NUBIAN RESOURCES LTD.

Consolidated Financial Report
For years ended July 31, 2012 and 2011

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Nubian Resources Ltd.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Nubian Resources Ltd., which comprise the consolidated statements of financial position as at July 31, 2012, July 31, 2011 and August 1, 2010, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and statements of cash flows for the years ended July 31, 2012 and July 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Nubian Resources Ltd. as at July 31, 2012, July 31, 2011 and August 1, 2010, and its financial performance and cash flows for the years ended July 31, 2012 and July 31, 2011 in accordance with the International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada — *"Morgan & Company"*

October 22, 2012 — Chartered Accountants

Tel: (604) 687 – 5841
Fax: (604) 687 – 0075
www.morgan-cas.com

MEMBER OF

P.O. Box 10007 Pacific Centre
Suite 1488 – 700 West Georgia Street
Vancouver, BC V7Y 1A1

NUBIAN RESOURCES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		July 31 2012		July 31 2011		August 1 2010 (Note 14)
ASSETS						
Current						
Cash	$	**19,665**	$	83,053	$	1,733
Taxes receivable		**2,087**		1,896		1,134
Prepaid Expenses		**4,927**		5,228		5,957
Proceeds receivable (Note 8)		**980,000**		743,000		-
Total Current Assets		**1,006,679**		833,177		8,824
Non Current Assets						
Proceeds Receivable (Note 8)		**-**		366,269		-
Assets Held For Sale (Note 8)		**-**		-		1,543,135
Equipment (Note 4)		**4,745**		5,480		7,980
Exploration and evaluation assets (Note 5)		**290,840**		57,124		-
Total Assets	$	**1,302,264**	$	1,262,050	$	1,559,939
LIABILITIES						
Current						
Accounts payable and accrued liabilities	$	**47,367**	$	48,418	$	42,950
Accrued liabilities to related parties (Note 9(b))		**82,250**		23,000		-
Accounts payable on assets held for sale		**34,791**		39,281		157,820
Loan payable (Note 6)		**52,990**		-		-
Advances due to related parties (Note 9(b))		**70,977**		56,277		100,000
Total Current Liabilities		**288,375**		166,976		300,770
Long-term Liabilities						
Convertible notes (Note 7)		**115,782**		-		-
Loan payable (Note 6)		**68,105**		-		-
Total Liabilities		**472,262**		166,976		300,770
EQUITY (DEFICIENCY)						
Equity portion of convertible notes (Note 7)		**21,667**		-		-
Share capital (Note 10)		**13,419,903**		13,419,903		13,172,324
Share-based compensation reserve		**1,881,249**		1,869,697		1,809,657
Deficit		**(14,492,817)**		(14,194,526)		(13,722,812)
Total Equity (Deficiency)		**830,002**		1,095,074		1,259,169
Total Liabilities and Equity	$	**1,302,264**	$	1,262,050	$	1,559,939

Going Concern (Note 1)
Discontinued Operations (Note 8)

Approved and authorized for issue on behalf of the Board of Directors on October 22, 2012 by:

"Lawrence G. Treadgold"	*"David A. Fynn"*
Lawrence G. Treadgold, Director	David A. Fynn, Director

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

NUBIAN RESOURCES LTD.
Consolidated Statements of Operations and Comprehensive Loss
For the years ended July 31, 2012 and 2011
(Expressed in Canadian dollars)

		July 31 2012		JULY 31 2011 (Note 14)
Expenses				
Amortization	**$**	**1,772**	$	2,405
Filing fees		**16,734**		21,657
Insurance		**8,651**		8,869
Bank charges		**2,231**		2,663
Interest on related party debt (Note 9(a))		**2,256**		3,330
Interest on convertible notes		**17,199**		-
Interest on long term debt		**2,655**		-
Investor relations and promotion		**15,867**		42,595
Management and consulting fees (Note 9(a))		**134,500**		78,622
Office		**2,746**		9,362
Professional fees		**52,385**		38,647
Property investigation costs		**8,048**		-
Rent and utilities		**13,664**		20,387
Salaries and employee benefits		**49,647**		83,866
Share-based compensation (Note 10(d))		**11,552**		60,040
Telecommunications		**3,936**		9,769
Travel and accomodation		**7,515**		40,872
Net Loss From Continuing Operations		**(351,358)**		(423,084)
Income (Loss) From Discontinued Operations (Note 8)		**53,067**		(48,630)
Net Loss And Comprehensive Loss For The Year	**$**	**(298,291)**	$	(471,714)
Loss Per Share, Basic And Diluted Before Discontinued Operations	**$**	**(0.05)**	$	(0.06)
Loss Per Share, Basic And Diluted After Discontinued Operations	**$**	**(0.04)**	$	(0.07)
Weighted Average Number Of Shares Outstanding		**7,177,773**		6,955,170

