquired, if within six months thereafter the agreement is terminated by the Corporation, the respective parties would be entitled in lieu of notice, Fees equal to two years' annual fees as at the date of termination. These change of control provisions do not apply to a change of control resulting from an initial public offering of Shares.

## Director Compensation

The Board determines the level of compensation for directors, based on recommendations from the Compensation Committee. The Board reviews directors’ compensation as needed, taking into account time commitment, risks and responsibilities to ensure that the amount of compensation adequately reflects the responsibilities and risks of being a director and makes adjustments as deemed necessary.

As of the date hereof, the Board has adopted a cash compensation program for its directors with respect to general directors’ duties, meeting attendance or $4,000 per year for each of the directors. Directors are also reimbursed for all reasonable out-of-pocket expenses incurred in attending Board, committee or shareholder meetings and otherwise incurred in carrying out their duties as directors of the Corporation.

Directors may receive option grants as determined by the Board pursuant to the Plan. The exercise price of such options is determined by the Board, but shall in no event be less than the market price of the Shares at the time of the grant of the options.

Director Summary Compensation Table

The following compensation table sets out the total compensation paid to each of the Corporation’s directors (who are not NEOs) during the Last Financial Year (Dr. Harwood and Ms. Chapman are directors and NEOs of the Corporation. Compensation paid to such individuals is reported in the NEO Summary Compensation Table above):

| Name | Financial Year Ended Dec. 31 | Fees earned ($) | Share-based awards ($) | Option-based awards ($) | Non-equity incentive plan compensation ($) | All other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| John G. P. Dixon | 2009 | $4,000 | Nil | Nil | Nil | $8,480[(1)] | $12,480 |
| Andrew W. Thomson | 2009 | $4,000 | Nil | Nil | Nil | Nil | $4,000 |
| Gregory C. Hall[(2)] | 2009 | Nil | Nil | Nil | Nil | Nil | Nil |

Note:

(1) Compensation in respect of consulting fees.

(2) Mr. Gregory C. Hall was appointed as a director of the Corporation on January 25, 2010, and therefore did not receive directors' fees during the Last Financial Year.

Incentive Plan Awards

The following table provides details regarding the outstanding option and Share based awards held by directors (who are not NEOs) as at December 31, 2009:

| ***Outstanding Share-based awards and option-based awards*** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Option-based Awards** | | | | | **Share-based Awards** | |
| **Name** | **Option grant date[(1)]** | **Number of securities underlying unexercised options (#)** | **Option exercise price ($)** | **Option expiration date** | **Aggregate value of unexercised in-the-money options ($)** | **Number of Shares or units of Shares that have not vested (#)** | **Market or payout value of Share-based awards that have not vested ($)** |
| John G.P. Dixon | January 18, 2008 | 100,000 | $0.15[(2)] | January 18, 2013 | $35,000 | Nil | Nil |
| Andrew W. Thomson | April 21, 2008 | 100,000 | $0.15[(3)] | April 21, 2013 | $35,000 | Nil | Nil |
| Gregory C. Hall[(1)] | April 21, 2008 | 25,000[(1)] | $0.15[(3)] | April 21, 2013 | $8,750 | Nil | Nil |

Note:

(1) Mr. Gregory C. Hall was appointed as a director of the Corporation on January 25, 2010. The options granted to Mr. Hall were granted for the provision of consulting services.

(2) The options granted on January 18, 2008 had an exercise price of $0.40 but were subsequently re-priced on January 25, 2010 to $0.15 per option.

(3) The options granted on April 21, 2008 had an exercise price of $0.50 but were subsequently re-priced on January 25, 2010 to $0.15 per option.

The following table provides details regarding the outstanding option and Share based awards vested and exercisable by directors (other than the NEOs, who are also directors) during the year ended December 31, 2009:

| *Incentive plan awards - value vested or earned during the year* | | | |
|---|---|---|---|
| **Name** | **Option-based awards - Value vested during the year ($)(1)** | **Share-based awards - Value vested during the year ($)** | **Non-equity incentive plan compensation - Value earned during the year ($)** |
| John G. P. Dixon | $Nil | $Nil | $Nil |
| Andrew W. Thomson | $Nil | $Nil | $Nil |
| Gregory C. Hall | $Nil | $Nil | $Nil |

Note:

(1) Identifies the aggregate dollar value that would have been realized by the director if the director had exercised all options exercisable under the option-based award on the vesting date(s) thereof.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time during the fiscal year ended December 31, 2009, or at any time from December 31, 2009 to the date of this Prospectus, was a director, executive officer or senior officer of the Corporation, indebted to the Corporation or any subsidiary or whose indebtedness to another entity is, or at any time during the fiscal year ended December 31, 2009, or at any time from December 31, 2009 to the date of this Prospectus, been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any subsidiary.

## AUDIT COMMITTEE

### The Audit Committee's Charter

The directors of the Corporation have adopted a Charter for the Audit Committee, which sets out the Committee's mandate, organization, powers and responsibilities. The full text of the Audit Committee Charter is attached hereto as Schedule "A".

### Composition of the Audit Committee

The members of the Audit Committee are Antony Harwood, John Dixon, and Andrew Thomson. Messrs. Dixon and Thomson are independent, and all members are financially literate. National Instrument 52-110 - *Audit Committees* ("NI 52-110") adopted by the Canadian Securities Administrators specifies the requirements for determining independence and financial literacy.

| Name of Member | Independent (1) | Financially Literate (2) |
|---|---|---|
| Andrew W. Thomson (Chair) | Yes | Yes |
| John G.P. Dixon | Yes | Yes |
| Antony Harwood | No | Yes |

Notes:

(1) To be considered independent, a member of the Audit Committee must not have any direct or indirect "material relationship" with the Corporation. A "material relationship" is a relationship which could, in the view of the board of directors of the Corporation, be reasonably expected to interfere with the exercise of a member's independent judgment.

(2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

**Relevant Education and Experience**

Andrew W. Thomson currently serves on the audit committees of two Exchange listed mineral exploration companies, one of which he acts as the chairman of the audit committee.

John G.P. Dixon currently serves as the President and CEO of a private junior exploration company with exploration projects in East Africa, and has experience serving on the board of directors of other public and stock exchange listed exploration companies.

Antony Harwood has experience serving on the boards of directors and audit committees for multiple public mineral exploration companies.

For more information see "Directors and Officers – Management" and "Corporate Governance – Directorships".

**Audit Committee Oversight**

As the Corporation is not a reporting issuer, it was not required to, nor did it have, an Audit Committee during the financial year ended December 31, 2009. Since the Audit Committee was established, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor where such recommendation has not been adopted by the directors of the Corporation.

**Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in its Charter.

**External Auditor Service Fees (By Category)**

The following table discloses the fees billed to the Corporation by its external auditor during the last two financial years.

| Financial Year Ending | Audit Fees (1) | Audit Related Fees (2) | Tax Fees (3) | All Other Fees (4) |
|---|---|---|---|---|
| December 31, 2009 | $27,500 | $7,000 | Nil | Nil |
| December 31, 2008 | $25,000 | $3,500 | Nil | Nil |

Notes:

(1) The aggregate fees billed for professional services rendered by the auditor for the audit of the Corporation's annual Financial Statements.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's Financial Statements and are not disclosed in the "Audit Fees" column.

(3) The aggregate fees billed for tax compliance, tax advice, and tax planning services.

(4) No other fees were billed by the auditor of the Corporation other than those listed in the other columns.

## CORPORATE GOVERNANCE

The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Corporation. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of the Corporation's shareholders, but that it also promotes effective decision making at the Board level.

The following is a description of the Corporation's corporate governance practices.

**Board of Directors**

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* defines an "independent director" as a director who has no direct or indirect "material relationship" with the issuer. A "material relationship" is as a relationship which could, in the view of the board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

The Board believes that it functions independently of management, and reviews its procedures on an ongoing basis to ensure that it is functioning independently of management. The Board meets without management present, as circumstances require. When conflicts arise, interested parties are precluded from voting on matters in which they may have an interest. In light of the suggestions contained in National Policy 58-201 - Corporate Governance Guidelines, the Board convenes meetings, as deemed necessary, of the independent directors, at which non-independent directors and members of management are not in attendance.

The Board is currently comprised of five (5) directors being Antony Harwood, Antonia J. Chapman, Andrew W. Thomson, Gregory C. Hall and John G.P. Dixon. Messrs. Thomson, Hall and Dixon are independent within the meaning of National Instrument 58-101. Dr. Harwood and Ms. Chapman are not independent as they are officers of the Corporation and thereby have a "material relationship" with the Corporation.

**Directorships**

The following table sets forth the directors of the Corporation who currently hold directorships and/or are officers with other reporting issuers:

| Name of Director | Reporting Issuer |
|---|---|
| Antony Harwood | Adamus Resources Limited; Auryx Gold Corp.; |
| Andrew W. Thomson | Soltoro Ltd.; Gossan Resources Limited; |
| Gregory C. Hall | Triton Gold Limited; Laurentian Goldfields Limited; Colossus Minerals Inc.; Jinshan Gold Mines; |

**Orientation and Continuing Education**

New directors receive an orientation on the role of the Board, its committees, and the nature and operation of the Corporation's business, which consists of the following:

- an orientation session with senior officers to receive an overview the Corporation's business and affairs;
- an orientation session with the Chairperson of each standing committee; and
- an orientation session with legal counsel and the representatives of the Corporation's auditors.

Continuing education is provided to directors through provision of literature regarding current developments and annual seminars on corporate governance developments. The Chief Executive Officer of the Corporation takes primary responsibility for the orientation and continuing education of directors and officers.

**Ethical Business Conduct**

The Board has adopted a written code of business conduct and ethics to encourage and promote a culture of ethical business conduct amongst the directors, officers, employees and consultants of the Corporation (collectively, the "Employees"). Copies of the Code of Conduct are available upon written request from the CEO or CFO of the Corporation. The Nominating and Corporate Governance Committee (the "Nominating Committee") is responsible for ensuring compliance with the Corporation's code of conduct. There were no departures from the Corporation's Code of Conduct since its adoption.

In addition to those matters which, by law, must be approved by the Board, the approval of the Board is required for:

- the Corporation's annual business plan and budget;
- major acquisitions or dispositions by the Corporation; and
- transactions which are outside of the Corporation's existing business.

To ensure the directors exercise independent judgment in considering transactions and agreements in which a director or officer has a material interest, all such matters are considered and approved by the independent directors. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

The Corporation believes that it has adopted corporate governance procedures and policies which encourage ethical behaviour by the Corporation's directors, officers and employees.

**Nomination of Directors**

The Nominating Committee of the Board holds the responsibility for the appointment and assessment of directors.

The Nominating Committee seeks to achieve a balance of knowledge, experience and capability among the members of the Board. When considering candidates for director, the Nominating Committee takes into account a number of factors including, but not limited to, the following (although candidates need not possess all of the following characteristics and not all factors are weighted equally):

- Personal qualities and characteristics, accomplishments and reputation in the business community;
- Current knowledge and contacts in the countries and/or communities in which the Corporation does business and in the Corporation's industry sectors or other industries relevant to the Corporation's business;
- The ability and willingness to commit adequate time to Board and committee matters, and be responsive to the needs of the Corporation;

The Board will periodically assess the appropriate number of directors on the Board and whether any vacancies on the Board are expected due to retirement or otherwise. If vacancies are anticipated, or otherwise arise, or the size of the Board is expanded, the Nominating Committee will consider various potential candidates for director. Candidates may come to the attention of the Nominating Committee through current directors or management, stockholders or other persons. These candidates will be evaluated at regular or special meeting of the Nominating Committee, and may be considered at any point during the year.

The Nominating Committee considers candidates for directors by annual review of the credentials of nominees for re-election to be named in the Management's proxy's materials. The annual review considers an evaluation of the effectiveness of the Board and the performance of each director, the continuing validity of the credentials underlying the appointment of each director and the continuing compliance with the eligibility rules under applicable conflict of interest guidelines.

The Nominating Committee, whenever considered appropriate, may direct the Chairman to advise each nominee director, prior to appointment to the Board, of the credentials underlying the recommendation of such nominee director's candidacy. The Nominating Committee may recommend to the Board at the annual meeting of the Board, the allocation of Board members to each of the Board committees, and where a vacancy occurs at any time in the membership of any Board committee, the Nominating Committee may recommend to the Board a member to fill such vacancy. The Nominating Committee has the sole authority to retain and terminate any search firm to be used to identify nominee director candidates, including the sole authority to approve fees and other terms of such retention. The Nominating Committee monitors on a continuing basis and, whenever considered appropriate, makes recommendations to the Board concerning the corporate governance of the Corporation.

**Compensation**

The Compensation Committee of the Board reviews the compensation of the directors and senior officers. The Compensation Committee reviews and makes recommendations to the Board regarding the granting of stock options to directors and senior officers, compensation for senior officers, and compensation for senior officers' and directors' fees, if any, from time to time. Senior officers and directors may be compensated in cash and/or equity for their expert advice and contribution towards the success of the Corporation. The form and amount of cash compensation will be evaluated by the Compensation Committee, which will be guided by the following goals:

- compensation should be commensurate with the time spent by senior officers and directors in meeting their obligations and reflective of the compensation paid by companies similar to the Corporation in size, business and stage of development; and
- the structure of the compensation should be simple, transparent and easy for shareholders to understand. Shareholders will be given the opportunity to vote on all new or substantially revised equity compensation plans for directors as required by regulatory policies.

**Other Board Committees**

The Board has no standing committees other than the Audit Committee, the Compensation Committee and the Nominating Committee.

**Assessment**

The Board assesses on an annual basis the performance of the Board as a whole, the committees of the Board, and each of the individual directors in order to satisfy itself that each is functioning effectively.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as sole and exclusive agents of the Corporation to offer a total of 8,000,000 Units for sale on a "best efforts" basis in the Offering Jurisdictions, at a price of $0.50 per Unit (the "Issue Price"). The Issue Price was established through negotiation between the Corporation and the Agents.

The Agents have agreed to use its best efforts to secure subscriptions for all of the Units offered hereunder on behalf of the Corporation. The Agents will hold in trust all funds received for subscriptions until the closing of the Offering. The distribution under this Prospectus will cease on the 90th day after the issuance, by all securities regulatory authorities having jurisdiction, of a receipt for the final prospectus (unless the applicable securities regulatory authorities consent to an extension of the offering period). In the event that the Offering is not completed by the date that is 90 days from the date a receipt is issued for the final prospectus, all funds raised hereunder will be refunded to investors without interest or deduction.

The obligations of the Agents under the Agency Agreement may be terminated prior to the Closing Date at the Agents' discretion on the basis of its assessment of the state of the financing markets or upon the occurrence of certain stated events.

Pursuant to the Agency Agreement, the Corporation has agreed to pay the Agents a cash commission of 7% of the gross subscription proceeds from the sale of the Units pursuant to the Offering. In addition, the Corporation will issue Agents' Warrants to the Agents entitling the Agents to purchase that number of Agents' Units that is equal to 7% of the number of Units issued pursuant to the Offering, being 560,000 Agents' Units. Each Agents' Warrant entitles the holder to purchase one Agents' Unit at the Issue Price for a period of twenty-four (24) months following the Closing Date. This Prospectus also qualifies the issuance of the Agents' Warrants, and the Agents' Units underlying the Agents' Warrants. In addition, the Corporation will reimburse the Agents for all reasonable expenses incurred in connection with the Offering.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part by the Corporation. The Corporation reserves the right to close the subscription books at any time without notice. The Agents will hold in trust all monies received prior to the Closing Date, pursuant to the Agency Agreement, pending the completion of the Offering on the Closing Date. The Offering is not underwritten and the Offering must be fully raised within ninety (90) days of the issuance, by all securities regulatory authorities having jurisdiction, of a receipt for the filing of a final prospectus (unless the applicable securities regulatory authorities consent to an extension of the offering period), failing which the Agents will remit the funds collected to the original subscribers without interest or deduction.

As at the date of this Prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

Other than as disclosed in this Prospectus, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or Corporation in connection with the Offering.

## RISK FACTORS

AN INVESTMENT IN THE COMMON SHARES OF THE CORPORATION IS SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK.

Prospective purchasers of the Units should carefully consider the risks described under "Management's Discussion and Analysis" above and the risks described below. The operations of the Corporation are high-risk due to the nature and stage of development of the mineral properties in which it has an interest. The following describes some of the risks that could affect the Corporation and could materially affect the Corporation's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Corporation. The Corporation may face additional risks and uncertainties other than those listed below (or elsewhere in this Prospectus), including risks and uncertainties that are unknown to the Corporation and risks and uncertainties that the Corporation now believes to be immaterial, which could turn out to be material, that could have a material adverse effect on the business of the Corporation. If any of the risks described below (or elsewhere in this Prospectus) actually occur, the business, financial condition and/or results of operations of the Corporation could be materially adversely affected.

### Working Capital and Liquidity

The Corporation's ability to continue its business operations is dependent on management's ability to secure financing. The Corporation's only source of liquidity is cash and cash equivalent balances. Liquidity requirements are managed based upon forecast cash flows to ensure that there is sufficient working capital to meet the Corporation's obligations.

The Corporation's main funding requirements for 2011 are for its corporate overheads and continuation of its mineral exploration, property and project obligations, including professional fees, consultants' fees, investor relations, salaries and benefits and office overheads of approximately $2,500,000 in the aggregate, as well as the USD $50,000 payment required to be made at the time of formation of the joint venture company under the Option Agreement, and a portion of the USD $3,500,000 expenditure, or a portion of the cost to complete a prefeasibility study, required by November 2012 under the Option Agreement. As a result, the Corporation may be required to seek additional sources of equity financing before the end of the 2011 financial year and is actively considering proposals. While the Corporation has been successful in raising such financing in the past, the Corporation's ability to raise additional equity financing may be affected by numerous factors beyond the Corporation's control, including, but not limited to, adverse market conditions and/or commodity price changes and economic downturn and those other factors listed under this "Risk Factors" section, and there can be no assurance that the Corporation will be successful in obtaining any additional financing required to continue its business operations and/or maintain its property interests or that it will be obtained on terms favourable to the Corporation or will provide the Corporation with sufficient funds to meet its objectives. Failure to obtain sufficient financing as and when required may result in delaying or indefinite postponement of exploration and/or development on any or all of the Corporation's properties or even a loss of property interest, which would have a material adverse effect on the Corporation's business, financial condition and results of operations.

