

# **NUBIAN RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED OCTOBER 31, 2013**

CONTAINING INFORMATION UP TO AND INCLUDING November 27, 2013

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Nubian Resources Ltd. ("Nubian" or the "Company") is listed on the TSX Venture Exchange ("TSX-V") under the trading symbol "NBR". The Company is a junior mineral exploration company whose mission is to create shareholder value by discovering and developing mineral resources which can be profitably exploited.

This management discussion and analysis ("MD&A") of the consolidated operating results and financial condition of the Company for the three months ended October 31, 2013 and should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 2013 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A is intended to help the reader understand the condensed consolidated financial statements of the Company.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedure and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). Additional information relating to Nubian can be found on the company's website [www.nubianr.com](http://www.nubianr.com).

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

The date of this MD&A is November 27, 2013.

### **Forward looking statements**

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are usually identified by the use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates", or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objective and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

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#### **Overall Performance**

The Company's prime focus is on precious metals and the Company's goal is to develop properties with an economical resource equivalent of a minimum of 1 million ounces of "inferred and indicated" gold within 2 to 3 years.

Opportunities outside the precious metal sector, including existing copper and other base metal properties and properties with less potential, are to be developed in conjunction with joint venture partners specialized in the respective metal and location, while Nubian retains an interest in cash-flow and property royalty.

Head office costs and cost of Board and Management will be kept within industry standards, with additional incentive through options and bonuses rewarding Board and Management for higher share price and value created in spin and sell off situations.

On September 21, 2010, the Company sold all of its remaining mining plant to a Zambian company for USD \$1,500,000. Repayments totaling USD \$520,000 have been received to date. Title to the plant will only pass to the purchaser upon full payment of the outstanding balance. Despite a number of attempts by the Company to commence commercial arbitration in 2012, the proceedings were frustrated by inability to agree on an arbitrator.

On March 4, 2013, the Company obtained a ruling from The High Court in Lusaka, Zambia that a Canadian arbitrator be appointed within 14 days. The purchaser immediately appealed the ruling and on April 19, 2013, a single judge of the Appeals Court determined that the appeal must be heard before a full bench of judges. The Supreme Court of Zambia ruled in favour of the Company and appointed retired judge Ngulube as arbitrator. The protocol and timeline for the arbitration is expected shortly.

At this time the Company believes the plant purchaser's case to be without merit and does not consider the proceeds receivable to be impaired.

On August 29, 2010, the Company signed a lease agreement with a U.S. company, Timber Wolf Minerals Ltd, to acquire lease rights over 100% of the Excelsior Springs gold property in Esmeralda County, Nevada, USA. Under the agreement, the Company will pay all BLM and state fees and lease payments of USD \$20,000 in year 1, USD \$25,000 in year 2, and USD \$30,000 in year 3. Furthermore, a 1% Net Smelter Royalty will be payable upon gold production.

On March 1, 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 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.

On August 26, 2013, all parties agreed to:

- (1) defer \$15,000 of the \$30,000 year 3 payment required under the Lease until August 29, 2014;
- (2) and extend Global's \$3,000,000 cumulative exploration expenditure commitment by a year to December 31, 2015 in exchange for the contribution of a further 60 claims staked by Global in and around the existing Excelsior project.

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### **Overall Performance (continued)**

On September 30, 2011, the Company announced that RC holes at Excelsior Springs, conducted and managed by Global Geoscience, had intersected multiple zones of shallow, oxidised gold mineralization over a minimum strike length of 2.2km. The individual zones and the overall mineralized trend remain open along strike and at depth. Geochemical/geological data indicate the mineralization is part of a >9km-long zone, and follow-up outline drilling has been done around the newly discovered zones and other targets along strike and a further program is planned for 2014.

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 to be payable in monthly instalments over 36 months, including interest at 2.5% per annum. 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.

With the acquisition of the Excelsior Springs property, Nubian became the sole owner of any Net Smelter Royalty due on the unpatented claims of Excelsior, and on the other properties in the Timber Wolf Minerals portfolio. These properties include the aforementioned Excelsior Springs and Worthing Canyon properties and are described further in the following section.

### **Overview of Properties**

#### **Leased Nevada properties**

Excelsior Springs Project, Esmeralda County

The Excelsior Springs project comprises granted mining claims covering an area of 3.5 square kilometres (km<sup>2</sup>) including the historic Buster mine, which has past production of about 15,000 tonnes (t) at 37 grams per tonne (g/t) gold (Au) to a maximum depth of 70 metres (m).

Excelsior Springs is located in the Walker-Lane tectonic zone of southern Nevada, which hosts a number of large historic gold mines. Total gold production from the zone exceeded 20 million ounces (Moz), with notable deposits including Goldfield (5Moz), Bullfrog (2Moz), Tonopah (2Moz), Mineral Ridge (1.5Moz) and Comstock (8Moz Au, 200Moz Ag).