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

NUBIAN RESOURCES LTD.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of common shares	Share capital	Equity portion of convertible notes	Share-based compensation reserve	Accumulated deficit	Total shareholders' equity
Balance, August 1, 2010	6,552,773	$ 13,172,324	$ -	$ 1,809,657	$ (13,722,812)	$ 1,259,169
Private placements	625,000	250,000	-	-	-	250,000
Share issuance costs	-	(2,421)	-	-	-	(2,421)
Share-based payments	-	-	-	60,040	-	60,040
Net loss for the year	-	-	-	-	(471,714)	(471,714)
Balance, July 31, 2011	7,177,773	13,419,903	-	1,869,697	(14,194,526)	1,095,074
Issuance of convertible notes	-	-	21,667	-	-	21,667
Share-based payments	-	-	-	11,552	-	11,552
Net loss for the year	-	-	-	-	(298,291)	(298,291)
Balance, July 31, 2012	**7,177,773**	**$ 13,419,903**	**$ 21,667**	**$ 1,881,249**	**$ (14,492,817)**	**$ 830,002**

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

NUBIAN RESOURCES LTD.
Consolidated Statements of Cash Flows
For the years ended July 31, 2012 and 2011
(Expressed in Canadian dollars)

		July 31 2012		July 31 2011 (Note 14)
Cash Provided By (Used In)				
Operating Activities				
Net loss from continuing operations	$	**(351,358)**	$	(423,084)
Items not affecting cash:				
Amortization		**1,722**		2,405
Share-based payments		**11,552**		60,040
Accreted interest on convertible notes (Note 7)		**7,449**		-
Income (loss) from discontinued operations		**53,067**		(48,630)
Items not affecting cash in net loss from discontinued operations		**-**		(20,117)
Changes in non-cash operating assets and liabilities:				
Taxes receivable		**(191)**		(762)
Prepaid expenses		**301**		729
Accounts payable and accrued liabilities		**(1,001)**		888
Accrued liabilities to related parties		**59,250**		23,000
Accounts payable on discontinued operations		**(4,490)**		(54,461)
		(223,699)		(459,992)
Investing Activities				
Discontinued operations		**129,269**		390,731
Office equipment acquisitions		**(1,037)**		(731)
Exploration and evaluation assets acquisition costs		**(276,265)**		(101,284)
Lease revenues		**42,549**		-
Proceeds on sale of interest in mineral properties		**-**		48,740
		(105,484)		337,456
Financing Activities				
Issue of common shares		**-**		250,000
Share issuance costs		**-**		(2,421)
Proceeds from loan payable		**160,000**		-
Repayment on loan payable		**(38,905)**		-
Issuance on convertible notes		**130,000**		-
Due from (repayments to) related parties – net		**14,700**		(43,723)
		265,795		203,856
Increase (Decrease) In Cash		**(63,388)**		81,320
Cash, Beginning Of Year		**83,053**		1,733
Cash, End Of Year	**$**	**19,665**	$	83,053
Disclosure Of Supplementary Cash Flow And Non-Cash Investing and Financing Information				
Income taxes paid	**$**	**-**	$	-
Interest paid	**$**	**-**	$	-
Debt settled with asset held for sale	**$**	**-**	$	8,000

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nubian Resources Ltd. (the "Company") is listed on the TSX Venture Exchange under the symbol "NBR". The principal business is the exploration of mineral properties and it is considered to be an exploration company. The Company was incorporated on October 28, 2004 pursuant to the Business Corporations Act (British Columbia). On May 2, 2007, the Company became a public company listed on the Toronto Stock Venture Exchange (the "TSX.V"). In February 2011, the Company changed its name from ICS Copper Systems Ltd. to Nubian Resources Ltd. and consolidated its share capital, options and warrants on a five to one basis. These financial statements reflect this share consolidation. The Company's principal place of business is located at 202 – 2526 Yale Court Rd, Abbotsford, British Columbia, V2S 8G9.

The Company was engaged in the business of mineral exploration in Zambia and the Democratic Republic of Congo ("DRC"), Africa to locate and develop economically recoverable mineral reserves. The Company substantially discontinued operations in Africa during the 2010 year-end and is in the process of starting mineral exploration in the United States of America ("USA") (Notes 5 and 8).

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties, including collecting on its proceeds receivable, and to establish future profitable production. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. As at July 31, 2012, the Company has an accumulated deficit of $14,492,817. The Company's operations are funded from equity financing which are dependent upon many external factors and may be difficult or impossible to secure or raise when required. The Company may not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and therefore may require additional funding, which if not raised, may result in the delay, postponement or curtailment of some of its activities. These factors may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments for the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Management continues to evaluate the need for additional financing and is of the opinion that additional financing will be available to continue its planned activities in the normal course. Nonetheless, there is no assurance that the Company will be able to raise sufficient funds in the future to complete its planned activities.

Accordingly, these financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the financial statements.

2. BASIS OF PRESENTATION

a) Statement of Compliance and conversion to International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which the Company has adopted in its annual consolidated financial statements as at and for the year ended July 31, 2012. Previously the Company prepared its annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP"). The significant accounting policies are presented in this note and have been consistently applied in each of the years presented.