### Additional Equity Financing

The advancement, exploration and development of the Corporation's properties, including continuing exploration and development projects, and, if warranted, construction of mining facilities and commencement of mining operations, will require substantial additional financing. The most likely source of such future financing that would be available to the Corporation is through the sale of additional equity capital. However, there can be no assurance that such financing will be available to the Corporation or that it will be obtained on terms favourable to the Corporation or will provide the Corporation with sufficient funding to meet its objectives or capital or operating requirements, which may adversely affect the Corporation's business, financial condition and results of operations. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders.

Failure to obtain sufficient financing as and when required by the Corporation will result in a delay or indefinite postponement of the advancement, exploration or development on any or all of the Corporation's properties or even a loss of a property interest, which would have a material adverse effect on the Corporation's business, financial condition and results of operations. Global securities markets are currently experiencing volatility, which may result in difficulty in raising equity capital and market forces may render it difficult or impossible for the Corporation to secure purchasers of the Corporation's securities at prices which will not lead to severe dilution to existing shareholders, or at all.

**Going Concern**

The Corporation's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. There can be no assurance once a decision is made with respect to future activities that the Corporation will be able to execute on its plans. The Financial Statements of the Corporation do not include any adjustments related to the carrying values and classification of assets and liabilities should the Corporation be unable to continue as a going concern.

**Nature of Mineral Exploration and Mining**

The Corporation's future is dependent on the Corporation's exploration and development programs. The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into economically viable operating mines. Major expenditure on the Corporation's exploration properties may be required in constructing mining and processing facilities at a site, and it is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on the Corporation's projects or the current or proposed exploration programs on any of the properties in which the Corporation has exploration rights or an invested interest will result in any profitable commercial mining operation. The Corporation cannot give any assurance that its current and future exploration activities will result in a discovery of mineral deposits containing mineral reserves.

Whether a deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of metal concentrates, exchange controls and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of any or all of these factors may result in the Corporation not receiving an adequate return on invested capital or have a material adverse effect on the Corporation's business and financial condition.

**Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, railways, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations of the Corporation.

Management of the Corporation believes that the infrastructure weaknesses in Tanzania are comparable to those in any remote mining location located in other parts of the world. The Wigu Hill Property is located in a remote area where weather, terrain and infrastructure are factors which could make it difficult and costly to operate. The area is fairly accessible being located adjacent to a main road and in reasonably close proximity to a railroad in the area, however any change or damage to the road or railroad could have a material impact on the business of the Corporation. Wigu Hill itself is a prominent hill of elliptical shape which could also make the Wigu Hill Property difficult and costly to operate. The topography of the Wigu Hill Property may increase the risk that the Corporation may not be able to further explore, develop or operate efficiently due to the difficulty of transporting materials and equipment to the Wigu Hill Property. Construction and operational risks, including, without limitation, equipment and plant performance, harsh weather conditions, terrain, environmental, cost estimation accuracy and workforce performance and dependability will all affect the development and profitability of the Wigu Hill Property. Although the current road and railroad render the Wigu Hill Property reasonably accessible, there can be no assurance that the infrastructure will be, or continue to be, sufficient for the purposes of carrying out the Corporation’s objectives. In addition, there can be no assurance that any alternative infrastructure will be developed or that any alternative infrastructure, if constructed, will support the viability of the Wigu Hill Property. In the event that the current infrastructure is not adequate, or that adequate infrastructure is not developed or is developed but does not support the viability of the Wigu Hill Property, the existing challenges in respect of transporting materials into the Wigu Hill Property, as well as transporting any future mined REE out, will continue, which may adversely affect the operations of the Corporation.

Electrical power generation in Tanzania can suffer from unreliability issues and is impacted by transmission and distribution losses typically associated with weather cycles. Remote mine sites often install independent power generation capability when not close to a national grid.

**Competition**

The mineral exploration and mining business is competitive in all of its phases. The Corporation competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Corporation, in the search for and the acquisition of attractive mineral properties. The Corporation's ability to acquire properties in the future on terms it considers acceptable will depend on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Corporation will continue to be able to compete successfully with its competitors in acquiring such properties or prospects or be able to develop any market for its share of the raw material that may be produced from the Wigu Hill Property and any such inability could have a material adverse effect on the Corporation's business and financial condition.

The Corporation also faces strong competition from other mineral exploration and mining companies for mineral exploration services and supplies, including qualified exploration staff and exploration and drilling contractors, due to large levels of activity in the mineral sector in Tanzania in recent years. Furthermore, the ratio of skilled and qualified workers in Tanzania and other east African countries are low, which must be offset by hiring expatriate staff which is permitted in the country. Accordingly, the availability and cost of necessary mineral exploration services and supplies may pose challenges to the timely and cost-effective completion of exploration programs, and the Corporation will be compelled to pay market rates in order to carry on its business. Consequently, the Corporation's exploration progress, operations and financial condition could be materially adversely affected.

### Dependence on and Performance of Key Personnel

The Corporation currently has a small senior management group, which is sufficient for the Corporation's present stage of activity. The Corporation's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Corporation relies on a limited number of key employees, consultants and members of senior management and there is no assurance that the Corporation will be able to retain such key employees, consultants and senior management. The loss of one or more of such key employees, consultants or members of senior management, if not replaced, could have a material adverse effect on the Corporation's business, financial condition and prospects. The Corporation currently does not have key person insurance on these individuals.

To operate successfully and manage its potential future growth, the Corporation must attract and retain highly qualified key exploration geologists, and managerial and financial personnel. The Corporation faces intense competition for qualified personnel in these areas, and there can be no certainty that the Corporation will be able to attract and retain qualified personnel. If the Corporation is unable to hire and retain additional qualified personnel in the future to develop its properties, its business, financial condition and operating results could be adversely affected.

### Global Economic and Financial Markets

Recent market events and conditions, including disruption in the Canadian, U.S. and international credit markets and other financial systems and the deterioration of Canadian, U.S. and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Corporation's ability to fund its working capital and other capital requirements.

Notwithstanding various actions by U.S., Canadian and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have caused the broader credit markets to further deteriorate and stock markets to decline substantially. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly resource exploration and development companies such as the Corporation.

These disruptions could, among other things, make it more difficult for the Corporation to obtain, or increase its cost of obtaining, capital and financing for its operations. The Corporation's access to additional capital may not be available on terms acceptable to the Corporation or at all.

### Title Matters

The Corporation has taken reasonable measures, in accordance with industry standards for properties at the same stage of exploration, to ensure proper title to its properties. However, there is no guarantee that title to any of its properties will not be challenged or impugned. Title insurance generally is not available for mining claims in Canada, South Africa or Tanzania and the Corporation's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be limited. The Corporation's properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims and title may be affected by, among other things, undetected defects. In addition, the Corporation may be unable to operate the properties as permitted or to enforce its rights with respect to its properties. The failure to comply with all applicable laws and regulations, including a failure to pay taxes, carry out and file assessment work, may invalidate title to portions of the properties where the mineral rights are not held by the Corporation.

An impairment to or defect in the Corporation's title to any of its properties could have a material adverse effect on the Corporation's business, financial condition or results of operations. In addition, such claims, whether or not valid, will involve additional costs and expenses to defend or settle which could adversely affect the Corporation's profitability.

**Risks of Foreign Operations**

Some of the Corporation's properties, including the Wigu Hill Property, are located in Tanzania or other foreign jurisdictions. As such, the Corporation is subject to governmental, political, economic, and other uncertainties, including, but not limited to, expropriation of property without fair compensation, changes in policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty increases, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the imposition of specific obligations and the other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities, insurrections, the actions of national labour unions, terrorism and abduction. The Corporation's operations in Tanzania or elsewhere will entail governmental, economic, social, medical and other risk factors common to all developing countries. The status of Tanzania as a developing country may make it more difficult for the Corporation to obtain any required financing because of the investment risks associated with it.

The Corporation's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Corporation's operations in the Tanzania or any other foreign jurisdiction, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation's exploration and development activities in Tanzania or any other foreign jurisdiction could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation.

**Fluctuations in Currency Exchange Rates**

The Corporation's current operations are located in Canada, Tanzania and South Africa. Operations in Tanzania are denominated in Tanzanian shilling, operations in South Africa are denominated in South African Rand, and operating and capital costs are generally incurred in United States dollars. Fluctuations in the United States dollar, the Canadian dollar, the South African Rand or Tanzanian shilling exchange rates may cause a negative impact on revenue and costs. These types of fluctuations could have a material adverse impact on the Corporation's operations.

**Environmental Risks and Hazards**

All phases of the operations of the Corporation are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the operations of the Corporation. Environmental hazards may exist on the properties on which the Corporation holds interests which are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties.

The operations of the Corporation in Tanzania are subject to laws and regulations concerning the environment. If a Prospecting Licence is converted to a Special Mining Licence then Tanzanian Mining Law respecting environmental impact assessment and responsibility in Mines, Mining (Safe Working and Occupational Health) shall become applicable.

Although the Corporation intends to comply fully with all environmental regulations, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

**Permitting**

The operations of the Corporation are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Corporation currently has all required permits for its operations as currently conducted, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations, additional permits for any possible future changes to operations or additional permits associated with new legislation. There can be no assurance that the Corporation will continue to hold all permits necessary to develop or continue operating at any particular property. Prior to any development on any of its properties, the Corporation must receive approvals and permits from appropriate governmental authorities. To the extent such approvals or permits are required and not obtained, the Corporation may be curtailed or prohibited from continuing its operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration and mining operations may be required to compensate those suffering loss or damage by reason of the exploration and mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the Corporation, resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

### No Revenues and History of Losses and Limited Operating History

The Corporation's properties are in the exploration stage and are not commercially viable at this time. There is no certainty that the Corporation's exploration expenditures towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore or that the Corporation will generate revenue, operate profitably or provide a return on investment in the future. There can be no assurance that significant additional losses will not occur in the future. The operating expenses and capital expenditures may increase in subsequent years with advancing exploration, development and/or production of the properties. The Corporation does not expect to receive revenues from operations in the foreseeable future. The Corporation expects to incur losses until such time as its properties enter into commercial production and general sufficient revenue to fund its continuing operations. The development of the Corporation's properties will require the commitment of substantial resources and there can be no assurance that the Corporation will be able to finance its operations externally.

There can be no assurance that the Corporation's exploration programs will result in locating commercially exploitable REE or that its properties will be successfully developed. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

### Fluctuations in Demand for, and Prices of, REE and Rare Earth Products

As the Corporation's business depends on the value of REE, changes in demand for, and the market price of, REE and products could significantly affect the Corporation's potential future profitability. The value and price of the Shares and the Corporation's financial results may be significantly adversely affected by declines in the prices of REE. Although REE prices have trended upward recently, they can fluctuate widely particularly due to a number of factors including there being no transparent, two-way market or spot price for REE, the limited number of REE suppliers and the fact that approximately 97% of global supply currently comes from Chinese production sources. The price of REE will be influenced by numerous factors beyond the control of the Corporation. The level of interest rates, the rate of inflation, global and regional consumption patterns, the world supply of and demand for REE, their intermediate and end product uses, market behaviour of current REE supply sources and the instability of exchange rates can all cause significant fluctuations in REE prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments particularly in China. The effect of these factors cannot be accurately predicted. The price of REE and mineral commodities more generally has fluctuated widely in recent years and future price declines could cause commercial production to be uneconomic, thereby having a material adverse effect on the Corporation's business and financial condition and the value and price of the Shares. The profitability or otherwise of the potential development of Corporation's mineral properties, including the Wigu Hill Property, will also be heavily dependent on the costs of consumables, particularly fuel, energy, chemical reagents and other products which may be required to be used in future exploration, development and treatment operations.

As a result of the global economic crisis, REE product prices declined by approximately 50% during 2008 and through the third quarter of 2009. Although REE prices have recovered, a prolonged or significant economic contraction worldwide could put further downward pressure on market prices of REE minerals and products. Protracted periods of low prices for REE minerals and products could significantly reduce the availability of required development funds in the future. This could impair asset values and reduce the Corporation's REE resources.

Demand for REE may be impacted by demand for downstream products incorporating REE, including hybrid and electric vehicles, wind power equipment and other clean technology products, as well as demand in the general automotive and electronic industries. Lack of growth in these markets may adversely affect the demand for the Corporation's REE resources.

In contrast, extended periods of high commodity prices may create economic dislocations that may be destabilizing to REE minerals supply and demand and ultimately to the broader markets. Periods of high REE mineral market prices generally are beneficial to our financial performance. However, strong REE mineral prices also create economic pressure to identify or create alternate technologies that ultimately could depress future long-term demand for REE minerals and products, and at the same time may incentivize development of otherwise marginal REE mining properties.

**Increase in the Global Supply of REE, Dumping and Predatory Pricing**

The pricing and demand for the Corporation's anticipated production of REE products is affected by a number of factors beyond the Corporation's control, including growth of economic development and the global supply and demand for REO products. According to Roskill Consulting Group Limited (providers of independent industry data), China accounted for approximately 97% of global REO production in 2008. The historic and forecast increases in REE projects may accelerate the development of new sources of supply and the increased competition may lead suppliers and market participants to engage in predatory pricing behaviour. Any increase in the amount of REE products exported from other nations and increased competition may result in price reductions, reduced margins and loss of potential market share, any of which could materially adversely affect the Corporation's potential profitability. As a result of these factors, the Corporation may not be able to compete effectively against current and future competitors.

**Commodity Prices**

The development of the Corporation's properties is dependent on the future price of REE, minerals and metals. As well, the profitability of the Corporation's commercial operations, if any, will be significantly affected by changes in the market price of minerals and metals.

Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Corporation's control. Such factors include, but are not limited to, interest and exchange rates, inflation or deflation, fluctuations in the value of the US dollar and foreign currencies, global and regional supply and demand, and political and economic conditions. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of commodities has historically fluctuated widely and future price declines could cause the development of and any future commercial production from the Corporation's properties to be impracticable or uneconomical or force the Corporation to discontinue any development of, operations on or lose its interest in its properties. Such fluctuations in commodity prices could have a material adverse effect on the Corporation's business and financial condition.

**Insurance Risk**

The Corporation's operations are, and will continue to be, subject to all of the hazards and risks normally associated with exploration, development and production, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Corporation's activities may be subject to prolonged disruptions due to weather conditions, depending on the location of operations in which the Corporation has interests. Hazards, such as unusual or unexpected formations, rock bursts, pressures, adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes, flooding or other conditions may be encountered in the drilling and removal of material. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Corporation's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

While the Corporation may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Corporation cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Corporation's earnings and competitive position in the future and, potentially, its financial position and results of operation.

**Conflicts of Interest**

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies involved in natural resource exploration, development and mining operations and consequently there exists the possibility for such directors and officers to be in a position of conflict.

The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest, which they may have in any project or opportunity of the Corporation. In addition, each of the directors is required by law to declare their interest in and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with applicable law.

**Market Price of the Shares**

Worldwide securities markets have been experiencing a high level of price and volume volatility and market prices of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in prices which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share price of many natural resources companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. As a consequence, market forces may render it difficult or impossible for the Corporation to secure purchasers to purchase its securities at a price which will not lead to severe dilution to existing shareholders, or at all. In addition, shareholders may realize less than the original amount invested on dispositions of their common shares of the Corporation during periods of such market price decline.

**Option and Joint Venture Agreements**

The Corporation enters into option agreements and joint ventures as a means of gaining property interests and raising funds. Any failure of any partner to meet its obligations to the Corporation or other third parties, or any disputes with respect to third parties' respective rights and obligations could have a material adverse effect on such agreements, including, but not limited to, the Option Agreement. In addition, the Corporation may be unable to exert direct influence over strategic decisions made in respect to properties that are subject to the terms of these agreements.

## PROMOTER

Dr. Antony Harwood may be considered a promoter of the Corporation within the meaning of relevant Canadian securities legislation. As of the date hereof, Dr. Harwood beneficially owns, controls or directs, directly or indirectly, 3,270,557 Shares of the Corporation, comprising 10.9% of the issued and outstanding Shares as of the date hereof. See “Principal Holders of Securities” and “Directors and Officers”.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is not or was not a party to, and none of its property is or was the subject of, any legal proceedings since the beginning of the Last Financial Year, as at the date of this Prospectus, nor does the Corporation contemplate any such legal proceedings.

No penalties or sanctions have been imposed against the Corporation by a court, nor has the Corporation entered into any settlement agreements before a court, relating to provincial and territorial securities legislation or by a securities regulatory authority within the last three years from date hereof, nor has a court or regulatory body imposed any other penalties or sanctions against the Corporation.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Prospectus, no (a) director or executive officer, (b) person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the Shares, nor (c) associate or affiliate of any of the persons or companies referred to in (a) or (b) has, or has had within the three years before the date hereof, any material interest, directly or indirectly, in any transaction that has materially affected or is reasonably expected to materially affect the Corporation or any of its subsidiaries.

## RELATIONSHIP BETWEEN THE CORPORATION AND THE AGENTS

The Corporation is neither a "related issuer" nor a "connected issuer" to the Agents, as such terms are defined in National Instrument 33-105 - Underwriting Conflicts.

## AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditor of the Corporation is Dale Matheson Carr-Hilton Labonte LLP located at 1140 West Pender Street, Suite 1500, Vancouver, British Columbia, Canada V6E 4G1.

The transfer agent and registrar of the Corporation is Olympia Trust Company, and the register of Shares and register of transfers will be maintained at the Toronto office located at 120 Adelaide Street W. Suite 920, Toronto, Ontario, Canada M5H 1T1.

## MATERIAL CONTRACTS

The only material contracts that the Corporation has entered into since the beginning of the most recently completed financial year or contracts entered into before the beginning of the most recenlty completed financial year that are still in effect, other than contracts entered into in the ordinary course of business, are as follows:

- The letter agreement between the Corporation and RSR (Tanzania) Limited and its Affiliates ("RSR") dated May 26, 2008, and the amendments thereto dated June 30, 2009 and April 27, 2010, concerning the acquisition of an interest in the Wigu Hill Property (collectively, the "Option Agreement") (see "Description of the Business – Wigu Hill and the Option Agreement");
- The Agency Agreement dated ●, 2010 between the Corporation and the Agents described in the section "Plan of Distribution" herein;
- The Escrow Agreement dated ●, 2010 among the Corporation, the Escrow Agent and certain shareholders of the Corporation;

**Inspection**

Copies of the above material contracts may be inspected at the offices of the legal counsel of the Corporation, Peterson Law Professional Corporation, at Suite 806, 390 Bay Street, Toronto, Ontario M5H 2Y2, during normal business hours while distribution of the securities offered hereunder is in progress.

## EXPERTS AND INTERESTS OF EXPERTS

Certain legal matters relating to the securities offered hereby will be passed upon on behalf of the Corporation by Peterson Law Professional Corporation, Barristers & Solicitors, Toronto, Ontario, and on behalf of the Agents by Anfield Sujir Kennedy & Durno LLP, of Vancouver, British Columbia.

Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants (the auditors of the Corporation) prepared an auditors' report to the directors of the Corporation on the consolidated balance sheet of the Corporation as of December 31, 2009, 2008 and 2007 and the statements of operations and deficit and cash flows for the years ended December 31, 2009, 2008 and 2007. Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

The independent author of the Technical Report was P.R. Siegfried, B.Sc., M.Sc., MAusIMM, GeoAfrica Prospecting Services cc.

None of the foregoing experts, nor any partner, employee or consultant of such an expert who participated in and who was in a position to directly influence the preparation of the applicable statement, report or valuation, has, has received or is expected to receive, registered or beneficial interests, direct or indirect, in Shares or other property of the Corporation or any of its associates or affiliates, representing 1% or more of the outstanding Shares.

## OTHER MATERIAL FACTS

Other than as disclosed elsewhere in this Prospectus, there are no material facts about Shares that are necessary to be disclosed in order for this Prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed.

## PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to the applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

**FINANCIAL STATEMENTS**

# MONTERO MINING AND EXPLORATION LTD.

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Vancouver, BC
V6E 4H3
Phone (416) 840 9197
Fax: (866) 688 4671
www.monteromining.com
info@monteromining.com

**Consolidated Financial Statements**
June 30, 2010 and 2009

**Index**



## MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of Montero Mining and Exploration Ltd. for the six months ended June 30, 2010 have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied and are the responsibility of the Company's management. These consolidated financial statements have been reviewed by the Company's auditors.

# Montero Mining and Exploration Ltd.

**Consolidated Balance Sheets**
**(Unaudited – Prepared by Management)**

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | $ 626,695 | $ 936,950 |
| Accounts receivable | 4,187 | 5,660 |
| Prepaid expenses and deposits | 11,586 | — |
| | 642,468 | 942,610 |
| Deferred financing costs (Note 2) | 60,050 | 24,071 |
| Equipment (Note 3) | 2,236 | 5,020 |
| Mineral properties and exploration expenditures (Note 4) | 2,843,892 | 1,775,533 |
| | $ 3,548,646 | $ 2,747,234 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 148,892 | $ 103,411 |
| Due to related parties (Note 8) | 130,046 | 33,448 |
| | 278,938 | 136,859 |
| **Shareholders' equity** | | |
| Share capital (Note 5) | 5,265,981 | 4,175,244 |
| Obligation to issue shares (Note 5) | — | 55,480 |
| Contributed surplus (Note 6) | 472,281 | 305,172 |
| Deficit | (2,468,554) | (1,925,521) |
| | 3,269,708 | 2,610,375 |
| | $ 3,548,646 | $ 2,747,234 |

*See accompanying notes*

On behalf of the Board:

| | |
|---|---|
| *"Antony Harwood"* | *"Antonia Chapman"* |
| Antony Harwood | Antonia Chapman |

# Montero Mining and Exploration Ltd.

**Consolidated Statements of Operations, Comprehensive Loss and Deficit**
**(Unaudited – Prepared by Management)**

| | Three Months Ended June 30 2010 | Three Months Ended June 30 2009 | Six Months Ended June 30 2010 | Six Months Ended June 30 2009 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Amortization | $ 1,392 | $ 1,392 | $ 2,784 | $ 2,784 |
| Accounting and administrative fees (Note 8) | 3,398 | — | 6,899 | 732 |
| Audit and tax fees | 12,085 | — | 24,557 | 940 |
| Consulting fees (Note 8) | 21,140 | — | 27,840 | — |
| Directors' fees (Note 8) | 3,000 | 3,000 | 9,106 | 6,000 |
| Foreign exchange | 12,444 | (3,470) | 12,697 | (5,044) |
| Investor relations (Note 8) | 9,150 | — | 29,583 | — |
| Legal fees | 30,653 | 3,514 | 48,858 | 30,489 |
| Office and general | 29,559 | 269 | 38,682 | 1,395 |
| Management fees (Note 8) | 49,763 | 31,584 | 100,724 | 48,031 |
| Project investigation costs (Note 8) | 216 | — | 18,816 | — |
| Regulatory and filing fees | 1,383 | — | 1,483 | — |
| Stock-based compensation (Note 5) | 42,324 | — | 167,109 | — |
| Telephone and communications | 5,416 | 1,242 | 10,747 | 2,377 |
| Travel | 27,627 | 2,721 | 63,676 | 13,672 |
| | 249,550 | 40,252 | 563,561 | 101,376 |
| **Loss before the following** | (249,550) | (40,252) | (563,561) | (101,376) |
| Gain on sale of subsidiary (Note 5) | — | — | 19,638 | — |
| Impairment of mineral properties (Note 5) | — | (65,518) | — | (65,518) |
| Interest income | 230 | — | 890 | 72 |
| | 230 | (65,518) | 20,528 | (65,446) |
| **Net loss and comprehensive loss for the period** | (249,320) | (105,770) | (543,033) | (166,822) |
| **Deficit, beginning of period** | (2,219,234) | (1,596,163) | (1,925,521) | (1,535,111) |
| **Deficit, end of period** | $ (2,468,554) | $ (1,701,933) | $ (2,468,554) | $ (1,701,933) |
| **Loss per share—basic and diluted** | $ (0.01) | $ (0.01) | $ (0.02) | $ (0.01) |
| **Weighted average number of common shares outstanding - basic and diluted** | 26,415,456 | 13,035,001 | 26,092,223 | 13,035,001 |

*See accompanying notes*

## Montero Mining and Exploration Ltd.

**Consolidated Statements of Cash Flows**
**(Unaudited -- Prepared by Management)**

| | Three Months Ended June 30 2010 | Three Months Ended June 30 2009 | Six Months Ended June 30 2010 | Six Months Ended June 30 2009 |
|---|---|---|---|---|
| **Cash flows used in operating activities** | | | | |
| Net loss for the period | $ (249,320) | $ (105,770) | $ (543,033) | $ (166,822) |
| Adjustment for items not involving cash | | | | |
| Amortization | 1,392 | 1,392 | 2,784 | 2,784 |
| Stock-based compensation | 42,324 | — | 167,109 | — |
| Impairment of mineral properties | — | 65,518 | — | 65,518 |
| | (205,604) | (38,860) | (373,140) | (98,520) |
| Change in non-cash working capital items | | | | |
| Accounts receivable | 193 | (222) | 1,473 | 1,294 |
| Prepaid expenses and deposits | (5,449) | — | (11,586) | — |
| Accounts payable and accrued liabilities | 66,533 | 5,492 | 45,481 | 61,377 |
| Due to related parties | 38,038 | 34,499 | 184,355 | 30,681 |
| | (106,289) | 909 | (153,417) | (5,168) |
| **Cash flows from financing activities** | | | | |
| Issue of shares for cash | 812,500 | — | 812,500 | — |
| Deferred financing costs | (14,470) | — | (35,979) | — |
| | 798,030 | — | 776,521 | — |
| **Cash flows used in investing activities** | | | | |
| Mineral property expenditures | (650,955) | (58,945) | (933,359) | (78,620) |
| | (650,955) | (58,945) | (933,359) | (78,620) |
| **Increase (decrease) in cash and cash equivalents during the period** | 40,786 | (58,036) | (310,255) | (83,788) |
| **Cash and cash equivalents, beginning of period** | 585,909 | 89,379 | 936,950 | 115,131 |
| **Cash and cash equivalents, end of period** | $ 626,695 | $ 31,343 | $ 626,695 | $ 31,343 |

**Supplemental cash flow information:**

| | | | | |
|---|---|---|---|---|
| Shares issued for debt settlements | $ — | $ — | $ 87,757 | $ — |
| Shares issued for mineral properties | 135,000 | — | 135,000 | — |
| Shares issued pursuant to obligation to issue shares for debt settlements | — | — | 55,480 | — |

*See accompanying notes*

## 1. Basis of Presentation and Nature and Continuance of Operations

These interim consolidated 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. These interim consolidated financial statements do not include all disclosures normally provided in the annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2009. In management's opinion, all adjustments necessary for fair presentation have been included in these interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2010 the Company had an accumulated deficit of $2,468,554. The ability of the Company to continue operations as a going concern is dependent on the continued support of shareholders and directors, the ability to continue to raise adequate funding to repay debts, the outcome of which cannot be predicted at this time. Management is of the opinion that sufficient working capital will be obtainable from external financing to meet the Company's liabilities and commitments as they become due, although there is risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

## 2. Deferred Financing Costs

Deferred financing costs relate to costs incurred in preparation of the Company completing its initial public offering ("IPO"). At such time that the IPO is completed, these costs will be netted against the proceeds received as share issuance costs. If the IPO is abandoned, these costs will be charged to operations.

## 3. Equipment

| | **June 30, 2010** | **December 31, 2009** |
|---|---|---|
| | $ | $ |
| Field equipment | 18,564 | 18,564 |
| Less: accumulated amortization | (16,328) | (13,544) |
| | **2,236** | **5,020** |

## 4. Mineral Properties and Exploration Expenditures

A summary of mineral properties and related exploration expenditures at June 30, 2010 and December 31, 2009 is as follows:

| | **2010** | **Incurred in period** | **2009** |
|---|---|---|---|
| Tanzania: | $ | $ | $ |
| Wigu Hill JV Project | | | |
| Acquisition Costs | 302,237 | 182,782 | 119,455 |
| Exploration Expenditures | 712,947 | 541,198 | 171,749 |
| | 1,015,184 | 723,980 | 291,204 |
| Iringa licence area | | | |
| Acquisition Costs | 188,346 | 4,630 | 183,716 |
| Exploration Expenditures | 43,407 | 57 | 43,350 |
| Impairment | (65,518) | - | (65,518) |
| | 166,235 | 4,687 | 161,548 |
| Liwale licence area | | | |
| Acquisition Costs | 239,679 | 9,840 | 229,839 |
| Exploration Expenditures | 61,110 | 52 | 61,058 |
| | 300,789 | 9,892 | 290,897 |
| Minjingu licence area | | | |
| Acquisition Costs | - | (56,318) | 56,318 |
| Exploration Expenditures | - | (409,100) | 409,100 |
| Impairment | - | 465,417 | (465,417) |
| | - | (1) | 1 |
| South Africa: | | | |
| Phosco project | | | |
| Acquisition Costs | 154,249 | 154,249 | - |
| Exploration Expenditures | 18,538 | 18,538 | - |
| | 172,787 | 172,787 | - |
| Canada: | | | |
| Girard claim area | | | |
| Acquisition Costs | 897,336 | 138,381 | 758,955 |
| Exploration Expenditures | 317,365 | 33,587 | 283,778 |
| Government tax credits | (90,837) | (23,272) | (67,565) |
| | 1,123,864 | 148,696 | 975,168 |
| Lac Yvonne claim area | | | |
| Acquisition Costs | 36,666 | 572 | 36,094 |
| Exploration Expenditures | 34,071 | 13,450 | 20,621 |
| Government tax credits | (5,704) | (5,704) | - |
| | 65,033 | 8,318 | 56,715 |
| | **2,843,892** | **1,068,359** | **1,775,533** |

## 4. Mineral Properties and Exploration Expenditures

### a) Tanzania

**Wigu Hill JV Project**

On May 26, 2008, 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. In order to exercise this option (the "First Option"), the Company must incur exploration expenditures of USD $3.5 million over a 3 year period (or alternatively complete a prefeasibility study) and make option payments of USD $20,000 on each six month anniversary of the agreement. The Company has the further right to earn an additional 10% interest in the project for a USD $2 million payment (payable in cash or, by mutual agreement, publicly traded shares of the Company). After the First Option is exercised, a joint venture will be formed, the terms of which will provide for dilution 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"). The Company has the right to purchase all or part of the NSR for USD $1 million per each 0.5%.

On June 30, 2009, an addendum to the agreement was signed whereby a further 18 month extension for the First Option period was arranged to expire November 28, 2012 and the exclusive right payments were increased from USD $20,000 to USD $30,000 on the bi-annual anniversaries.

On April 27, 2010, the Company signed a further amendment to the Wigu Hill project agreement amending the First Option such that the Company, in order to exercise the option, must make a final payment of USD $150,000 to RSR on or before April 30, 2010 (paid). No other option payments or exploration expenditures are required in order for the Company to exercise the First Option. After the exercise of the First Option, RSR will transfer the prospecting licenses comprising the Wigu Hill Project (the "Licences") to the newly-formed joint venture and the Company will concurrently pay RSR a further USD $50,000. After transfer of the Licences, the Company shall become obligated to incur exploration expenditures of USD $3.5 million (or alternatively complete a prefeasibility study) on or before November 28, 2012. The terms remain unchanged for the Company to earn an additional 10% interest in the project, except that the date by which the Company has to complete these requirements was extended to January 27, 2013.

**Iringa, Liwale and Minjingu Licence Areas**

In 2007 the Company acquired certain claims from a Tanzanian company as follows: three licences in the Iringa area by the payment of USD $18,750 and the issuance of 600,000 common shares (issued) valued at $120,000; and four licences in the Liwale area by the payment of USD $25,000 and the issuance of 800,000 common shares (issued) valued at $160,000. During the year ended December 31, 2009, the Company decided not to pursue exploration in one of the licence areas of Iringa and wrote off the related mineral properties and exploration expenditures costs of $65,518 as an impairment loss.

In conjunction with the same agreements noted above, in 2007 the Company acquired one licence comprising the Minjingu prospect by the payment of USD $6,250 and the issuance of 200,000 common shares valued at $40,000. However, the Government of Tanzania through the Ministry of Energy and Minerals rescinded the Notification of Grant of a Mineral Right on Minjingu area that was originally granted to the Company. Accordingly, the Company recorded an impairment on this property representing costs spent to date of $465,417 effective for the year ended December 31, 2008. The Company lodged an appeal with the Ministry of Energy and Minerals for restitution of the license or compensation thereof. Since this dispute has not been resolved, the Company sold Montero Tanzania Limited ("Montero Tanzania"), the holder of the Minjingu licence area, as outlined below.

## 4. Mineral Properties and Exploration Expenditures – *Continued*

### a) Tanzania – *Continued*

**Iringa, Liwale and Minjingu Licence Areas – *Continued***

On March 11, 2010, the Company received consent from the Ministry of Energy and Mines of Tanzania and completed a sale of its subsidiary, Montero Tanzania, to Minjingu Trust Limited, a company which has a director in common with the Company, for proceeds of $1, resulting in a gain on disposition of $19,638. The only asset involved in this sale was the revoked licence comprising the Minjingu licence area, which was previously impaired by the Company to a book value of $1.

### b) South Africa

**Phosco Project**

On May 7, 2010 the Company's newly-formed wholly-owned subsidiary, Montero Projects Limited ("Montero Projects"), a company incorporated in the British Virgin Islands, entered into a binding term sheet agreement with Eurozone Investments Limited ("Eurozone"), whereby Montero Projects has the exclusive right to acquire the shares in Eurozone's subsidiary, Mellosat (Pty) Limited ("Mellosat"). Mellosat and its subsidiaries holds interests in 4 phosphate exploration projects in South Africa (the "Phosco assets"). The Company paid $100,000 to Eurozone in consideration for receiving an exclusivity period to conduct due diligence. In September, 2010, the Company and Eurozone rescinded this agreement and entered into a new agreement, extending the time period during which the Company can conduct due diligence and covering substantially the same terms as the prior agreement. On September 21, 2010, Montero Projects entered into a new binding term sheet agreement with Celtic Trust Company Limited ("Celtic"), the parent company of Eurozone, whereby Montero Projects has the exclusive right to acquire the shares in Eurozone, whose subsidiaries own the Phosco assets. The exclusivity period of nine months to complete due diligence commenced on October 18, 2010 and expires on July 18, 2011. The consideration for receiving this exclusivity period is covered by the payment to Eurozone of $100,000 noted above. On or before July 18, 2011, the expiry of the exclusivity period, the Company must allot and issue 5 million common shares of the Company if it plans to proceed with the acquisition of Eurozone.

All preliminary costs of this transaction totalling $172,787 have been classified as mineral properties and exploration expenditures at this time. If the transaction does not proceed at the end of the exclusivity period on July 18, 2011, these costs will be charged to operations.

## 4. Mineral Properties and Exploration Expenditures – *Continued*

### c) 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 are also required totaling $235,000 and payable on or before November 7 each year as follows: $35,000 – 2007 (paid); $65,000 – 2008 (paid); $115,000 – 2009; $10,000 – 2010 and $10,000 – 2011. On July 10, 2009, the Company entered into arrangement whereby the remaining payments to be paid as follows: $115,000 – May 7, 2010; $10,000 – May 7, 2011 and $10,000 – May 7, 2012. All of these amounts totalling $135,000 were settled in May 2010, by the issuance of 1,000,000 common shares valued at $135,000.