2. BASIS OF PRESENTATION (Continued)

a) Statement of Compliance and conversion to International Financial Reporting Standards (Continued)

The Company's transition date to IFRS and its opening IFRS consolidated statement of financial position are as at August 1, 2010 (the "Transition Date"). An explanation of how the transition to IFRS on the Transition Date has affected the reported financial position and financial performance of the Company is provided in Note 14, which includes reconciliations of the Company's consolidated statements of financial position, loss and comprehensive loss and cash flows for comparative periods prepared and previously report in accordance with CGAAP, to those prepared and reported in these consolidated financial statements in accordance with IFRS.

b) Basis of Preparation

These consolidated financial statements have been prepared using the historical cost convention using the accrual basis of accounting except for financial instruments which have been measured at fair value. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included.

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They have also been applied in preparing an opening IFRS consolidated statement of financial position at January 1, 2010 for the purpose of the transition to IFRS, as required by IFRS 1 *First Time Adoption of International Financial Reporting Standards (IFRS 1).* The impact of the transition from Canadian GAAP to IFRS is explained in Note 14.

c) Foreign currencies

i) *Presentation and functional currency*

The presentation and functional currency of the Company and its subsidiary is the Canadian dollar.

ii) *Foreign currency transactions*

Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

d) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements using accounting policies consistent with IFRS 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 financial statements and reported amounts of expenses during the reporting period. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under differenct assumptions and conditions.

Critical accounting estimates
The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the years ended July 31, 2012 and 2011.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior reporting periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of exploration and evaluation assets. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

Useful life of property and equipment

Property, plant and equipment is depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of property, plant and equipment. Total carrying value of property and equipment at July 31, 2012 was $4,745 (July 31, 2011 - $5,480) (August 1, 2010 $7,980).

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of operations and comprehensive loss. For the year ended July 31, 2012 the Company recognized share-based compensation of $11,552 (July31, 2011 - $60,040).

2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

Critical judgments used in applying accounting policies
In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgements can have an effect on the amounts recognized in the consolidated financial statements.

Exploration and evaluation assets

In estimating the recoverability of capitalized exploration and evaluation assets, management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties. Once technical feasibility and commercial viability of property can be demonstrated, it is reclassified from exploration and evaluation assets to property and equipment, and subject to different accounting treatment. As at July 31, 2012 and July 31, 2011 management had determined that no reclassification of exploration and evaluation assets was required.

Income tax

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The Company's deferred tax assets have not been recorded in these consolidated financial statements, as the Company's future has been judged to be not more likely than not. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Nubian Resouces (USA) Ltd., incorporated in Delaware, USA in September 2011 and operating in Nevada, New Mexico, Idaho and Montana.

b) Financial Instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

All financial instruments are classified into one of five categories: fair value through profit and loss (held-for-trading category), held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for trading financial assets are measured at fair value and

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial Instruments (Continued)

changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has designated its cash and short term investments as held-for-trading. Amounts receivable are classified as loans and receivables, which are measured at amortized cost, and are equal to fair value. Accounts payable and accrued liabilities, due to related parties and convertible debentures are classified as other financial liabilities. Management did not identify any material embedded derivatives, which require separate recognition and measurement.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of price risk: currency risk, interest rate risk and other price risk.

The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company's ability to raise share capital is indirectly related to changing metal prices and the price of gold in particular. To mitigate this market risk, management of the Company actively pursues a diversification strategy with property holdings.

c) Equipment

Equipment is recorded at cost and depreciated over its estimated useful life. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Equipment (Continued)

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate. Equipment is recorded at cost less accumulated amortization. Depreciation is recorded when equipment is available for use, over the estimated useful life using the following methods and rates:

CLASSIFICATION	METHOD	RATE
Office equipment	Declining balance	20% to 45%

d) Exploration and Evaluation Assets

The Company capitalizes all acquisition costs and direct exploration expenditures on mineral properties in which it has a continuing interest. On abandonment or sale of any property, accumulated capitalized amounts zre charged to operations net of procees. Following commencement of commercial production, capitalized costs will be amortized over the estimated useful life of the mineral reserve using the units of production method. Property investigation costs, where a property interest is not acquired, are expensed as incurred. Incidental revenues received while the properties are in the exploration stage are credited to the carrying value of the mineral properties. Cost recoveries are credited against specific property costs, as received.

Property acquisition costs include cash costs and the fair market value of issued shares, paid under option or joint interest agreements. Payment terms are at the sole discretion of the Company and are recorded as acquisition costs upon payment.

Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values. Capitalized costs are subject to measurement uncertainty and it is reasonably possible a change in future conditions could require a material change in recorded amounts.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of permits and the potential for problems arising from government conveyance accuracy, prior unregistered agreements or transfers, native land claims, confirmation of physical boundaries, and title may be affected by undetected defects. The Company does not carry title insurance.