The claims are subject to a 2.0% NSR. The Company has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

**Lac Yvonne Claim Area**

On March 14, 2008, the Company entered into a purchase and sale agreement to acquire a 100% interest in the Lac Yvonne claims located in Quebec for consideration of 100,000 common shares (issued) valued at $35,000.

The claims are subject to a 2.0% NSR. The Company has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

## 5. Share Capital

**Authorized**
Unlimited number of common shares without par value.

**Issued and outstanding**

| | Number of Shares | Amount $ |
|---|---|---|
| Balance, December 31, 2006 | 1 | 1 |
| Shares issued for cash | 3,000,000 | 60,000 |
| Shares issued for cash | 1,865,000 | 186,500 |
| Shares issued for cash | 4,470,000 | 1,564,500 |
| Shares issued for mineral properties | 700,000 | 140,000 |
| Balance, at December 31, 2007 | 10,035,001 | 1,951,001 |
| Shares issued for mineral properties | 1,400,000 | 280,000 |
| Shares issued for mineral properties | 1,600,000 | 560,000 |
| Balance, at December 31, 2008 | 13,035,001 | 2,791,001 |
| Shares issued for debt settlement | 635,000 | 127,000 |
| Shares issued for cash | 11,083,340 | 1,330,001 |
| Share issue costs | - | (72,758) |
| Balance, at December 31, 2009 | 24,753,341 | 4,175,244 |
| Shares issued for debt settlement | 1,112,389 | 143,237 |
| Shares issued for mineral properties | 1,000,000 | 135,000 |
| Shares issued for cash | 3,250,000 | 812,500 |
| **Balance, at June 30, 2010** | **30,115,730** | **5,265,981** |

During the six month period ended June 30, 2010, the following shares were issued:

(i) On January 14, 2010, 462,335 common shares were issued at $0.12 per share pursuant to the Share Debt Exchange agreements signed on December 31, 2009 with directors, officers and companies controlled by them to settle amounts owing totalling $55,480. This amount was recorded as an obligation to issue shares as of December 31, 2009.

(ii) On March 31, 2010, certain directors, officers, consultants and/or companies controlled by them entered into Share for Debt Exchange agreements with the Company for the settlement of accrued consulting and director fees through the issuance of common shares. A total of 650,054 common shares were issued at $0.135 per share to settle amounts payable totalling $87,757.

(iii) On May 7, 2010, the Company satisfied its remaining obligations with respect to the Girard claims in Quebec by issuing 1,000,000 common shares valued at $135,000 which covers all of the remaining payments.

(iv) On June 16, 2010, the Company completed a private placement financing by issuing 3,250,000 common shares at $0.25 per share for cash proceeds of $812,500.

## 5. 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:

| | Number of Options Outstanding and Exercisable | Weighted Average Exercise Price |
|---|---|---|
| Balance, December 31, 2009 | 975,000 | $ 0.41 |
| Granted | 1,300,000 | $ 0.15 |
| Granted | 250,000 | $ 0.25 |
| **Balance, June 30, 2010** | **2,525,000** | **$ 0.16** |

These stock options expire in various amounts in 2013 and 2015.

During the period ended June 30, 2010, the Company repriced all of its then outstanding stock options totalling 975,000 stock options to an exercise price of $0.15 per share. This repricing resulted in an additional charge of $26,381 to stock-based compensation expense.

During the period ended June 30, 2010, the Company granted 1,300,000 stock options with an exercise price of $0.15 per share and 250,000 stock options with an exercise price of $0.25 per share, resulting in a charge of $140,728 to stock-based compensation expense. The fair value of each option granted and modified was estimated as of the date of grant or modification using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 1.33%; dividend yield 0%; volatility 85% and expected life of 5 years.

## 6. Contributed Surplus

The Company's contributed surplus is comprised of the following:

| | **$** |
|---|---|
| Balance, December 31, 2009 | 305,172 |
| Stock-based compensation expense | 167,109 |
| **Balance, June 30, 2010** | **472,281** |

## 7. Income Taxes

As at the end of the Company's last fiscal year ended December 31, 2009, the Company has cumulative Canadian exploration and development expenditures of $1,069,136 and Canadian non-capital losses of $794,934 which may be offset against future income for income tax purposes. The exploration and development expenditures may be carried forward indefinitely and the non-capital losses expire as follows:

| | $ |
|---|---|
| 2026 | 1,002 |
| 2027 | 187,278 |
| 2028 | 282,809 |
| 2028 | 323,845 |
| | 794,934 |

At December 31, 2009, the Company had Tanzanian resource deductions of $530,537 and non-capital losses of $723,194 which may be offset against future income for income tax purposes. These resource deductions are taken annually and accumulate as losses which may be carried forward indefinitely.

Management has determined that the realization of these future income tax assets is uncertain at this time, and cannot be viewed as more likely than not. Accordingly, the Company has recorded a valuation allowance for the potential future income tax asset.

## 8. Related Party Transactions

During the six months ended June 30, 2010 and 2009, the Company incurred the following transactions with directors, officers or companies in which the directors have significant influence and interests:

| | **2010** **$** | **2009** **$** |
|---|---|---|
| Geological consulting fees and other (exploration expenditures) | 213,052 | 8,010 |
| Accounting and administrative wages | 6,899 | 732 |
| Consulting fees | 14,000 | — |
| Directors' fees | 9,106 | 6,000 |
| Investor relations | 21,800 | — |
| Management fees | 100,724 | 48,031 |
| Project investigation costs | 18,000 | — |

The amounts due to related parties represent amounts due to directors and officers or companies in which the directors have significant influence and interests for management fees and reimbursement of costs. These amounts are unsecured, non-interest bearing and due on demand.

These transactions were in the normal course of business and were measured at the exchange amount, which is the amount established and agreed to by the related parties.

## 9. Segmented Information

All of the Company's operations are in the mineral properties exploration industry with its principal business activity in the acquisition and exploration of mineral properties. The Company conducts its resource properties exploration activities primarily in Canada, Tanzania and South Africa. The location of the Company's assets by geographic area as of June 30, 2010 and December 31, 2009 is as follows:

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Canada | 1,851,922 | 1,986,790 |
| Tanzania | 1,523,937 | 760,444 |
| South Africa | 172,787 | — |
| | **3,548,646** | **2,747,234** |

## 10. Subsequent Events

The Company entered into an agreement on October 5, 2010 with Byron Securities Ltd. and Haywood Securities Inc. (together the "Agents") whereby the Agents agreed to act as agents in respect to an Initial Public Offering ("IPO") of units ("IPO Units") of the Company for gross proceeds of up to $4,000,000. The IPO Units will be priced at $0.50 per IPO Unit. Each IPO Unit consists of one common share in the Company and one half of one common share purchase warrant of the Company. Each whole warrant shall be exercisable into one common share at a price of $0.70, for a period of twenty four months from the date of the closing of the offering. Agent's commission will include commission of 7.0% of the gross proceeds raised from the Offering and $25,000 as a corporate finance fee. The Agent will also be granted agent's warrants equal to 7.0% of the number of IPO Units sold. Each agent's warrant shall consist of one common share and one half of one common share purchase warrant. Such agent's warrants shall have a term be exercisable into one IPO Unit for a period of 24 months from the date of the closing of the Offering.

# MONTERO MINING AND EXPLORATION LTD.

## CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 2009 and 2008

**AUDITORS' REPORT**

To the Directors of Montero Mining and Exploration Ltd.:

We have audited the consolidated balance sheets of Montero Mining and Exploration Ltd. as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*"DMCL"*

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
September 17, 2010
Except for Note 14 which is as of October 5, 2010

**MONTERO MINING AND EXPLORATION LTD.**
**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents (Note 3) | 936,950 | 115,131 |
| Accounts receivable | 5,660 | 3,207 |
| | 942,610 | 118,338 |
| Deferred financing costs (Note 4) | 24,071 | 24,071 |
| Equipment (Note 5) | 5,020 | 10,589 |
| Mineral properties and exploration expenditures (Note 6) | 1,775,533 | 1,589,244 |
| | **2,747,234** | **1,742,242** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | 103,411 | 113,630 |
| Due to related parties (Note 10) | 33,448 | 67,550 |
| | 136,859 | 181,180 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 7) | 4,175,244 | 2,791,001 |
| Obligation to issue shares (Note 8) | 55,480 | - |
| Contributed surplus (Note 9) | 305,172 | 305,172 |
| Deficit | (1,925,521) | (1,535,111) |
| | 2,610,375 | 1,561,062 |
| | **2,747,234** | **1,742,242** |

Nature and Continuance of Operations (Note 1)
Commitments (Note 6)
Subsequent Events (Note 14)

**On behalf of the Board:**

*"Antony Harwood"*
Antony Harwood
Director

*"Antonia J Chapman"*
Antonia J Chapman
Director

**MONTERO MINING AND EXPLORATION LTD.**
**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**

| | Year ended December 31, 2009 | Year ended December 31, 2008 |
|---|---|---|
| | $ | $ |
| **EXPENSES** | | |
| Amortization | 5,569 | 5,570 |
| Accounting and administrative wages (Note 10) | 13,758 | - |
| Audit and tax fees | 61,832 | 43,789 |
| Directors' fees (Note 10) | 15,209 | 14,637 |
| Foreign exchange (gain) loss | (5,557) | (5,945) |
| Legal fees | 56,495 | 56,831 |
| Office and general | 12,129 | 13,754 |
| Management fees (Note 10) | 112,027 | 110,916 |
| Project investigation costs (Note 10) | 10,400 | 11,980 |
| Stock-based compensation (Note 7) | - | 305,172 |
| Telephone and communications | 9,388 | 7,616 |
| Travel and accommodation | 33,999 | 47,559 |
| **LOSS BEFORE OTHER ITEMS** | (325,249) | (611,879) |
| **OTHER ITEMS** | | |
| Impairment of mineral properties (Note 6) | (65,518) | (465,417) |
| Interest income | 357 | 8,309 |
| | (65,161) | (457,108) |
| **NET AND COMPREHENSIVE LOSS FOR THE YEAR** | (390,410) | (1,068,987) |
| **DEFICIT, BEGINNING OF YEAR** | (1,535,111) | (466,124) |
| **DEFICIT, END OF YEAR** | (1,925,521) | (1,535,111) |
| **LOSS PER SHARE – BASIC AND DILUTED** | $ (0.03) | $ (0.08) |
| **WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED** | 14,999,107 | 12,740,754 |

**MONTERO MINING AND EXPLORATION LTD.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year ended December 31, 2009 | Year ended December 31, 2008 |
|---|---|---|
| | $ | $ |
| **OPERATING ACTIVITIES** | | |
| Net loss | (390,410) | (1,068,987) |
| Non-cash items: | | |
| Amortization | 5,569 | 5,570 |
| Stock-based compensation | - | 305,172 |
| Impairment of mineral properties | 65,518 | 465,417 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (2,453) | 13,607 |
| Accounts payable and accrued liabilities | 49,231 | (87,219) |
| Due to related parties | 88,928 | 9,487 |
| Cash used in operating activities | (183,617) | (356,953) |
| **FINANCING ACTIVITIES** | | |
| Issuance of common shares | 1,330,001 | - |
| Share issue costs | (72,758) | - |
| Deferred financing costs | - | (24,071) |
| Cash (used in) provided by financing activities | 1,257,243 | (24,071) |
| **INVESTING ACTIVITIES** | | |
| Mineral property expenditures | (251,807) | (263,579) |
| Cash used in investing activities | (251,807) | (263,579) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 821,819 | (644,603) |
| **CASH AND CASH EQUIVALENTS, BEGINNING** | 115,131 | 759,734 |
| **CASH AND CASH EQUIVALENTS, ENDING** | 936,950 | 115,131 |

**SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

| | | |
|---|---|---|
| | $ | $ |
| Cash paid for interest | - | - |
| Cash paid for income taxes | - | - |
| Non-cash transactions | | |
| - Shares issued for debt settlements | 127,000 | - |
| - Obligation to issue shares for debt settlements | 55,480 | - |
| - Shares issued for the acquisition of mineral properties | - | 560,000 |

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd (the “Company” or “Montero”) was incorporated on October 5, 2006, under the laws of British Columbia, Canada. The Company is primarily engaged in the acquisition and exploration of mineral properties in Canada and Tanzania.

### Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2009 the Company had an accumulated deficit of $1,925,521. The ability of the Company to continue operations as a going concern is dependent on the continued support of shareholders and directors, the ability to continue to raise adequate funding to repay debts, the outcome of which cannot be predicted at this time. Management is of the opinion that sufficient working capital will be obtainable from external financing to meet the Company’s liabilities and commitments as they become due, although there is risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and are presented in Canadian dollars.

### b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries Montero Tanzania Limited (“Montero Tanzania”), incorporated in Tanzania on April 3, 2007 and Montero Resources Limited (“Montero Resources”), incorporated in Tanzania on November 5, 2007. Inter-company balances and transactions are eliminated on consolidation.

### c) Use of estimates and measurement uncertainty

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Significant areas requiring the use of management estimates and valuation assumptions, include assumptions concerning the useful lives of equipment, valuation and carrying value of mineral properties, asset retirement obligations, expected tax rates for future income tax reporting, fair value measurements for financial instruments and share-based transactions and management’s assumptions and estimates for going concern considerations. By their nature these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant. Actual results could differ from these estimates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

### d) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term highly liquid interest bearing investments that are readily convertible into cash with a remaining term to maturity of 90 days or less when acquired.

### e) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated on a declining balance basis at 30% per annum.

### f) Mineral properties and exploration expenditures

Acquisition, exploration and development costs associated with a mineral property are capitalized until the property is producing, abandoned, impaired in value or placed for sale. The costs of abandoned properties are charged to operations when the property is abandoned. The costs of properties in excess of their estimated fair value are charged to operations if the decision is made to dispose of the property or if it is determined that the property is impaired in value.

The recoverability of the amounts capitalized in respect of mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, and upon future profitable production or proceeds from the disposition of the properties.

On a periodic basis, management reviews the carrying values of mineral property and deferred exploration expenditures with a view to assessing whether there have been any circumstances indicating that the carrying amount may not be recoverable. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices and reports and opinions of outside geologists, mine engineers and consultants. In the event that it is determined there is an impairment in the carrying value of the property, the carrying value will be compared to the fair value, and written down or written off, as appropriate.

### g) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2009, and 2008 the Company does not have any asset retirement obligations.

### h) Impairment of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use or disposition and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings. Fair value is generally determined using a discounted cash flow analysis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

### i) Future income taxes

Income taxes are accounted for using the asset and liability method. Under this method current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the potential benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates that apply for the years in which the temporary differences are expected to be recovered or settled.

The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely then not that a future tax asset will be recovered, it provides a valuation against the excess.

### j) Foreign currency translation

Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Gains and losses arising from translation of foreign currency monetary assets and liabilities and transactions are included in the determination of net loss for the year. Integrated foreign operations are translated using the temporal method. Under this method, the Company translates monetary items at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at average rates in effect on the transaction date. Revenues and expenses are translated at average rates in effect during the period except for amortization, which are translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the determination of net loss for the year.

### k) Financial instruments

The Company follows Canadian Institute of Chartered Accountants ("CICA") Sections 3855, "Financial Instruments – Recognition and Measurement" and Section 3856, "Hedges". Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial assets and liabilities (including derivatives), are to be measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and due to related parties. The carrying values of these financial instruments approximate their fair value unless otherwise noted.

Cash and cash equivalents are measured at face value, representing fair value, and classified as held-for-trading. Receivables, which are measured at amortized cost, are designated as loans and receivables. Accounts payable and due to related parties, which are measured at amortized cost, are designated as other financial liabilities.

The Company does not use any hedging instruments.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### l) Loss per share

The Company uses the treasury stock method for the computation and disclosure of loss per share. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under this method, it is assumed that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate. Basic loss-per-share figures have been calculated using the weighted monthly average number of shares outstanding during the respective periods. Diluted loss-per-share figures are equal to those of basic loss per share for each year since the effect of options would be anti-dilutive.

### m) Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the *Black-Scholes Option Pricing Model* using amounts that approximate the volatility of the trading price of the Company’s stock, the expected lives of awards of stock-based compensation, the fair value of the Company’s stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to operations as awards vest, with offsetting amounts recognized as contributed surplus.

### n) Comparative figures

Certain comparative figures have been reclassified to conform with the current year’s presentation.

### o) Adoption of New Accounting Policies and New Accounting Standards

***i)*** *Adoption of New Accounting Policies*

The Company did not adopt any new significant accounting policies during the year.

***ii)*** *New Accounting Standards*

a) International Financial Reporting Standards (“IFRS”)

In February 2008, the CICA Accounting Standards Board confirmed that the use of IFRS will be required in 2011 for public companies in Canada (i.e., IFRS will replace Canadian generally accepted accounting principles for public companies). The official changeover date will apply for interim and financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be adopting these requirements as a private company. The Company has determined that the key elements of this IFRS changeover on the Company will be in the areas of accounting for mineral properties’ acquisition and exploration costs, accounting for share capital including stock options and warrants valuations and general IFRS disclosure requirements. The Company is currently assessing the specific impact on the Company’s financial reporting and developing an implementation timetable.

b) Business Combinations—CICA Section 1582, Consolidated Financial Statements—CICA Section 1601 and Non-controlling Interests—CICA Section 1602. In January, 2009, the CICA issued Section 1582, “Business Combinations” which will provide the Canadian equivalent to IFRS 3, “Business Combinations” and will replace the existing Section 1581, “Business Combinations”. The new standard will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year in which case an entity would also be required to early adopt Section 1601, “Consolidated Financial Statements” and Section 1602, “Non-controlling Interests”.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Management does not expect that the adoption of these new standards will have a significant impact on the Company's financial statements.

## 3. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents as of December 31 are as follows:

| | **2009** | **2008** |
|---|---:|---:|
| | $ | $ |
| Cash | 136,665 | 14,304 |
| Money market instruments | - | 100,827 |
| Guaranteed investment certificate | 800,285 | - |
| | **936,950** | **115,131** |

## 4. DEFERRED FINANCING COSTS

Deferred financing costs relate to costs incurred in preparation of the Company completing its initial public offering ("IPO"). At such time that the IPO is completed, these costs will be netted against the proceeds received as share issuance costs. If the IPO is abandoned, these costs will be charged to operations.

## 5. EQUIPMENT

| | **2009** | **2008** |
|---|---:|---:|
| | $ | $ |
| Field equipment | 18,564 | 18,564 |
| Less: accumulated amortization | (13,544) | (7,975) |
| | **5,020** | **10,589** |

## 6. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES

A summary of mineral properties and related exploration expenditures at December 31, 2009 and December 31, 2008 is as follows:

| | 2009 | Incurred in year | 2008 |
|---|---|---|---|
| Tanzania: | $ | $ | $ |
| Wigu Hill JV Project | | | |
| Acquisition Costs | 119,455 | 65,428 | 54,027 |
| Exploration Expenditures | 171,749 | 103,225 | 68,524 |
| | 291,204 | 168,653 | 122,551 |
| Iringa licence area | | | |
| Acquisition Costs | 183,716 | 4,009 | 179,707 |
| Exploration Expenditures | 43,350 | 669 | 42,681 |
| Impairment | (65,518) | (65,518) | - |
| | 161,548 | (60,840) | 222,388 |
| Liwale licence area | | | |
| Acquisition Costs | 229,839 | 1,609 | 228,230 |
| Exploration Expenditures | 61,058 | 390 | 60,668 |
| | 290,897 | 1,999 | 288,898 |
| Minjingu licence area | | | |
| Acquisition Costs | 56,318 | - | 56,318 |
| Exploration Expenditures | 409,100 | - | 409,100 |
| Impairment | (465,417) | - | (465,417) |
| | 1 | - | 1 |
| Canada: | | | |
| Girard claim area | | | |
| Acquisition Costs | 758,955 | 12,855 | 746,100 |
| Exploration Expenditures | 283,778 | 59,444 | 224,334 |
| Government tax credits | (67,565) | - | (67,565) |
| | 975,168 | 72,299 | 902,869 |
| Lac Yvonne claim area | | | |
| Acquisition Costs | 36,094 | 468 | 35,626 |
| Exploration Expenditures | 20,621 | 3,710 | 16,911 |
| | 56,715 | 4,178 | 52,537 |
| | **1,775,533** | **186,289** | **1,589,244** |

## 6. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES - *Continued*

| | **2008** | **Incurred in year** | **2007** |
|---|---|---|---|
| Tanzania: | $ | $ | $ |
| Wigu Hill JV Project | | | |
| Acquisition Costs | 54,027 | 54,027 | - |
| Exploration Expenditures | 68,524 | 68,524 | - |
| | 122,551 | 122,551 | - |
| Iringa licence area | | | |
| Acquisition Costs | 179,707 | 10,420 | 169,287 |
| Exploration Expenditures | 42,681 | 17,198 | 25,483 |
| Impairment | - | - | - |
| | 222,388 | 27,618 | 194,770 |
| Liwale licence area | | | |
| Acquisition Costs | 228,230 | 4,081 | 224,149 |
| Exploration Expenditures | 60,668 | 21,377 | 39,291 |
| | 288,898 | 25,458 | 263,440 |
| Minjingu licence area | | | |
| Acquisition Costs | 56,318 | 484 | 55,834 |
| Exploration Expenditures | 409,100 | 135,501 | 273,599 |
| Impairment | (465,417) | (465,417) | - |
| | 1 | (329,432) | 329,433 |
| Canada: | | | |
| Girard claim area | | | |
| Acquisition Costs | 746,100 | 596,502 | 149,598 |
| Exploration Expenditures | 224,334 | 31,291 | 193,043 |
| Government tax credits | (67,565) | (67,565) | - |
| | 902,869 | 560,228 | 342,641 |
| Lac Yvonne claim area | | | |
| Acquisition Costs | 35,626 | 35,626 | - |
| Exploration Expenditures | 16,911 | 16,911 | - |
| | 52,537 | 52,537 | - |
| | **1,589,244** | **458,960** | **1,130,284** |

## 6. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES – *Continued*

### a) Tanzania

**Wigu Hill JV Project**

On May 26, 2008, 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. In order to exercise this option (the "First Option"), the Company must incur exploration expenditures of USD $3.5 million over a 3 year period (or alternatively complete a prefeasibility study) and make option payments of USD $20,000 on each six month anniversary of the agreement. The Company has the further right to earn an additional 10% interest in the project for a USD $2 million payment (payable in cash or, by mutual agreement, publicly traded shares of the Company). After the First Option is exercised, a joint venture will be formed, the terms of which will provide for dilution 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"). The Company has the right to purchase all or part of the NSR for USD $1 million per each 0.5%.

On June 30, 2009, an addendum to the agreement was signed whereby a further 18 month extension for the First Option period was arranged to expire November 28, 2012 and the exclusive right payments were increased from USD $20,000 to USD $30,000 on the bi-annual anniversaries. A further amendment was executed subsequent to the year-end (Note 14).

**Iringa, Liwale and Minjingu Licence Areas**

In 2007 the Company acquired certain claims from a Tanzanian company as follows: three licences in the Iringa area by the payment of USD $18,750 and the issuance of 600,000 common shares valued at $120,000; and four licences in the Liwale area by the payment of USD $25,000 and the issuance of 800,000 common shares valued at $160,000. During the year, the Company decided not to pursue exploration in one of the licence areas of Iringa and wrote off the related mineral properties and exploration expenditures costs of $65,518 as an impairment loss.

In conjunction with the same agreements noted above, in 2007 the Company acquired one licence comprising the Minjingu prospect by the payment of USD $6,250 and the issuance of 200,000 common shares valued at $40,000. However, the Government of Tanzania through the Ministry of Energy and Minerals rescinded the Notification of Grant of a Mineral Right on Minjingu area that was originally granted to the Company. Accordingly, the Company recorded an impairment on this property representing costs spent to date of $465,417 effective for the year ended December 31, 2008. The Company lodged an appeal with the Ministry of Energy and Minerals for restitution of the license or compensation thereof. Since this dispute has not been resolved, the Company sold Montero Tanzania, the holder of the Minjingu license area, subsequent to year-end (Note 14).

## 6. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES – *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 are also required totaling $235,000 and payable on or before November 7 each year as follows: $35,000 – 2007 (paid); $65,000 – 2008 (paid); $115,000 – 2009; $10,000 – 2010 and $10,000 – 2011. On July 10, 2009, the Company entered into arrangement whereby the remaining payments are to be paid as follows: $115,000 – May 7, 2010; $10,000 – May 7, 2011 and $10,000 – May 7, 2012. All of these amounts totalling $135,000 were settled subsequent to the year-end by the issuance of common shares (Note 14).

The claims are subject to a 2.0% NSR. The Company has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

**Lac Yvonne Claim Area**

On March 14, 2008, the Company entered into a purchase and sale agreement to acquire a 100% interest in the Lac Yvonne claims located in Quebec for consideration of 100,000 common shares (issued) valued at $35,000.

The claims are subject to a 2.0% NSR. The Company has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

## 7. SHARE CAPITAL

**Authorized**
Unlimited number of common shares without par value.

**Issued and outstanding**

| | Number of Shares | Amount $ |
|---|---|---|
| Balance, December 31, 2006 | 1 | 1 |
| Shares issued for cash | 3,000,000 | 60,000 |
| Shares issued for cash | 1,865,000 | 186,500 |
| Shares issued for cash | 4,470,000 | 1,564,500 |
| Shares issued for mineral properties | 700,000 | 140,000 |
| Balance, at December 31, 2007 | 10,035,001 | 1,951,001 |
| Shares issued for mineral properties | 1,400,000 | 280,000 |
| Shares issued for mineral properties | 1,600,000 | 560,000 |
| Balance, at December 31, 2008 | 13,035,001 | 2,791,001 |
| Shares issued for debt settlement | 635,000 | 127,000 |
| Shares issued for cash | 11,083,340 | 1,330,001 |
| Share issue costs | - | (72,758) |
| **Balance, at December 31, 2009** | **24,753,341** | **4,175,244** |

(i) On March 27, 2007, 3,000,000 common shares were issued at $0.02 per share for cash proceeds of $60,000.
(ii) On May 2, 2007, 1,865,000 common shares were issued at $0.10 per share for cash proceeds of $186,500.
(iii) On July 19, 2007, the Company completed a non-brokered private placement of 4,470,000 common shares at a price of $0.35 per share for cash proceeds of $1,564,500.
(iv) On August 23, 2007 and September 28, 2007, the Company issued 500,000 and 200,000 common shares for the acquisition of mineral properties in Quebec and Tanzania, respectively (Note 6). The fair value of these shares was $0.20 per share.
(v) On January 16, 2008, the Company issued 500,000 common shares for the acquisition of mineral properties in Quebec (Note 6). The fair value of these shares was $0.35 per share.
(vi) On January 25, 2008, the Company issued 1,400,000 common shares for the acquisition of mineral properties in Tanzania (Note 6). The fair value of these shares was $0.20 per share.
(vii) On March 3, 2008, the Company issued the remaining 1,000,000 common shares for the acquisition of the Girard mineral properties in Quebec (Note 6). The fair value of these shares was $0.35 per share.
(viii) On April 10, 2008, the Company issued 100,000 common shares for the acquisition of the Lac Yvonne mineral properties in Quebec (Note 6). The fair value of these shares was $0.35 per share.
(ix) On July 15, 2009, the Company issued 635,000 common shares valued at $0.20 per share to settle amounts owing to directors, officers and/or companies controlled by them totalling $127,000.
(x) On November 6, 2009, the Company issued 11,083,340 common shares at a price of $0.12 per share for cash proceeds of $1,330,001.

## 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:

| | Number of Options Outstanding and Exercisable | Weighted Average Exercise Price |
|---|---|---|
| Balance, December 31, 2007 | - | $ - |
| Granted | 1,050,000 | $ 0.41 |
| Balance, December 31, 2008 | 1,050,000 | $ 0.41 |
| Expired and cancelled | (75,000) | $ (0.41) |
| **Balance, December 31, 2009** | **975,000** | **$ 0.41** |

The fair value of the stock options granted of $305,172 has been estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: expected dividend yield of 0%; expected volatility of 88%; a risk-free interest rate of 3.44% and an expected average life of 5 years.

These stock options expire as follows: 850,000 on January 18, 2013 and 125,000 on April 21, 2013.

Subsequent to the year-end, the Company repriced all of these stock options to $0.15 per share (Note 14).

## 8. OBLIGATION TO ISSUE SHARES

At December 31, 2009, the Company had an obligation to issue 462,335 common shares valued at $0.12 per share to settle amounts owing to related parties totalling $55,480. These common shares were issued on January 14, 2010 (Note 14).

## 9. CONTRIBUTED SURPLUS

The Company's contributed surplus is comprised of the following:

| | **$** |
|---|---|
| Balance, December 31, 2007 | - |
| Stock-based compensation expense | 305,172 |
| **Balance, December 31, 2008 and 2009** | **305,172** |

## 10. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009 and 2008, the Company incurred the following transactions with directors, officers or companies in which the directors have significant influence and interests:

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| Geological consulting fees and other (exploration expenditures) | 66,738 | 122,423 |
| Accounting and administrative wages | 13,758 | - |
| Directors' fees | 15,209 | 14,637 |
| Management fees | 112,027 | 110,916 |
| Project investigation costs | 10,400 | - |

The amounts due to related parties represent amounts due to directors and officers or companies in which the directors have significant influence and interests for management fees and reimbursement of costs. These amounts are unsecured, non-interest bearing and due on demand.

These transactions were in the normal course of business and were measured at the exchange amount, which is the amount established and agreed to by the related parties.

## 11. INCOME TAXES

The reported income tax differs from the amount computed by applying the combined Canadian federal and provincial statutory tax rates to the net income. The reasons for this difference and the related tax effects are as follow:

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| Net loss | (390,410) | (1,068,987) |
| Statutory income tax rate | 31% | 32% |
| Expected tax recovery at statutory rates | (121,027) | (342,075) |
| Decrease resulting from: | | |
| Permanent differences | 4,091 | 106,132 |
| Income tax rate changes | 18,675 | 20,210 |
| Change in valuation allowance | 96,308 | 215,733 |
| Other | 1,953 | - |
| Income tax recovery | **-** | **-** |

## 11. INCOME TAXES – *Continued*

The significant components of the Company's future income tax assets are as follow:

| | **2009** | **2008** |
|---|---|---|
| | **$** | **$** |
| Non-capital losses carried forward | 409,895 | 247,160 |
| Mineral properties, exploration expenditures and equipment | 9,552 | 91,325 |
| Other | 30,973 | 15,627 |
| Total | 450,420 | 354,112 |
| Valuation allowance | (450,420) | (354,112) |
| | - | - |

The Company has cumulative Canadian exploration and development expenditures of $1,069,136 and Canadian non-capital losses of $794,934 which may be offset against future income for income tax purposes. The exploration and development expenditures may be carried forward indefinitely and the non-capital losses expire as follows:

| | $ |
|---|---|
| 2026 | 1,002 |
| 2027 | 187,278 |
| 2028 | 282,809 |
| 2029 | 323,845 |
| | 794,934 |

The Company has Tanzanian resource deductions of $530,537 and non-capital losses of $723,194 which may be offset against future income for income tax purposes. These resource deductions are taken annually and accumulate as losses which may be carried forward indefinitely.

Management has determined that the realization of these future income tax assets is uncertain at this time, and cannot be viewed as more likely than not. Accordingly, the Company has recorded a valuation allowance for the potential future income tax asset.

## 12. SEGMENTED INFORMATION

All of the Company's operations are in the mineral properties exploration industry with its principal business activity being the acquisition and exploration of mineral properties. The Company conducts its resource properties exploration activities in Canada and Tanzania. The location of the Company's assets by geographic area as of December 31, 2009 and 2008 is as follows:

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| Canada | 1,986,790 | 1,094,853 |
| Tanzania | 760,444 | 647,389 |
| Other | - | - |
| | **2,747,234** | **1,742,242** |

## 13. MANAGEMENT OF CAPITAL AND RISK MANAGEMENT

*Management of Capital*
The Company manages its capital to ensure that it will be able to continue as a going concern, while maximizing the return to stakeholders through the optimization of the issuance of equity instruments. The capital of the Company consists of equity attributable to common shareholders comprised of share capital and stock options.

In order to facilitate the management of capital and exploration of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. The Company also focuses its efforts in the areas that are the most geologically attractive. The Company may issue new equity for cash, to acquire mineral properties or to settle indebtedness, as best determined by management. Management may decide to option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements to share the exploration risk or dispose of mineral properties. 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. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company expects to continue to raise funds from shareholders to continue to meet its capital management objectives.

The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

*Risk Management*
Industry Risk: The Company is engaged primarily in the mineral exploration field. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements, however environmental laws and practices are complex and there is no certainty that all exposure to liability or costs have been mitigated.

## 13. MANAGEMENT OF CAPITAL AND RISK MANAGEMENT – *Continued*

Credit Risk: Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk relating to cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Currency Risk: 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 and Tanzania and portions of its expenditures are incurred in US dollars and Tanzanian Shillings. Due to the uncertainty and relative devaluation of the local currency in Tanzania, most significant transactions are conducted in US dollars. Consequently, the Company is primarily exposed to changes in the Canadian dollar (CAD) compared to the United States dollar (USD). A significant fluctuation in the exchange rate of the USD compared to the CAD could have an effect on the Company's results of operations, financial position or cash flows. The Company does not engage in any hedging activities to reduce its foreign currency risk, but does manage the currency of its cash resources to complement the denomination of the expenditures required.

The Company is exposed to currency risk through the following CAD equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars, i.e., the USD:

| | **2009**<br>**$** | **2008**<br>**$** |
|---|---:|---:|
| Cash and cash equivalents | 16,794 | 12,770 |
| Accounts receivable | - | 782 |
| Accounts payable and accrued liabilities | (59,820) | (48,162) |
| | **(43,026)** | **(34,610)** |

Based on the above net exposures at December 31, 2009, a 10% depreciation or appreciation in the USD dollar against the CAD dollar would result in a $4,303 (2008 – $3,461) increase or decrease in the Company's net loss.

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 as these accrue interest at variable rates.

Liquidity and Funding 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 capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as significant.

## 14. SUBSEQUENT EVENTS

Subsequent to December 31, 2009, the following transactions took place.

i) On January 14, 2010, 462,335 common shares were issued at $0.12 per share pursuant to the Share Debt Exchange agreements signed on December 31, 2009 with directors, officers and companies controlled by them to settle amounts owing totalling $55,480. This amount was recorded as an obligation to issue shares as of December 31, 2009.

ii) On January 25, 2010 the Board approved the re-pricing of the 975,000 stock options which are outstanding at December 31, 2009 to $0.15 per share. The resultant incremental value of $26,381 due to the modification of the exercise price of these stock options will be recorded as a stock-based compensation expense and a corresponding increase to contributed surplus.

iii) On January 25, 2010, 1,300,000 stock options were granted to directors, officers and consultants of the Company. The options are exercisable at $0.15 per share and expire on January 25, 2015.

iv) On March 11, 2010, the Company received consent from the Ministry of Energy and Mines of Tanzania and completed a sale of its subsidiary, Montero Tanzania, to Minjingu Trust Limited ("Minjingu Trust"), a company which has a director in common with Montero, for proceeds of $1, resulting in a gain on disposition of $19,638. The only asset involved in this sale was the revoked licence comprising the Minjingu licence area, which was previously impaired by the Company to a book value of $1.

v) On March 31, 2010, certain directors, officers, consultants and/or companies controlled by them entered into Share for Debt Exchange agreements with the Company for the settlement of accrued consulting and director fees through the issuance of common shares. A total of 650,054 common shares were issued at $0.135 per share to settle amounts payable totalling $87,757.

vi) On April 27, 2010, the Company signed a further amendment to the Wigu Hill project agreement amending the First Option such that the Company, in order to exercise the option, must make a final payment of USD $150,000 to RSR on or before April 30, 2010 (paid). No other option payments or exploration expenditures are required in order for the Company to exercise the First Option. After the exercise of the First Option, RSR will transfer the prospecting licenses comprising the Wigu Hill Project (the "Licences") to the newly-formed joint venture and the Company will concurrently pay RSR a further USD $50,000. After transfer of the Licences, the Company shall become obligated to incur exploration expenditures of USD $3.5 million (or alternatively complete a prefeasibility study) on or before November 28, 2012. The terms remain unchanged for the Company to earn an additional 10% interest in the project, except that the date by which the Company has to complete these requirements was extended to January 27, 2013.