The Company has evaluated title to all of its mineral properties and believes, to the best of its knowledge, that evidence of title is adequate and acceptable given the current stage of exploration.

Management's capitalization of exploration costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated metal prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Assets Held for Sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use or abandonment. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

f) Impairment of Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that the assets may be impaired. If such indication exists, the recoverable amount of the identified asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

g) General Provisions

A provision is a liability of uncertain timing or amount of a future expenditure when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The present value of expected future cash outflows is recognized as a liability and the increase to the liability due to the passage of time is recorded as a finance expense. The Company uses a credit adjusted discount rate that reflects current market assessments of the time value of money and the risk specific to the liability.

h) Decommissioning Liabilities

The Company accounts for the estimated fair value of legal obligations to reclaim and remediate exploration and evaluation assets in the period incurred, at the net present value of the cash flows required to settle the future obligations. The corresponding amount is capitalized to the related asset and accounted for in accordance with the Company's related accounting policies for exploration and evaluation assets. The liabilities are subject to accretion over time as a finance expense for increases in the fair value of the liabilities. Changes in estimates are accounted for prospectively from the period the estimate is revised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Decommissioning Liabilities (Continued)

The operations of the Company may in the future be affected, from time to time in varying degrees, by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

The Company is in the early stages of exploring its exploration and evaluation assets. Management has determined that the Company has no current legal obligation for reclamation and remediation costs.

i) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill that is not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

j) Share-based Compensation

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral properties is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors.

The Company accounts for stock options issued to employees at the fair value determined on the grant date using the Black-Scholes option pricing model. The fair value of the options is recognized as an expense using the graded vesting method where the fair value of each tranche is recognized over its respective vesting period. When stock options are forfeited prior to becoming fully vested, any expense previously recorded is reversed.

Share-based compensation made to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured. These payments are recorded at the date the goods and services are received.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Shared-based Compensation (Continued)

Warrants issued are recorded at estimated fair values determined on the grant date using the Black-Scholes model. If and when the stock options or warrants are ultimately exercised, the applicable amounts of their fair values in the reserves account are transferred to share capital.

k) Loss per Share

Basic loss per common share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In periods where a loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. In a profit year, under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average price during the period.

l) New Accounting Standards Not Yet Adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended July 31, 2012:

• IFRS 9	New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets[iii]
• IFRS 10	New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities[i]
• IFRS 11	New standard to account for the rights and obligations in accordance with a joint agreement[i]
• IFRS 12	New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39[i]
• IFRS 13	New standard on the measurement and disclosure of fair value[i]
• IAS 1 (Amendment)	Presentation of other comprehensive income[ii]
• IAS 28 (Amendment)	New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures[i]

[i] Effective for annual periods beginning on or after January 1, 2013
[ii] Effective for annual periods beginning on or after July 1, 2012
[iii] Effective for annual periods beginning on or after January 1, 2015

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

(Expressed in Canadian Dollars)

4. EQUIPMENT

COST		
Balance at August 1, 2010	$	28,450
Additions		731
Disposals		(11,108)
Balance at July 31, 2011		18,073
Additions		1,036
Balance at July 31, 2012		**19,109**

ACCUMULATED AMORTIZATION		
Balance at August 1, 2010	$	20,470
Amortization for the year		2,405
Disposals		(10,282)
Balance at July 31, 2011		12,593
Amortization for the year		1,771
Balance at July 31, 2012		**14,364**

NET BOOK VALUE		
At August 1, 2010	$	7,980
At July 31, 2011	$	5,480
At July 31, 2012	**$**	**4,745**

5. EXPLORATION AND EVALUATION ASSETS

U.S. Properties purchased from Timber Wolf Minerals Ltd.

	August 1, 2010	Costs for the year	July 31, 2011	Costs for the year	July 31, 2012
Acquisition costs	$ -	$ 37,990	$ 37,990	$ 271,079	**$ 309,069**
Exploration costs					
Assaying and sampling	-	21,086	21,086	-	**21,086**
Claim staking	-	12,039	12,039	-	**12,039**
Geological consulting	-	18,435	18,435	5,186	**23,621**
Licences, permits and fees	-	9,723	9,723	-	**9,723**
Office and administration	-	4,151	4,151	-	**4,151**
	-	65,434	65,434	5,186	**70,620**
	-	103,424	103,424	276,265	**379,689**
Option fees received, net	-	(46,300)	(46,300)	-	**(46,300)**
Lease revenues received		-	-	(42,549)	**(42,549)**
Total expenditures	-	57,124	57,124	233,716	**290,840**

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

U.S. Properties purchased from Timber Wolf Minerals Ltd. (Continued)

	August 1, 2010	Costs for the year	July 31, 2011	Costs for the year	July 31, 2012
Analysed by property					
Excelsior Springs, Nevada	-	39,008	39,008	117,315	**156,323**
Worthing Canyon, Idaho	-	18,116	18,116	33,064	**51,180**
Blair Junction, Nevada	-	-	-	14,018	**14,018**
Palmetto, Nevada	-	-	-	16,364	**16,364**
Dunfee, Nevada	-	-	-	22,689	**22,689**
Copper Hills, New Mexico	-	-	-	25,311	**25,311**
Enright Hills, Nevada	-	-	-	1,587	**1,587**
Leach Hot Springs, Nevada	-	-	-	1,324	**1,324**
Pipestone, Montana	-	-	-	2,044	**2,044**
Total expenditures	$ -	$ 57,124	$ 57,124	$ 233,716	$ **290,840**

a) Excelsior Springs Property, Esmeralda County, Nevada

Effective August 29, 2010, the Company signed a lease agreement with Timber Wolf Minerals Ltd. to acquire lease rights over 100% of the Excelsior Springs gold property. Under the agreement, the Company will pay for all government fees, and make lease payments to the lessor of USD $20,000 in year 1, USD $25,000 in year 2, and USD $30,000 in year 3 and each successive year for the length of the lease to Timber Wolf Minerals Ltd., and assume responsibility to pay $12,000 per annum pursuant to the lease on two patented claims within the Excelsior property. Furthermore, a 1% Net Smelter Royalty (NSR) will be payable, to Timber Wolf Minerals Ltd. and a 2% NSR will be payable on the patented claims, upon gold production. The 1% NSR obligation can be bought out for USD $3,000,000 on or before August 30, 2015.

On March 28, 2011, the Company sold an option to earn a 70% interest in the property to a wholly-owned subsidiary of Global Geoscience Ltd. (Global), a public company listed on the Australian Securities Exchange.

To earn the 70% interest Global will be required to assume the responsibilities for the underlying lease agreements and pay the Company USD $100,000 cash and spend USD $3,000,000 on exploration over four years. Global will solely fund and manage all exploration and property related costs on the property during the option phase. The Company received USD $50,000 upon signing and will receive a further USD $50,000 once Global exercises its option interest in the property within the four year period. A finder's fee of 5% is payable to a unrelated third party on the receipt of option payments, and upon certified exploration costs carried out by Global under the option agreement. The minimum exploration expenditure commitment required in the first year is USD $150,000 and assuming results are satisfactory an additional amount of USD $350,000 must be spent on exploration by July 31, 2012, a further USD $500,000 December 31, 2013, and a further USD $2,000,000 by December 31, 2014 (See Note 5(c)).

5. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Worthing Canyon (Sedex) Property, Lemhi County, Idaho

On June 30, 2011, the Company signed a lease agreement with Timber Wolf Minerals Ltd. to acquire a 100% interest in the Worthing Canyon (Sedex) lead-zinc-silver prospect area.

The Company has staked 14 additional mining claims, bringing the total holdings to 18 contiguous claims (approximately 372 acres) (See Note 5(c)).

c) Excelsior Springs, Worthing Canyon and Other Properties

On October 31, 2011, the Company purchased 217 unpatented mining claims on nine properties in Nevada, Idaho, Montana and New Mexico, USA for total consideration of USD $260,000 of which USD $100,000 was paid on closing, and the balance is payable in monthly instalments over 36 months, including interest at 2.5% per annum. These properties include the Excelsior Springs and Worthing Canyon properties. To fund the closing costs, the Company has issued convertible notes totalling $130,000 to its directors and officers. The notes will have a term of two years, bear interest at 10% per annum compounded and payable annually, and be convertible at the option of the holder into common shares at a price of $0.18 per share.

6. LOAN PAYABLE

	July 31, 2012	July 31, 2011	August 1, 2010
Unsecured loan payable in US dollars, interest at 2.5% per annum, monthly blended payments of USD $4,618 until October 31, 2014.	**$ 121,095**	$ -	$ -
Less: current portion	**(52,990)**	-	-
	$ 68,105	$ -	$ -

7. CONVERTIBLE NOTES

	July 31, 2012	July 31, 2011	August 1, 2010
Convertible notes issued	**$ 130,000**	$ -	$ -
Equity portion of convertible notes	**(21,667)**	-	-
Interest accretion	**7,449**		
Debt portion of convertible notes	**$ 115,782**	$ -	$ -

On October 31, 2011, the Company issued convertible promissory notes to directors' and officers' in the amount of $130,000, which are due and payable on October 31, 2013. The notes are convertible at the option of the holder into common shares of the Company at $0.18 per share.

Interest on the notes is calculated at 10% per annum. The interest is compounded and payable annually in Canadian dollars.

(Expressed in Canadian Dollars)

7. CONVERTIBLE NOTES (Continued)

The liability component of the convertible debt is calculated as the present value of the principal, discounted at a rate approximating the interest rate that was estimated would have been applicable to non-convertible debt at the time the debt was issued. This portion of the convertible debt is accreted over its term to the full face value by charges to interest expense. The accretion is a non-cash transaction and has been excluded from the statement of cash flows.

The equity element of the convertible debt comprises the value of the conversion option, being the difference between the face value of the convertible debt and the liability component.