## 14. SUBSEQUENT EVENTS – *Continued*

vii) On May 7, 2010 the Company's newly-formed wholly-owned subsidiary, Montero Projects Limited ("Montero Projects"), a company incorporated in the British Virgin Islands, entered into a binding term sheet agreement with Eurozone Investments Limited ("Eurozone"), whereby Montero Projects has the exclusive right to acquire the shares in Eurozone's subsidiary, Mellosat (Pty) Limited ("Mellosat"). Mellosat and its subsidiaries holds interests in 4 phosphate exploration projects in South Africa (the "Phosco assets"). The Company paid $100,000 to Eurozone in consideration for receiving an exclusivity period to conduct due diligence. In September, 2010, the Company and Eurozone rescinded this agreement and updated this acquisition with a new agreement, extending the time period during which the Company can conduct due diligence and covering substantially the same terms as the prior agreement. On September 21, 2010, Montero Projects entered into a new binding term sheet agreement with Celtic Trust Company Limited ("Celtic"), the parent company of Eurozone, whereby Montero Projects has the exclusive right to acquire the shares in Eurozone, whose subsidiaries own the Phosco assets. The exclusivity period of nine months to complete due diligence commenced on September 21, 2010 and expires on June 21, 2011. The consideration for receiving this exclusivity period is covered by the payment to Eurozone of $100,000 noted above. On or before June 21, 2011, the expiry of the exclusivity period, the Company must allot and issue 5 million common shares of Montero if it plans to proceed with the acquisition of Eurozone.

viii) On May 7, 2010, the Company satisfied its remaining obligations with respect to the Girard claims in Quebec by issuing 1,000,000 common shares valued at $135,000 which covers all of the remaining payments.

ix) On May 20, 2010, 250,000 stock options were granted to a director and consultants of the Company. The options are exercisable at $0.25 per share and expire on May 20, 2015.

x) On June 16, 2010, the Company completed a private placement financing by issuing 3,250,000 common shares at $0.25 for cash proceeds of $812,500.

xi) The Company entered into an agreement on October 5, 2010 with Byron Securities Ltd. and Haywood Securities Inc. (together the "Agents") whereby the Agents agreed to act as agents in respect to an Initial Public Offering ("IPO") of units ("IPO Units") of the Company for gross proceeds of up to $4,000,000. The IPO Units will be priced between $0.35 and $0.50 per IPO Unit, to be determined prior to filing the preliminary prospectus. Each IPO Unit consists of one common share in the Company and one half of one common share purchase warrant of the Company. Each whole warrant shall be exercisable into one common share at a price between $0.50 and $0.70, to be determined prior to filing the preliminary prospectus, for a period of twelve months from the date of the closing of the IPO. The Agent's commission will include commission of 7.0% of the gross proceeds raised from the Offering and $25,000 as a corporate finance fee. The Agent will also be granted agent's warrants equal to 7.0% of the number of IPO Units sold. Each agent's warrant shall be exercisable into one IPO Unit for a period of 24 months from the date of the closing of the IPO.

# MONTERO MINING AND EXPLORATION LTD.

## CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 2008 and 2007

**AUDITORS' REPORT**

To the Directors of Montero Mining and Exploration Ltd.:

We have audited the consolidated balance sheets of Montero Mining and Exploration Ltd. as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*"DMCL"*

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
November 18, 2009

**MONTERO MINING AND EXPLORATION LTD.**
**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2008 | December 31, 2007 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents (Note 2d) | 115,131 | 759,734 |
| Receivables and prepaids | 3,207 | 16,814 |
| | 118,338 | 776,548 |
| Deferred finance costs (Note 3) | 24,071 | - |
| Equipment (Note 4) | 10,589 | 16,159 |
| Mineral properties and exploration expenditures (Note 5) | 1,589,244 | 1,130,284 |
| | **1,742,242** | **1,922,991** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | 113,630 | 155,849 |
| Due to related parties (Note 9) | 67,550 | 2,265 |
| | 181,180 | 158,114 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 6) | 2,791,001 | 1,951,001 |
| Obligation to issue shares (Note 7) | - | 280,000 |
| Contributed surplus (Note 8) | 305,172 | - |
| Deficit | (1,535,111) | (466,124) |
| | 1,561,062 | 1,764,877 |
| | **1,742,242** | **1,922,991** |

Nature and Continuance of Operations (Note 1)
Commitments (Note 5)
Subsequent Events (Note 12)

**On behalf of the Board:**

| | |
|---|---|
| *"Antony Harwood"* | *"Antonia J Chapman"* |
| Antony Harwood | Antonia J Chapman |
| Director | Director |

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

**MONTERO MINING AND EXPLORATION LTD.**
**CONSOLIDATED STATEMENTS OF OPERATIONS,**
**COMPREHENSIVE LOSS AND DEFICIT**

| | Year ended December 31, 2008 | Year ended December 31, 2007 |
|---|---|---|
| | $ | $ |
| **EXPENSES** | | |
| Amortization | 5,570 | 2,405 |
| Audit and accounting | 43,789 | 2,405 |
| Communications | 7,616 | 5,124 |
| Directors' fees (Note 9) | 14,637 | 4,000 |
| Foreign exchange (gain) loss | (5,945) | 1,992 |
| Legal fees | 56,831 | 100,054 |
| Office expenses | 13,754 | 8,337 |
| Project investigation | 11,980 | 201,022 |
| Salaries and consulting fees (Note 9) | 110,916 | 107,978 |
| Stock-based compensation (Note 6) | 305,172 | - |
| Travel and accommodation | 47,559 | 48,599 |
| **LOSS BEFORE OTHER ITEMS** | (611,879) | (481,916) |
| **OTHER ITEMS** | | |
| Impairment of mineral properties (Note 5) | (465,417) | - |
| Interest income | 8,309 | 16,794 |
| | (457,108) | 16,794 |
| **NET AND COMPREHENSIVE LOSS FOR THE YEAR** | (1,068,987) | (465,122) |
| **DEFICIT, BEGINNING OF YEAR** | (466,124) | (1,002) |
| **DEFICIT, END OF YEAR** | (1,535,111) | (466,124) |
| **LOSS PER SHARE – BASIC AND DILUTED** | $ (0.08) | $ (0.08) |
| **WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED** | 12,740,754 | 6,075,412 |

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

**MONTERO MINING AND EXPLORATION LTD.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year ended December 31, 2008 | Year ended December 31, 2007 |
|---|---|---|
| | $ | $ |
| **OPERATING ACTIVITIES** | | |
| Net loss | (1,068,987) | (465,122) |
| Non-cash items: | | |
| Amortization | 5,570 | 2,405 |
| Stock-based compensation | 305,172 | - |
| Impairment of mineral properties | 465,417 | - |
| Changes in non-cash working capital items: | | |
| (Increase) decrease in receivables and prepaids | 13,607 | (16,814) |
| Increase (decrease) in accounts payable and accrued liabilities | (87,219) | 155,849 |
| Increase in due to related parties | 9,487 | 1,264 |
| Cash used in operating activities | (356,953) | (322,418) |
| **FINANCING ACTIVITIES** | | |
| Issuance of common shares | - | 1,811,000 |
| Deferred finance costs | (24,071) | - |
| Cash (used in) provided by financing activities | (24,071) | 1,811,000 |
| **INVESTING ACTIVITIES** | | |
| Purchase of equipment | - | (18,564) |
| Mineral property expenditures | (263,579) | (710,284) |
| Cash used in investing activities | (263,579) | (728,848) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (644,603) | 759,734 |
| **CASH AND CASH EQUIVALENTS, BEGINNING** | 759,734 | - |
| **CASH AND CASH EQUIVALENTS, ENDING** | 115,131 | 759,734 |

**SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

| | | |
|---|---|---|
| | $ | $ |
| Cash paid for interest | - | - |
| Cash paid for income taxes | - | - |
| Effect of mineral property expenditures included in: | | |
| - Accounts payable and accrued liabilities | 45,000 | - |
| - Due to related parties | 55,798 | - |
| Non-cash transactions | | |
| - Shares issued for the acquisition of mineral properties | 560,000 | 140,000 |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd (the "Company") was incorporated on October 5, 2006, under the laws of British Columbia, Canada. The Company is primarily engaged in the acquisition and exploration of mineral properties in Canada and Tanzania.

### Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. As at December 31, 2008 the Company had an accumulated deficit of $1,535,111. The ability of the Company to continue operations as a going concern is dependent on the continued support of shareholders and directors, the ability to continue to raise adequate funding to repay debts, the outcome of which cannot be predicted at this time. Management is of the opinion sufficient working capital will be obtainable from external financing to meet the Company's liabilities and commitments as they become due, although there is risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian Dollars.

### b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries Montero Tanzania Limited ("Montero Tanzania"), incorporated in Tanzania on April 3, 2007 and Montero Resources Limited, incorporated in Tanzania on November 5, 2007. Inter-company balances and transactions are eliminated on consolidation.

### c) Use of estimates and measurement uncertainty

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Significant areas requiring the use of management estimates and valuation assumptions, include assumptions concerning the useful lives of capital assets, valuation and carrying value of mineral properties, asset retirement obligations, expected tax rates for future income tax reporting, fair value measurements for financial instruments and share-based transactions and management's assumptions and estimates for going concern considerations. By their nature these estimates are subject to measurement uncertainty and the effect in the consolidated financial statements of changes in such estimates in future periods could be significant. Actual results could differ from these estimates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

### d) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term highly liquid interest bearing investments that are readily convertible into know amounts of cash.

At December 31, 2008, the components of cash and cash equivalents are:

| | **2008** | **2007** |
|---|---|---|
| | $ | $ |
| Cash | 14,304 | 24,411 |
| Money market instrument | 100,827 | 32,931 |
| Guaranteed investment certificate | - | 702,392 |
| | **115,131** | **759,734** |

### e) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated on a declining balance basis at 30% per annum.

### f) Mineral properties and exploration expenditures

Acquisition, exploration and development costs associated with a mineral property are capitalized until the property is producing, abandoned, impaired in value or placed for sale. The costs of abandoned properties are charged to operations when the property is abandoned. The costs of properties in excess of their estimated fair value are charged to operations if the decision is made to dispose of the property or if it is determined that the property is impaired in value.

The recoverability of the amounts capitalized in respect of mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, and upon future profitable production or proceeds from the disposition of the properties.

On a periodic basis, management reviews the carrying values of mineral property and deferred exploration expenditures with a view to assessing whether there have been any circumstances indicating that the carrying amount may not be recoverable. In the event that it is determined there is an impairment in the carrying value of the property, the carrying value will be compared to the fair value, and written down or written off, as appropriate.

### g) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to operations using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2008, and 2007 the Company does not have any asset retirement obligations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

### h) Impairment of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is changed to earnings.

### i) Future income taxes

Income taxes are accounted for using the asset and liability method. Under this method current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the potential benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates that apply for the years in which the temporary differences are expected to be recovered or settled.

The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely then not that a future tax asset will be recovered, it provides a valuation against the excess.

### j) Foreign currency translation

Integrated foreign operations are translated using the temporal method. Under this method, the Company translates monetary items at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at average rates in effect on the transaction date. Revenues and expenses are translated at average rates in effect during the period except for amortization, which are translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the determination of net loss for the year.

### k) Financial instruments

The Company follows Canadian Institute of Chartered Accountants (“CICA”) Sections 3855, “Financial Instruments – Recognition and Measurement” and Section 3856, “Hedges”. Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company’s financial instruments consist of cash and cash equivalents, receivables, accounts payable and due to related parties. The carrying values of these financial instruments approximate their fair value unless otherwise noted.

Cash and cash equivalents are measured at face value, representing fair value, and classified as held-for-trading. Receivables, which are measured at amortized cost, are designated as loans and receivables. Accounts payable and due to related parties, which are measured at amortized cost, are designated as other financial liabilities.

The Company does not use any hedging instruments.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

### l) Loss per share

The Company uses the treasury stock method for the computation and disclosure of loss per share. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under this method, it is assumed that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate. Basic loss-per-share figures have been calculated using the weighted monthly average number of shares outstanding during the respective periods. Diluted loss-per-share figures are equal to those of basic loss per share for each year since the effect of options would be anti-dilutive.

### m) Comprehensive income

Effective January 1, 2007, the Company adopted CICA Handbook Section 1530 Comprehensive Income. Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. This standard includes guidance for reporting a statement of comprehensive income (loss) and accumulated other comprehensive income (loss) in the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale, foreign exchange gains and losses on self-sustaining foreign operations and the effective portion of cash flow hedges, if any. At December 31, 2008 and 2007, the Company had no items that constitute other comprehensive income.

### n) Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes Option Pricing Model using amounts that approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to operations as awards vest, with offsetting amounts recognized as contributed surplus.

### o) Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

### p) Adoption of New Accounting Policies

The following accounting standards, amendments to standards and guidance were adopted effective January 1, 2008:

#### i) Section 1535 – Capital disclosures

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by this new section in Note 11 to these financial statements.

#### ii) Amendments to Section 1400 – Going Concern

General Standards of Financial Statement Presentation, CICA 1400, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. These new disclosures have been provided in Note 1 to these financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

### p) Adoption of New Accounting Policies - *Continued*

#### iii) Section 3862 and 3863 – Financial instruments – Disclosures and Presentation

These standards replaced CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures required, which will enable users to evaluate the significance of financial instruments for an entity's position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, currency risk, interest rate risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. The Company has included disclosures recommended by this new section in Note 11 to these financial statements.

#### iv) EIC 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments.

#### v) EIC 174 – Mining Exploration Costs

In March 2009 the CICA approved EIC 174, Mining Exploration Costs. The guidance clarified that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that carrying amount may not be recoverable.

### q) Recent Accounting Pronouncements, Not Yet Adopted

In February 2008, the CICA Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (i.e., IFRS will replace Canadian generally accepted accounting principles for public companies). The official changeover date will apply for interim and financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be adopting these requirements as a private company. The Company has determined that the key elements of this IFRS changeover on the Company will be in the areas of accounting for mineral properties' acquisition and exploration costs, accounting for share capital including stock options and warrants valuations and general IFRS disclosure requirements. The Company is currently assessing the specific impact on the Company's financial reporting and developing an implementation timetable.

Other pronouncements issued with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

## 3. DEFERRED FINANCE COSTS

Deferred finance costs related to costs incurred in preparation of the Company completing its initial public offering ("IPO"). At such time that the IPO is completed, these costs will be netted against the proceeds received as share issuance costs. If the IPO is abandoned, these costs will be charged to operations.

## 4. EQUIPMENT

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Field equipment | 18,564 | 18,564 |
| Less: accumulated amortization | (7,975) | (2,405) |
| | **10,589** | **16,159** |

## 5. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES

A summary of mineral properties and related exploration expenditures at December 31, 2008 is as follows:

| | 2008 | Incurred in year | 2007 |
|---|---|---|---|
| Tanzania: | $ | $ | $ |
| Minjingu licence area | | | |
| Acquisition Costs | 56,318 | 484 | 55,834 |
| Exploration Expenditure | 409,100 | 135,501 | 273,599 |
| Impairment | (465,417) | (465,417) | - |
| | 1 | (329,432) | 329,433 |
| Iringa licence area | | | |
| Acquisition Costs | 179,707 | 10,420 | 169,287 |
| Exploration Expenditure | 42,681 | 17,198 | 25,483 |
| | 222,388 | 27,618 | 194,770 |
| Liwale licence area | | | |
| Acquisition Costs | 228,230 | 4,081 | 224,149 |
| Exploration Expenditure | 60,668 | 21,377 | 39,291 |
| | 288,898 | 25,458 | 263,440 |
| Wigu Hill JV project | | | |
| Acquisition Costs | 54,027 | 54,027 | - |
| Exploration Expenditure | 68,524 | 68,524 | - |
| | 122,551 | 122,551 | - |
| Canada: | | | |
| Girard claim area | | | |
| Acquisition Costs | 746,100 | 596,502 | 149,598 |
| Exploration Expenditure | 224,334 | 31,291 | 193,043 |
| Rebate from government | (67,565) | (67,565) | - |
| | 902,869 | 560,228 | 342,641 |
| Lac Yvonne claim area | | | |
| Acquisition Costs | 37,376 | 37,376 | - |
| Exploration Expenditure | 15,161 | 15,161 | - |
| | 52,537 | 52,537 | - |
| | **1,589,244** | **458,960** | **1,130,284** |

All acquisition costs and exploration expenditures as at December 31, 2007 were incurred during the year then ended.

## 5. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES – *Continued*

### a) Tanzania

**Minjingu, Iringa and Liwale Licence Areas**

On April 24, 2007, the Company entered into six purchase and sale agreements with a Tanzanian vendor to purchase all the right, title and interest in the Minjingu prospect, three claims in the Iringa licence area and four claims in the Liwale licence area of Tanzania for consideration of:

a) 1,600,000 shares issued with a fair value of $0.20 per share (issued);
b) a payment of US$50,000 (paid); and
c) the payment of all back taxes and applicable penalties in respect of renewals relating to the licences (paid).