8. DISCONTINUED OPERATIONS

Pursuant to IFRS 5, the financial statements of the Company have been reclassified to reflect discontinued operations of the Company's mineral interests in Zambia. Accordingly, assets, liabilities, net loss and cash flows of discontinued operations have been segregated in the Consolidated Balance Sheets, the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows. The net assets, net operating results and net cash flows have been reported as "discontinued operations".

During the fiscal year ended July 31, 2009, the Company exercised its right to terminate the Mokambo property agreement because the deposit was determined to be uneconomic. The Company entered into an agreement to sell the mining equipment on September 21, 2010 for USD $1,500,000. As at July 31, 2010, the Company has classified the mining equipment and its Luapula Zambian property as an asset held for sale on the consolidated balance sheet. As at July 31, 2012, there was $980,000 (USD $980,000) outstanding on the proceeds receivable. The Zambian buyer has not made all the required payments and, accordingly, the Company has commenced arbitration proceedings. At this time management does not consider this current receivable to be impaired.

The following tables present summarized financial information related to discontinued operations in Zambia:

CONSOLIDATED BALANCE SHEETS

	July 31 2012	July 31 2011	August 1 2010
ASSET			
Proceeds receivable	$ **980,000**	$ 1,109,269	$ -
ASSETS HELD FOR SALE			
Mining equipment	**-**	-	1,500,000
Vehicles	**-**	-	43,135
	$ 980,000	$ 1,109,269	$ 1,543,135
LIABILITIES HELD FOR SALE			
Current			
Accounts payable and accrued liabilities	**$ 34,791**	$ 39,281	$ 157,820

(Expressed in Canadian Dollars)

8. DISCONTINUED OPERATIONS (Continued)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FROM DISCONTINUED OPERATIONS

	July 31 2012	July 31 2011
Expenses		
Foreign currency exchange loss	**$ -**	$ 56,063
African operating expenses	**2,403**	7,748
Loss Before Other Income (Expenses)	**(2,403)**	(63,811)
Other Income (Expenses)		
Foreign currency exchange gain	**$ 55,470**	$ -
Gain on settlement of debt	**-**	56,078
Income (loss) on disposal of assets	**-**	1,355
Equipment impairment	**-**	(3,826)
Write-down of mineral property interests	**-**	(38,426)
	55,470	15,181
Income (loss) From Discontinued Operations	**$ 53,067**	$ (48,630)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	July 31 2012	July 31 2011
Cash Flows (Used in) Provided By Operating Activities	**$ 48,577**	$ (123,208)
Cash Flows Provided By Investing Activities	**129,269**	390,731
Net Cash Flows Provided By (Used in) Discontinued Operations	**$ 177,846**	$ 267,523

9. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The following Director transactions and Related Party balances pertain solely to Nubian Resources Ltd.

a) Director transactions

For the year ended July 31, 2012

	Short-term employee benefits	Management & consulting fees	Share-based payments	Reimbursement of vehicle expenses	Interest paid on related party loan	Total
	$	$	$	$	$	$
Executive Directors*	7,000	74,000	-	-	2,256	76,256
Non-executive Directors*	-	60,450	11,552	-	-	72,002

(Expressed in Canadian Dollars)

9. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

a) Director transactions (Continued)

For the year ended July 31, 2011

	Short-term employee benefits	Management & consulting fees	Share-based payments	Reimbursement of vehicle expenses	Interest paid on related party loan	Total
	$	$	$	$	$	$
Executive Directors*	64,000	32,375	25,927	1,487	3,330	127,119
Non-executive Directors*	-	32,500	28,655	-	-	61,155

b) Related party balances

For the year ended July 31, 2012

			July 31 2012		July 31 2011
Unsecured 4.5% interest-bearing loan with no fixed terms or repayment	(iii)	$	**45,977**	$	56,277
Unsecured director loan with no fixed terms or repayment		$	**25,000**	$	-
		$	**70,977**	$	56,277
Unpaid management fees to directors**		$	**82,250**	$	23,000

*Paid to directors, non-executive directors, and/or companies controlled by those individuals.
**Unsecured, non-interest bearing, and with no fixed terms of repayment.

10. SHARE CAPITAL

a) Authorized

Unlimited number of Class "A" voting Common shares without par value
Unlimited number of Preferred shares without par value (none issued)

b) Issued

On December 6, 2010 the Company closed a non-brokered private placement of 625,000 units at $0.40 per unit for gross proceeds of $250,000. Each unit consisted of one common share and one transferable share purchase warrant entitling the holder to purchase one share for a period of three years at a price of $0.50 to $0.75 per share. The warrants are subject to accelerated expiry if common shares trade at or above $1.00 in any 20 consecutive trading day periods ending after the date that is four months and a day after the closing.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

c) Share Purchase Warrants

A summary of the changes in warrants to acquire an equivalent number of shares for the years ended July 31, 2012 and 2011 was as follows:

	NUMBER OF WARRANTS		WEIGHTED AVERAGE EXERCISE PRICE
Balance July 31, 2010	610,000	$	0.80
Granted	625,000		0.63
Balance July 31, 2011 and 2012	**1,235,000**	**$**	**0.71**

The Company had outstanding share purchase warrants as at July 31, 2012 as follows:

NUMBER OF WARRANTS		EXERCISE PRICES	EXPIRY DATE
200,000	$	0.60 - $ 1.00	October 8, 2012*
210,000	$	0.60 - $ 1.00	October 28, 2012
200,000	$	0.60 - $ 1.00	December 1, 2012
625,000	$	0.50 - $ 0.75	December 8, 2012
1,235,000			

*Expired unexercised subsequent to year end.

d) Stock Options

The Company has a stock option plan that provides for the issuance of compensatory options to its directors, officers, employees and consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. Options granted under the plan may have a maximum term of ten years. Terms of the vesting period over which the options are earned is determined by the Board of Directors.

A summary of the changes in stock options to acquire an equivalent number of shares for the years ended July 31, 2012 and 2011 was as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, July 31, 2010	330,000	$ 0.50
Expired	(20,000)	$ 0.50
Granted	220,000	$ 0.50
Balance, July 31, 2011	530,000	$ 0.50
Expired	(225,000)	$ 0.50
Granted	50,000	$ 0.50
Balance, July 31, 2012	**355,000**	**$ 0.50**

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

d) Stock Options (continued)

On August 27, 2010, 50,000 stock options were issued to a new director and a further 170,000 stock options were issued to existing directors and officers. These options have a 10 year life and were fully vested on issuance.

On August 4, 2011, 50,000 stock options, with an exercise price of $0.50 were issued to a new director. These options have a 10 year life and were fully vested on issuance.

The Company had outstanding stock options as of July 31, 2012 as follows:

NUMBER OF OPTIONS	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
70,000	70,000	$ 0.50	May 20, 2014
75,000	75,000	$ 0.50	January 6, 2015
160,000	160,000	$ 0.50	August 27, 2020
50,000	50,000	$ 0.50	August 4, 2021
355,000	355,000		

As of July 31, 2012 the weighted average remaining contractual life of the options was 5.8 years (2011 – 5.0 years).

Stock based compensation in the amount of $11,552 (2011 - $60,040) was recorded based on the stock options granted during the year. The fair value of the options granted was estimated using the following assumptions: Exercise Price – $0.50 (2011 - $0.50); Expected Life - Ten Years; Volatility 246% – (2011 - 230%); Risk-Free Interest Rate – 2.9% (2011 – 2.9%); and Dividend Yield – $Nil (2011 - $Nil).

11. CAPITAL MANAGEMENT

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in the USA and dispose of its holdings in Africa. The Company includes cash and the components of shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

To ensure continued operations, the Company depends on external financing to fund its activities. The Company defines capital that it manages as share capital, and cash and cash equivalents.

(Expressed in Canadian Dollars)

11. CAPITAL MANAGEMENT (Continued)

In the past, the Company has been successful in raising funds through the issuance of share capital. It is uncertain, however, how successful the Company will be in raising more funds in the current difficult market conditions. The Company currently has insufficient funds for its operational activities and will require equity financing, joint ventures or other forms of financing in order to fund continued exploration activities and administrative overhead costs for the coming year.

There were no changes in the Company's approach to capital management during the year ended July 31, 2012. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at July 31, 2011, the classification of the financial instruments, and as their carrying values and fair values, are shown in the table below:

	LEVEL	HELD FOR TRADING	LOANS AND RECEIVABLES/ AMORTIZED COST	FAIR VALUE/ AMORTIZED COST
Financial assets				
Cash	1	$ 19,665	$ -	$ 19,665
Proceeds receivable	2	-	980,000	980,000
		$ 19,665	$ 980,000	$ 999,665
Financial liabilities				
Accounts payable	3	$ -	$ 47,367	$ 47,367
Accrued liabilities	3	-	82,250	82,250
Accounts payable on assets held for sale	3	-	34,791	34,791
Accounts payable, related parties	3	-	70,977	70,977
Loan payable	3	-	121,095	121,095
Convertible notes	3	-	115,782	115,782
		$ -	$ 472,262	$ 472,262

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop certain of these estimates. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk, commodity risk and currency risk are considered the most significant.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The carrying values of the Company's accounts payable and accrued liabilities were a reasonable approximation of fair value due to their short-term nature.

Financial instruments measured at fair value on the balance sheet were made using inputs within the following fair value hierarchy that reflect their significance:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

There have been no transfers between levels 1 and 2, or transfers in or out of level 3 for the years ended July 31, 2012 and 2011.

a) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including copper and gold, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

b) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, United States of Amercia, the Democratic Republic of Congo and Zambia and a portion of its expenses are incurred in United States dollars ("USD"). A significant change in the currency exchange rates between the Canadian dollar and the US dollar could have an effect on the Company's results of operations, financial position or cash flows.

The Company has not hedged its exposure to currency fluctuations. At July 31, 2011, the Company was exposed to currency risk through the following assets and liabilities denominated in USD.