(Notes 6 and 12)

Subsequent to December 31, 2008, the Government of Tanzania through the Ministry of Energy and Minerals rescinded the Notification of Grant of a Mineral Right on Minjingu area that was originally granted to the Company, covering an area of 169 square kilometers. The Company had incurred exploration and evaluation costs on that area of $409,100 to December 31, 2008.

The Company has lodged an appeal with the Attorney General for restitution of the license or compensation thereof. The complaint is under the 90-day statutory notice period which commenced on August 25, 2009. Due to the uncertainty of the outcome of the appeals process, the directors consider the capitalized costs on the Minjingu License ($465,417) to be impaired.

**Wigu Hill JV project**

On May 26, 2008, 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. In order to exercise this option (the “First Option”), the Company must incur exploration expenditures of US$3.5M over a 3 year period (or alternatively complete a prefeasibility study) and incur option payments of US$20,000 on each six month anniversary of the agreement. The Company has the further right to earn an additional 10% interest in the project for a US$2M payment (payable in cash or, by mutual agreement, publicly traded shares of the Company). After the First Option is exercised, a joint venture will be formed, the terms of which will provide for dilution 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”). The Company has the right to purchase all or part of the NSR for US$1,000,000 per each 0.5%.

The Company and RSR signed an addendum to the agreement on June 30, 2009 whereby the 3 year First Option period was extended a further 18 months to expire November 26, 2013, and the amount of each further option payment payable on each six month anniversary during the term of the First Option was increased from US$20,000 to US$ 30,000 (Note 12).

## 5. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES – *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, Canada for consideration of 2,000,000 as follows;

| | |
|---|---|
| July 16, 2007 | – 500,000 shares |
| January 16, 2008 | – 500,000 shares |
| July 16, 2008 | – 300,000 shares |
| January 16, 2009 | – 400,000 shares |
| July 16, 2009 | – 300,000 shares |

At December 31, 2008, all of the above shares had been issued.

Anniversary payments totaling $235,000 and payable on or before November 7 each year as follows: $35,000 – 2007 (paid); $65,000 – 2008 ($20,000 paid and $45,000 accrued); $115,000 – 2009; $10,000 – 2010 and $10,000 – 2011.

On July 10, 2009, the Company entered into arrangement whereby the additional $45,000 due on or before November 7, 2008 be extended to November 18, 2009 (paid), and the remaining payments to be paid as follows: $115,000 – May 7, 2010; $10,000 – May 7, 2011 and $10,000 – May 7, 2012 (Note 12).

The claims are subject to a 2.0% NSR. The Company has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

Minimum exploration expenditures totaling $640,000 to be incurred as follows:

2007 - $70,000 (incurred)
2008 - $125,000 (incurred)
2009 - $220,000
2010 - $75,000
2011 - $150,000

**Lac Yvonne claim area**

On March 14, 2008, the Company entered into a purchase and sale agreement to acquire a 100% interest in the Lac Yvonne claims located in Quebec, Canada for consideration of 100,000 shares with fair value of $0.35 per share issued on April 10, 2008.

The claims are subject to a 2.0% NSR. The Company has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

## 6. SHARE CAPITAL

### Authorized

Unlimited number of common shares without par value.

### Issued and outstanding

| | Number of Shares | Amount $ |
|---|---|---|
| Balance, December 31, 2006 | 1 | 1 |
| Shares issued at $0.02 | 3,000,000 | 60,000 |
| Shares issued at $0.10 | 1,865,000 | 186,500 |
| Shares issued for mineral properties at $0.20 | 700,000 | 140,000 |
| Shares issued at $0.35 | 4,470,000 | 1,564,500 |
| Balance, at December 31, 2007 | 10,035,001 | 1,951,001 |
| Shares issued for mineral properties at $0.20 | 1,400,000 | 280,000 |
| Shares issued for mineral properties at $0.35 | 1,600,000 | 560,000 |
| **Balance, at December 31, 2008** | **13,035,001** | **2,791,001** |

(i) On March 27, 2007, 3,000,000 common shares were issued at $0.02 per share for proceeds of $60,000.

(ii) On May 2, 2007, 1,865,000 common shares were issued at $0.10 per share for proceeds of $186,500.

(iii) On September 28, 2007 and August 23, 2007, the Company issued 500,000 and 200,000 common shares for the acquisition of mineral properties in Quebec and Tanzania, respectively (Note 5). The fair value of these shares was $0.20 per share.

(iv) On July 19, 2007, the Company completed a non-brokered private placement of 4,470,000 common shares at a price of $0.35 per share for gross proceeds of $1,564,500.

(v) On January 16, 2008, the Company issued 500,000 common shares for the acquisition of mineral properties in Quebec (Note 5). The fair value of these shares was $0.35 per share.

(vi) On January 25, 2008, the Company issued 1,400,000 common shares for the acquisition of mineral properties in Tanzania (Note 5). The obligation to issue these shares arose during the year ended December 31, 2007, and the fair value of the common shares at the date that the obligation arose was $0.20 per share.

(vii) On March 3, 2008, the Company issued the remaining 1,000,000 common shares for the acquisition of the Girard mineral properties in Quebec (Note 5). The fair value of these shares was $0.35 per share.

(viii) On April 10, 2008, the Company issued 100,000 common shares for the acquisition of the Lac Yvonne mineral properties in Quebec (Note 5). The fair value of these shares was $0.35 per share.

## 6. 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:

| | Number of Options Outstanding and Exercisable | Weighted Average Exercise Price | Expiry date |
|---|---|---|---|
| Balance, at December 31, 2007 | - | $ - | |
| Granted: | | | |
| January 18, 2008 | 900,000 | $ 0.40 | January 18, 2013 |
| April 21, 2008 | 150,000 | $ 0.50 | April 21, 2013 |
| **Balance, at December 31, 2008** | **1,050,000** | | |

On January 18, 2008, the Company granted 900,000 stock options to directors, officers and consultants of the Company. The options are exercisable at $0.40 and expire on January 18, 2013. The fair value of $252,713 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 88.0%; a risk-free interest rate of 3.44% and an expected average life of 5 years.

On April 21, 2008, the Company granted 150,000 stock options to a director and consultants of the Company. The options are exercisable at $0.50 and expire on April 21, 2013. The fair value of $52,459 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 88.0%; a risk-free interest rate of 3.11% and an expected average life of 5 years.

## 7. OBLIGATION TO ISSUE SHARES

At December 31, 2008, the Company had an obligation to issue nil (2007 – 1,400,000) common shares with a fair value of $0.20 per share for the acquisition of mineral properties in Tanzania (Note 5).

## 8. CONTRIBUTED SURPLUS

The Company's contributed surplus is comprised of the following:

| | $ |
|---|---|
| Balance, December 31, 2007 and 2006 | — |
| Stock-based compensation expense (Note 6) | 305,172 |
| **Balance, December 31, 2008** | **305,172** |

## 9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, the Company incurred management and geological consultancy fees of $190,733 (2007 - $42,019) with respect to management services provided by officers and directors of the Company and its wholly owned subsidiaries. Of the total amount, $68,309 (2007 - $nil) was charged to operations for the officers of the Company and $122,423 (2007 - $42,019) was capitalized as a component of the Company's mineral properties and exploration expenditures.

Director fees of $14,637 (2007 - $4,000) were paid to individual directors or companies controlled by directors of the Company.

Due to related parties includes $33,921 (2008 - $nil) payable to an officer of the Company, $21,877 (2008 - $Nil) payable to companies in which directors of the Company have significant influence and $11,752 (2008 - $2,265) payable to directors of the Company. These amounts are unsecured, non-interest bearing and due on demand. Subsequent to December 31, 2008, these amounts were settled by way of share for debt exchange agreements (Note 12).

These transactions were in the normal course of business and were measured at the exchange amount, which is the amount established and agreed to by the related parties.

## 10. INCOME TAXES

The reported income tax differs from the amount computed by applying the combined Canadian federal and provincial statutory tax rates to the net income. The reasons for this difference and the related tax effects are as follow:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Net loss | (1,068,987) | (465,122) |
| Statutory income tax rate | 32% | 33% |
| Expected tax recovery at statutory rates | (342,075) | (154,420) |
| (Increase) decrease resulting from: | | |
| Effect of difference between Canadian and foreign tax rate | 9,012 | - |
| Expenses not deductible for tax purposes | 110,030 | 1,612 |
| Effect of foreign exchange translation | (12,910) | - |
| Effect of change in tax rate | 20,210 | 14,770 |
| Change in valuation allowance | 215,733 | 138,038 |
| Income tax recovery | - | - |

The significant components of the Company's future income tax assets are as follow:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Non-capital losses carried forward | 247,160 | 104,855 |
| Mineral properties and expenditures | 89,093 | 11,935 |
| Equipment | 2,232 | 721 |
| Share issuance costs | 11,546 | 16,495 |
| Other | 4,081 | 4,373 |
| Total | 354,112 | 138,379 |
| Valuation allowance | (354,112) | (138,379) |
| | - | - |

The Company has cumulative Canadian exploration and development expenditures of $941,899 and Canadian non-capital losses of $465,592 which may be offset against future income for income tax purposes. The exploration and development expenditures may be carried forward indefinitely and the non-capital losses expire as follows:

| | $ |
|---|---|
| 2026 | 1,002 |
| 2027 | 187,278 |
| 2028 | 277,312 |
| | 465,592 |

The Company has Tanzanian non-capital losses of $389,314 which may be offset against future income for income tax purposes. The losses may be carried forward indefinitely.

Management has determined that the realization of these future income tax assets is uncertain at this time, and cannot be viewed as more likely than not. Accordingly, the Company has recorded a valuation allowance for the potential future income tax asset.

## 11. MANAGEMENT OF CAPITAL AND RISK MANAGEMENT

*Management of Capital*
The Company manages its capital to ensure that it will be able to continue as a going concern, while maximizing the return to stakeholders through the optimization of the issuance of equity instruments. The Company's overall strategy remains unchanged from the prior period. The capital structure of the Company consists of share and working capital. The Company is not subject to any externally imposed capital requirements.

*Risk Management*
Industry Risk: The Company is engaged primarily in the mineral exploration field. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements, however environmental 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 that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk relating to cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Currency Risk: 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 and Tanzania and portions of its expenditures are incurred in US dollars ("USD") and Tanzanian Shillings ("TZS"). A significant fluctuation in the exchange rate of the USD or the TSZ could have an effect on the Company's results of operations, financial position or cash flows. The Company does not engage in any hedging activities to reduce its foreign currency risk.

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's is exposed to interest rate risk on its cash equivalents as these accrue interest at variable rates.

Liquidity and Funding 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 capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

## 12 SUBSEQUENT EVENTS

On June 30, 2009, an addendum to the Wigu Hill Joint venture agreement in Tanzania was signed whereby a further 18 month extension for the First Option period was arranged to expire May 26, 2013, and the exclusive right payments increased from US$20,000 to US$30,000 on the bi-annual anniversaries (Note 5).

On July 10, 2009, the agreement for the Girard claims was amended extending the anniversary payments as follows: $45,000 on or before November 18, 2009 (paid); $115,000 – May 7, 2010; $10,000 – May 7, 2011 and $10,000 – May 7, 2012 (Note 5).

On July 15, 2009, the directors and officers and companies controlled by them entered into Shares for Debt Exchange Agreements for settlement of accrued consulting and director fees of $130,392. An aggregate total of 635,000 common shares were issued.

On November 6, 2009, the Company closed the first tranche of a private placement issuing 11,083,340 common shares at $0.12 for proceeds of $1,330,000. The second tranche closed on November 24, 2009 consisting of 250,000 shares at $0.12 per share. A finder's fee of $51,840 was paid. The private placement increased the issued and outstanding common shares to 24,753,341.

**MONTERO MINING AND EXPLORATION LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2007**

DALE MATHESON
CARR-HILTON LABONTE LLP
DMCL CHARTERED ACCOUNTANTS

Partnership of:
Vancouver: Robert J. Burkart Inc., Alvin F. Dale Ltd., Robert J. Matheson Inc., James F. Carr-Hilton Ltd., Reginald J. LaBonte Ltd., Rakesh I. Patel Inc., Kenneth P. Chong Inc., Barry S. Hartley Inc.
South Surrey: Michael K. Braun Inc., Peter J. Donaldson Inc.
Port Coquitlam: Wilfred A. Jacobson Inc., Brian A. Shaw Inc., Fraser G. Ross Ltd.

**AUDITORS' REPORT**

To the Directors of Montero Mining and Exploration Ltd.:

We have audited the consolidated balance sheets of Montero Mining and Exploration Ltd. as at December 31, 2007 and 2006 the consolidated statements of operations and deficit and cash flows for the the year ended December 31, 2007 and the period from October 05, 2006 (inception) to December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended December 31, 2007 and the period period from October 5, 2006 (inception) to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

*"DMCL"*
DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
May 12, 2008

Vancouver Suite 1500 - 1140 West Pender Street, Vancouver, B.C., Canada V6E 4G1, Tel: 604 687 4747 • Fax: 604 689 2778 - Main Reception
South Surrey Suite 301 - 1656 Martin Drive, White Rock, B.C., Canada V4A 6E7, Tel: 604 531 1154 • Fax: 604 538 2613
Port Coquitlam Suite 700 - 2755 Lougheed Highway, Port Coquitlam, B.C., Canada V3B 5Y9, Tel: 604 941 8266 • Fax: 604 941 0971

**MONTERO MINING AND EXPLORATION LTD.**

**CONSOLIDATED BALANCE SHEETS**

**AS AT DECEMBER 31, 2007 AND 2006**

| | 2007 | 2006 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | 759,734 | - |
| Receivables and prepaids | 16,814 | - |
| | 776,548 | |
| Equipment (Note 3) | 16,159 | - |
| Mineral properties and exploration expenditures (Note 4) | 1,130,284 | - |
| | 1,922,991 | - |
| **LIABILITIES AND SHAREHOLDER EQUITY (DEFICIT)** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | 155,849 | - |
| Due to related parties (Note 6) | 2,265 | 1,001 |
| | 158,114 | 1,001 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 5) | 1,951,001 | 1 |
| Obligation to issue shares (Notes 4 and 5) | 280,000 | - |
| Deficit | (466,124) | (1,002) |
| | 1,764,877 | (1,001) |
| | 1,922,991 | - |

Nature and Continuance of Operations (Note 1)
Commitments (Notes 4 and 8)
Subsequent Events (Note 8)

**On behalf of the Board:**

| | |
|---|---|
| *"Mark J Pryor"* | *"Antonia J Chapman"* |
| Mark J Pryor | Antonia J Chapman |
| Director | Director |

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

**MONTERO MINING AND EXPLORATION LTD.**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

| | Year ended December 31, 2007 | For the period from inception on October 5, 2006 to December 31, 2006 |
|---|---|---|
| | $ | $ |
| **EXPENSES** | | |
| Amortization | 2,405 | - |
| Audit and accounting | 2,405 | - |
| Communications | 5,124 | - |
| Directors' fees (Note 6) | 4,000 | - |
| Foreign exchange loss | 1,992 | - |
| Legal fees | 100,054 | 1,002 |
| Office expenses | 8,337 | - |
| Project investigation | 201,022 | - |
| Salaries and consulting fees | 107,978 | - |
| Travel and accommodation | 48,599 | - |
| **LOSS BEFORE OTHER INCOME** | (481,916) | (1,002) |
| **OTHER INCOME** | | |
| Interest income | 16,794 | - |
| **NET LOSS** | (465,122) | (1,002) |
| **DEFICIT, BEGINNING** | (1,002) | - |
| **DEFICIT, ENDING** | (466,124) | (1,002) |

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

**MONTERO MINING AND EXPLORATION LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year ended December 31, 2007 | For the period from inception on October 5, 2006 to December 31, 2006 |
|---|---|---|
| | $ | $ |
| **OPERATING ACTIVITIES** | | |
| Net loss | (465,122) | (1,002) |
| Non-cash items: | | |
| Amortization | 2,405 | |
| Changes in non-cash working capital items: | | |
| Increase in receivables and prepaids | (16,814) | - |
| Increase in accounts payable | 155,849 | |
| Cash used in operating activities | (323,682) | (1,002) |
| **INVESTING ACTIVITIES** | | |
| Purchase of equipment | (18,564) | |
| Mineral properties and exploration expenditures | (710,284) | |
| Cash used in investing activities | (728,848) | |
| **FINANCING ACTIVITIES** | | |
| Issuance of common shares | 1,811,000 | 1 |
| Due to from related parties | 1,264 | 1,001 |
| Cash provided by financing activities | 1,812,264 | 1,002 |
| **INCREASE IN CASH** | 759,734 | - |
| **CASH AND CASH EQUIVALENTS, BEGINNING** | - | - |
| **CASH AND CASH EQUIVALENTS, ENDING** | 759,734 | - |

**SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

| | 2007 | 2006 |
|---|---|---|
| | $ | $ |
| Cash paid for interest | - | - |
| Cash paid for income taxes | - | - |
| Shares issued for the acquisition of mineral properties | 140,000 | - |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd. (the "Company") was incorporated on October 5, 2006, under the laws of British Columbia, Canada. The Company is primarily engaged in the acquisition and exploration of mineral properties in Canada and Tanzania.

The recoverability of carrying amounts for mineral properties and related deferred exploration and development costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral properties, the ability of the Company to obtain necessary financing to complete exploration and development, achievement of future profitable production or proceeds from the disposition thereof. To date, the Company has not determined whether its mineral properties contain ore reserves that are economically recoverable.

**Going Concern**

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. As at December 31, 2007 the Company had an accumulated deficit of $466,124. The ability of the Company to continue operations as a going concern is dependent on raising additional funds to repay debts, and to provide funding to carry out planned exploration and development of its mineral properties. Management is of the opinion sufficient working capital will be obtainable from external financing to meet the Company's liabilities and commitments as they become due, although there is risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian Dollars.

### b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries Montero Tanzania Limited ("Montero Tanzania"), incorporated in Tanzania on April 3, 2007 and Montero Resources Limited incorporated in Tanzania on November 5, 2007. Inter-company balances and transactions are eliminated on consolidation.

**c) Use of estimates and measurement uncertainty**

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date that the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Significant areas requiring the use of management estimates and valuation assumptions, including assumptions concerning the useful lives of capital assets, valuation and carrying value of mineral properties. By their nature these estimates are subject to measurement uncertainty and the effect in the consolidated financial statements of changes in such estimates in future periods could be significant. Actual results could differ from these estimates.

**d) Cash and cash equivalents**

Cash and cash equivalents consist of short-term money market instruments which are highly liquid investments and readily convertible into cash with the remaining term to maturity of 90 days or less when acquired.

**e) Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is calculated on 30% per annum declining balance.

**f) Mineral properties**

Mineral property acquisition and exploration, development costs are capitalized until the property to which they relate is placed into production, sold or abandoned. The capitalized costs will be amortized or written off if the property is sold or abandoned. Administration cost and other exploration costs that do not relate to any specific property are expensed as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit-of-production methods.

Management evaluates each mineral property on a reporting period basis or as events and circumstances warrant and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether capitalized costs are impaired. Mineral properties, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Although the Company has taken steps to verify title and or licence holders to mineral properties in which it has an interest, according to the industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title of licences. Such properties may be subject to prior agreements or transfer and title may be affected.

**g) Asset retirement obligations**

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2007, and 2006 the Company does not have any asset retirement obligations.

**h) Impairment of long-lived assets**

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is changed to earnings.

**i) Future income taxes**

Future income taxes are recorded using the asset and liability method under which future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**j) Foreign currency translation**

The consolidated financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at average rates of exchange in effect during the year.

The Company’s subsidiaries are integrated and therefore translated using the temporal method. Exchange gain or losses arising on foreign currency translation are included in the determination of operating results for the year.

**k) Loss per share**

The Company uses the treasury stock method for the computation and disclosure of loss per share. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments which assume that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate. Basic loss-per-share figures have been calculated using the weighted monthly average number of shares outstanding during the respective periods. Diluted loss-per-share figures are equal to those of basic loss per share for each year since the effects of options and warrants have been excluded as they are anti-dilutive.

**l) Financial instruments**

Effective January 1, 2007 the Company adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

**Financial instruments -** (CICA Handbook Section 3855 and 3861) - In accordance with these standards the Company now classifies all financial assets as either held-to-maturity, available-for-sale, held for trading or loans and receivables, and classifies all financial liabilities as held for trading or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of loss and deficit.

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, amounts due to related parties and long term debt. Management has determined the fair value of these financial instruments approximates their carrying value. Unless otherwise noted, it is management's opinion the Company is not exposed to significant interest or credit risks arising from these financial instruments.

**Hedges** (CICA Handbook Section 3865) – The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not yet designated any hedging relationships.

**m) Comprehensive income**

Effective January 1, 2007, the Company adopted CICA Handbook Section 1530 Comprehensive Income. Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. This standard includes guidance for reporting a statement of comprehensive loss and accumulated other comprehensive income in the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale, foreign exchange gains and losses on self-sustaining foreign operations and the effective portion of cash flow hedges, if any. At December 31, 2007, the Company had no items that constitute other comprehensive income.

**n) Recent Account Pronouncements**

The CICA has issued the following new accounting standards which are applicable to the Company's 2008 and 2009 fiscal years.

CICA Handbook Section 1400 General Standards of Financial Statement Presentation: The CICA accounting standards board amended section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of this amendment to have an impact on its consolidated financial statements.

CICA Handbook Section 1535 Capital Disclosures: The new standard is effective for annual and interim periods beginning on or after October 1, 2007 and requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The new accounting standard covers disclosure only and will have no effect on the financial position or results of the Company.

CICA Handbook Section 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation: These new standards replace accounting standard 3861 Financial Instruments - Disclosure and Presentation and are effective for annual and interim periods beginning on or after October 1, 2007. Presentation requirements have not changed. Enhanced disclosure is required to assist users of financial statements in evaluating the significance of financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and will have no effect on the financial position or results of the Company.

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and International Financial Reporting Standards.

## 3. EQUIPMENT

| | 2007 | 2006 |
|---|---|---|
| Field equipment | 18,564 | - |
| Less: accumulated amortization | (2,405) | - |
| Net book value | 16,159 | - |

## 4. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES

A summary of mineral properties and related exploration expenditures at December 31, 2007 is as follows:

| | Acquisition costs | Exploration expenditures | Total |
|---|---|---|---|
| | $ | $ | $ |
| Tanzania: | | | |
| Minjingu licence area | 55,834 | 273,599 | 329,433 |
| Iringa licence area | 169,287 | 25,483 | 194,770 |
| Liwale licence area | 224,149 | 39,291 | 263,440 |
| Quebec: | | | |
| Girard Claims | 149,598 | 193,043 | 342,641 |
| | 598,868 | 531,416 | 1,130,284 |

**Tanzania**

On April 24, 2007 the Company entered into six purchase and sale agreements with a Tanzanian vendor to purchase all the right, title and interest in the Minjingu prospect, three claims in the Iringa licence area and four claims in the Liwale licence area of Tanzania for consideration of:

a) 1,600,000 shares issued with a fair value of $0.20 per share (200,000 issued);
b) a payment of US$50,000 (paid); and
c) the payment of all back taxes and applicable penalties in respect of renewals relating to the licences (paid).

(See Notes 5 and 8)

**Canada**

On April 25, 2007 the Company entered into a purchase and sale agreement to acquire a 100% interest in the Girard claims located in Quebec, Canada for consideration of:

a) 2,000,000 shares issued with a fair value of $0.20 per share as follows ;
   July 16, 2007 – 500,000 shares (issued)
   January 16, 2008 – 500,000 shares
   July 16, 2008 – 300,000 shares
   January 16, 2009 – 400,000 shares
   July 16, 2009 – 300,000 shares
b) Anniversary payments totaling $235,000 and payable on or before November 7 each year as follows: $35,000 – 2007 (paid); $65,000 – 2008; $115,000 – 2009; $10,000 – 2010 and $10,000 – 2011.
c) The agreement provides for a 2% Net Smelter Royalty.

d) Minimum exploration expenditures totaling $640,000 to be incurred as follows:
   2007 - $70,000
   2008 - $125,000
   2009 - $220,000
   2010 - $75,000
   2011 - $150,000

(See Notes 5 and 8)

## 5. SHARE CAPITAL

**Authorized**

Unlimited number of common shares without par value.

**Issued and outstanding**

| | | Number of Shares | Amount $ |
|---|---|---|---|
| Share issued at $1.00 | (i) | 1 | 1 |
| Balance, December 31, 2006 | | 1 | 1 |
| Shares issued at $0.02 | (ii) | 3,000,000 | 60,000 |
| Shares issued at $0.10 | (iii) | 1,865,000 | 186,500 |
| Shares issued for mineral properties at $0.20 | (iv) | 700,000 | 140,000 |
| Shares issued at $0.35 | (v) | 4,470,000 | 1,564,500 |
| Balance, at December 31, 2007 | | 10,035,001 | 1,951,001 |

(i) On October 26, 2006 one common share was issued for proceeds of $1.00.

(ii) On March 27, 2007, 3,000,000 common shares were issued at $0.02 per share for proceeds of $60,000.

(iii) On May 2, 2007, 1,865,000 common shares were issued at $0.10 per share for proceeds of $186,500.

(iv) On September 28, 2007 and August 23, 2007, the Company issued 500,000 and 200,000 common shares for the acquisition of mineral properties in Canada and Tanzania, respectively.

(v) On July 19, 2007, the Company completed a non-brokered private placement of 4,470,000 common shares at a price of $0.35 per share for gross proceeds of $1,564,500.

(vi) At December 31, 2007 the Company is obligated to issue the remaining 1,500,000 and 1,400,000 common shares for the acquisition of mineral properties in Canadian and Tanzania. These shares were issued subsequent to December 31, 2007 (See Notes 4 and 9).

## 6. RELATED PARTY TRANSACTIONS

Transactions with related parties during the year ended December 31, 2007 are as follows:

a) Consulting fees of $42,019 for providing geological and project investigation services were paid to a corporation controlled by a director of the Company.
b) Director fees of $4,000 were paid to individual directors or corporations controlled by directors of the Company.

At December 31, 2007, $2,265 (2006, $1,001) was due to related parties. This amount is unsecured, non-interest bearing and due on demand.

The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed between the related parties.

## 7. INCOME TAXES

The income tax effects of temporary differences that give rise to significant components of future income tax asset are as follows:

| | 2007 | 2006 |
|---|---|---|
| | $ | $ |
| **Future income tax assets** | | - |
| Non capital losses | 81,000 | - |
| Resource expenditures | 449,000 | - |
| Future income tax assets | 530,000 | - |
| Less; valuation allowance | (530,000) | - |
| | - | - |

As at December 31, 2007, the Company had non-capital losses of approximately $253,000 (December 31, 2006 - $Nil) available for Canadian income tax purposes to offset against future years' taxable income. The non-capital losses of approximately $253,000 expire in 2026. As at December 31, 2007, the Company had resource related expenditures of approximately $843,000 (December 31, 2006 - $Nil) available for Canadian and Tanzanian income tax purposes. The resource related expenditures can be carried forward indefinitely.

## 8. SUBSEQUENT EVENTS

On January 9, 2008, the Company adopted a Stock Option Plan (the "2008 Stock Option Plan") subject to shareholder approval at the forthcoming Annual General Meeting.

On January 16, 2008 and March 3, 2008 the Company issued the remaining 1,500,000 common shares with a fair value of $0.20 per share for the acquisition of the Canadian property (See Note 4).

On January 18, 2008, pursuant to the 2008 Stock Option Plan, the Company granted 900,000 Stock Options with an exercise price of $0.40 to its directors, officers and consultants. The stock options are not exercisable until the earlier of: a) the Company completing an Initial Public offering; b) the Company selling all or substantially all of its assets; or c) a single person or entity or group of persons or entities acting in concert acquires all or substantially all of the Company's common shares. The term of the option is five years.

On January 25, 2008, the Company issued the remaining 1,400,000 common shares with a value of $0.20 per share for the acquisition of the Tanzanian mineral properties (See Note 4).

On March 14, 2008, the Company entered into a purchase and sale agreement for the Lac Yvonne licence area in Quebec. The purchase price of the licence area was $40,000. On April 10, 2008, the Company issued 100,000 shares in full settlement of the purchase consideration.

On April 21, 2008, pursuant to the 2008 Stock Option Plan, the Company granted 150,000 Stock Options with an exercise price of $0.50 to a director and consultants. The stock options are not exercisable until earlier of: a) the Company completing an Initial Public offering; b) the Company selling all or substantially all of its assets; or c) a single person or entity or group of persons or entities acting in concert acquires all or substantially all of the Company's common shares. The term of the agreement is five years.

## CONSENT OF THE AUDITORS

We have read the Prospectus of Montero Mining and Exploration Limited (the “Corporation”) dated November 8, 2010 relating to the distribution of a total of 8,000,000 units of the Corporation at $0.50 per unit. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent the use in the above-mentioned prospectus, of our name and of our report to the directors of the Corporation on the balance sheet of the Corporation as of December 31, 2009, 2008 and 2007 and the statements of operations and deficit and cash flows for the years ended December 31, 2009, 2008 and 2007 (the “Financial Statement”). Our auditor’s report is dated ●, 2010.

We have no reason to believe that there are any misrepresentations in the information contained in the Prospectus that are derived from the Financial Statements or that are within our knowledge as a result of the services provided by us in connection with the audit of the Financial Statements.

**Dale Matheson Carr-Hilton Labonte LLP Chartered Accountants**

●, 2010

## CERTIFICATE OF THE CORPORATION

Dated: November 8, 2010

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of the Provinces of Ontario, Alberta and British Columbia.

**MONTERO MINING AND EXPLORATION LIMITED**

| | |
|---|---|
| Signed: Antony Harwood<br>Chief Executive Officer | Signed: Antonia J. Chapman<br>Chief Financial Officer |

On behalf of the Board of Directors

| | |
|---|---|
| Signed: Gregory C. Hall<br>Director | Signed: John G. P. Dixon<br>Director |

## CERTIFICATE OF THE PROMOTER

Dated: November 8, 2010

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of the Provinces of Ontario, Alberta and British Columbia.

Signed: Antony Harwood
Chief Executive Officer

## CERTIFICATE OF THE AGENTS

Dated: November 8, 2010

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of the Provinces of Ontario, Alberta and British Columbia.

| BYRON SECURITIES LIMITED | HAYWOOD SECURITIES INC. |
| --- | --- |
| Signed: Robert Orviss | Signed: Frank Stronach |
| Name: Robert Orviss | Name: Frank Stronach |
| Title: Managing Director | Title: Vice President,<br>Corporate Finance |

**SCHEDULE "A" –
AUDIT COMMITTEE CHARTER**

# MONTERO MINING AND EXPLORATION LIMITED

## *AUDIT COMMITTEE CHARTER*

### MANDATE

The Audit Committee ("Committee") is a committee of the Board of Directors ("the Board"). Its primary function shall be to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and disclosure requirements, the overall maintenance of the systems of internal controls that management have established and the overall responsibility for the Company's external and internal audit processes.

The Committee shall have the power to conduct or authorize investigations into any matter within the scope of this Charter. It may request any officer or employee of the Company, its external legal counsel or external auditor to attend a meeting of the Committee or to meet with any member(s) of the Committee.

The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Committee shall maintain an open communication between the Company's outside auditor and the Board.

The responsibilities of a member of the Committee shall be in addition to such member's duties as a member of the Board.

The Committee has the duty to determine whether the Company's financial disclosures are complete, accurate, are in accordance with international financial reporting standards and fairly present the financial position and risks of the organization. The Committee should, where it deems appropriate, resolve disagreements, if any, between management and the external auditor, and review compliance with laws and regulations and the Company's own policies.

The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Company as it deems advisable.

### MEMBERSHIP AND COMPOSITION

The Committee shall consist of at least three Directors who shall serve on behalf of the Board of which at least two directors are independent. The members shall be appointed annually by the Board and shall meet the independence, financial literacy and experience requirements of the TSX Venture Exchange, including Multilateral Statement 52-110, and other regulatory agencies as required.

A majority of Members will constitute a quorum for a meeting of the Committee.

The Board will appoint one Member to act as the Chairman of the Committee. In his absence, the Committee may appoint another person provided a quorum is present. The Chairman will appoint a Secretary of the meeting, who need not be a member of the committee and who will maintain the minutes of the meeting.

## MEETINGS

At the request of the external auditor, the Chief Executive Officer or the Chief Financial Officer of the Company or any member of the Committee, the Chairman will convene a meeting of the Committee. In advance of every meeting of the Committee, the Chairman, with the assistance of the Chief Financial Officer, will ensure that the agenda and meeting materials are distributed in a timely manner.

The Committee shall meet no less than four times per year or more frequently if circumstances or the obligations require. The Audit Committee may hold its meetings, and members of the Audit Committee may attend meetings, by telephone conference if this is deemed appropriate.

## DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall be as follows:

### Financial Reporting and Disclosure

Review and discuss with management and the external auditor at the completion of the annual examination of:

a. the Company's annual consolidated audited financial statements and related notes;

b. the external auditor's audit of the financial statements and their report thereon;

c. any significant changes required in the external auditor's audit plan;

d. any serious difficulties or disputes with management encountered during the course of the audit; and

e. other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.

ii. Review and discuss with management and the external auditor at the completion of any review engagement or other examination, the Company's quarterly consolidated financial statements.

iii. Review, discuss with management the annual reports, the quarterly reports, the Management Discussion and Analysis, Annual Information Form, Prospectus and other disclosures and, if thought advisable, recommend the acceptance of such documents to the Board for approval.

iv. Review and discuss with management any guidance being provided to shareholders on the expected future results and financial performance of the Company and provide their recommendations on such documents to the Board.

v. Inquire of the auditors the quality and acceptability of the Company's accounting principles, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.

vi. Meet independently with the external auditor and management in separate executive sessions, as necessary or appropriate.

vii. Ensure that management has the proper systems in place so that the Company's financial statements, financial reports and other financial information satisfy legal and regulatory requirements. Based upon discussions with the external auditor and the financial statement review, if it deems appropriate, recommend to the Board the filing of the audited annual and unaudited quarterly financial statements.

**EXTERNAL AUDITOR**

i. Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.

ii. Recommend to the Board of Directors the external auditor to be nominated and review the performance of the auditor, including the lead partner of the external auditor.

iii. Confirm with the external auditor and receive written confirmation at least once per year as to disclosure of any investigations or government enquiries, reviews or investigations of the outside auditor.

iv. Take reasonable steps to confirm the independence of the external auditor, which shall include:

   a. ensuring receipt from the external auditor of a formal written statement delineating all relationships between the external auditor and the Company, consistent with generally accepting auditing practices,

   b. considering and discussing with the external auditor any disclosed relationships or services, including non audit services, that may impact the objectivity and independence of the external auditor, and

   c. approve in advance any non audit related services provided by the auditor to the Company with a view to ensuring independence of the auditor, and in accordance with any applicable regulatory requirements, including the requirements of the TSX Venture Exchange with respect to approval of non audit related serviced performed by the auditor.

**INTERNAL CONTROLS AND AUDIT**

i. Review and assess the adequacy and effectiveness of the Corporation's systems of internal and management information systems through discussion with management and the external auditor to ensure that the Company maintains appropriate systems, is able to assess the pertinent risks of the Company and that the risk of a material misstatement in the financial disclosures can be detected.

ii. Assess the requirement for the appointment of an internal auditor for the Company.

iii. Inquire of management and the external auditor about the systems of internal controls that management and the Board of Directors have established and the effectiveness of those systems. In addition, inquire of management and the external auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.

## OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate or are in accordance with IFRS and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.

## CHARTER REVIEW

The Committee will annually review and reassess the adequacy of this policy and submit any recommended changes to the Board for approval.

## ADOPTION

This Policy was adopted by the Board on November 5, 2010.