	2012	2011
USD		
Cash	**$ 2,098**	$ 81,314
Proceeds receivable	**$ 980,000**	$ 1,163,000
Accounts payable and accrued liabilities	**$ (34,791)**	$ (36,553)
Loan payable	**$ (121,095)**	$ -

Based on the above net exposures at July 31, 2012, and assuming that all other variables remain constant a 10% appreciation or depreciation of the Canadian dollar against the USD would result in an increase/decrease of $82,621 in the Company's loss from operations.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

c) Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes the company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year.

The difficult market conditions make it uncertain whether the Company can continue to raise adequate funds to meet its financial obligations (see Notes 1 and 8).

13. INCOME TAXES

a) Deferred Income Tax Assets

Deferred income tax assets reflect the net tax effects of the temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's consolidated deferred income tax assets were as follows:

	2012	2011
Non-capital losses carried forward	$ **1,555,000**	$ 1,262,000
Resource deductions	**1,861,000**	1,860,000
Equipment	**35,000**	48,000
Share issue costs	**1,000**	57,000
	3,452,000	3,227,000
Valuation allowance	**(3,452,000)**	(3,227,000)
	$ **-**	$ -

The Company has established a valuation allowance against its net unrecognized deferred income tax assets as it is not probable that the tax benefits will be realized.

b) Provision For Income Taxes

No provision for current income tax expenses has been recorded as the Company had Canadian losses for income tax purposes. No provision for future income tax recoveries has been recorded as the Company's future profitability was uncertain.

(Expressed in Canadian Dollars)

13. INCOME TAXES (Continued)

b) Provision For Income Taxes (Continued)

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates of approximately 26% (2011 – 27%) to the net loss for the year due to the following:

		2012		2011
Computed income tax recoveries	**$**	**(76,000)**	$	(129,000)
Change in estimate and other		**(150,000)**		16,000
Non-deductible expenses		**2,000**		17,000
Tax benefits not recognized		**224,000**		96,000
	$	**-**	$	-

The Company has non-capital losses of approximately $6,210,000 (2011 - $5,704,000) expiring between 2016 and 2032; Canadian foreign exploration resource deductions of approximately $7,735,000 (2011 - $7,501,000) and share issue costs of approximately $3,000 (2011 - $232,000) available to reduce taxable income in future years.

14. TRANSITION TO IFRS

As disclosed in Note 2, for all periods up to and including the year ended July 31, 2011, the Company prepared its consolidated financial statements in accordance with CGAAP. The consolidated financial statements as at and for the year ended July 31, 2012 are the first audited statements which the Company has prepared in accordance with IFRS.

In preparing these consolidated financial statements, the opening consolidated statement of financial position was prepared as at August 1, 2010, the Company`s Transition Date.

This note explains the principal adjustments made in restating the previous CGAAP consolidated balance sheet as at August 1, 2010 and its previously published CGAAP consolidated financial statement as at and for the year ended July 31, 2011.

Exemptions applied:

The guidance for the first time adoption of IFRS is set out in IFRS 1, *First-Time Adoption of International Financial Reporting Standards*. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company has applied the following exemptions to its opening statement of financial position dated August 1, 2010:

14. TRANSITION TO IFRS (Continued)

a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after August 1, 2010. There is no adjustment required to the August 1, 2010 statement of financial position on the transition date.

b) Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 retrospectively, IAS 27, Consolidated and Separate Financial Statements, must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

c) Share-based Payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, Share-based Payments, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to August 1, 2010.

d) Equipment

IFRS 1 provides a choice between measuring equipment at its fair value at the date of transition and using those amounts as the deemed cost or using the historical cost valuation under CGAAP. The Company has chosen to continue to apply the cost model and has not restated property, plant and equipment under IFRS.

e) Decommissioning Liabilities

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As a result, the Company has re-measured the provisions at August 1, 2010 under IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and determined that there is no adjustment required to the August 1, 2010 statement of financial position on the transition date.

f) Financial Instruments

The Company has elected to designate its cash and short-term investments as fair value through profit or loss upon initial recognition in accordance with an investment strategy that management uses to evaluate performance on a fair value basis. This designation had no impact on the results and financial position of the Company as these financial assets were classified as held-for-trading under CGAAP and were recorded at fair value.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous CGAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of August 1, 2010 are consistent with its CGAAP estimates for the same date.

14. TRANSITION TO IFRS (Continued)

Reconciliations:

The adoption of IFRS had no impact on the previously reported assets, liabilities and shareholder's equity of the Company, and accordingly, no adjustments have been recored in the consolidated statements of financial postion, statements of operations and comprehensive loss and statements of changes in equity and statements of cash flows as at and for the year ended July 31, 2012. The adoption of IFRS also had no impact on the opening balance sheet at August 1, 2010 which has been presented in accordance with IFRS 1 adoption requirements. Accordingly, required reconciliations under IFRS 1 have not been provided in the financial statements.