The Excelsior Springs property covers a 3km long, 300m wide zone of stockwork quartz vein-type gold mineralization hosted by altered limestone and calcareous sediments. Exploration over the property by Nubian has been restricted to analysis of 236 surface rock chip samples, which defined four separate areas of mineralization with values from 1 to 20 g/t Au. Only one of these four areas, the Buster mine, had been drilled previously. At the Buster mine historic RC percussion drilling was undertaken over a strike length of 300m and probed to depths up to 120m. Most of the holes that targeted the main mineralized zone intersected gold mineralization.

On March 1, 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. Global is presently exploring the property with a view to obtaining a 70% stake after expenditure of US\$3 million, leaving Nubian a 30% interest and a 1% net smelter royalty. Global completed drilling of 3,657m RC drilling to follow-up a number of prior drill intersections in 2011.

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#### **Overview of Properties (continued)**

##### **Leased Nevada properties**

Excelsior Springs Project, Esmeralda County (continued)

Significant intercepts were:

GE08: 7.6m at 5.1g/t Au from 93.0m  
GE14: 7.6m at 2.9g/t Au from 19.8m  
GE02: 3.0m at 4.7g/t Au from 0m  
GE19: 6.1m at 1.9g/t Au from 117.3m and  
GE15: 13.7m at 0.8g/t Au from 61.0m

Holes were generally drilled along north-south fences with 50-70m between holes and 100-600m between fences. All holes were drilled at 60 degrees dip towards grid north to depths between 100-220m. Water was injected during the drilling although all of the sample slurry was collected after splitting through a rotary cyclone splitter. Samples of between two and ten kilograms were collected every 1.5m of hole length and dispatched to American Assay Laboratories in Reno for gold fire assay by method FA30.

Quality control included collection of one in twenty duplicate samples dispatched to the same laboratory and one in thirty samples sent to ALS Minerals in Reno and analysed for gold using a comparable fire assay method (method Au-AA23). Duplicate and repeat assaying gave an acceptable repetition of gold grades however some spottiness was noted.

Global has also completed extensive surface work including a 3 km<sup>2</sup> Induced Polarization (IP) geophysical survey, geological mapping, re-logging drill chips and collection of more than 800 geochemical samples. This work has led to the identification of three new targets none of which were drilled previously.

In October 2012, Global Geoscience embarked on a second phase of exploration at the Excelsior property funded by Osisko Mining (USA), a subsidiary of Canadian gold producer, Osisko Mining Corporation (TSX:OSK). This consisted of approximately 10 reverse circulation holes within Nubian's property that is leased to Global. A recent Company announcement reports that Global's drilling intersected wide zones of low-grade gold coincidental with high levels of arsenic, bismuth, molybdenum and tellurium, within altered and quartz-veined country rock. Alteration, quartz-veining and geochemical signature of the rocks intercepted suggest a nearby intrusive and assay results of drill holes GE 26 and 31 extend the zone of mineralization to 2.2km of strike and are further evidence of a large, concealed, intrusive-hosted gold system at Excelsior.

Gold mineralization discovered at Excelsior to date occurs in quartz vein stock-works and silicified zones in hornfels and calc-silicate altered country rock and generally close to porphyry dykes. The best mineralization (grade and thickness) is found in altered sediments immediately above porphyry dykes that have intruded along existing east and east-northeast trending faults. The mineralized stock-work vein zones are shallow and have a relatively flat plunge, making them amenable to open pit mining methods, if economic zones are outlined.

Exploration to date has focused on a 2.5km long section in the central part of the zone where mineralization is at or near the surface. Surface mapping and an Induced Polarisation (IP) geophysical survey have identified multiple zones of silicification that correlate well with the known mineralization. Many of the silicified zones defined by the IP (resistivity highs) have not been tested by drilling and remain targets for future exploration, approximately 4km of the zone is concealed beneath thin transported cover, over which Global have laid out further mining claims which have recently been consolidated into Nubian's holding of claims.

Once the next phase of drilling in 2014 is completed and exploration data are reviewed it is hoped to prepare a new NI 43-101 report with estimated classified resources and a scoped mine plan.

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#### **Overview of Properties (continued)**

##### **Unleased Nevada properties**

a) Blair Junction Gold Project

The Company owns 10 unpatented claims in a gold project in Mount Diablo Meridian, Esmeralda County, Nevada. It is presently unleased.

b) Palmetto Silver-Gold Project

The Company owns 9 unpatented claims in Esmeralda County.

c) Dunfee Gold Project

The Company owns 22 unpatented claims in a gold project in Gold Point Mining District, Esmeralda County, Nevada.

d) Leach Hot Springs Gold-Silver Project

The Leach Hot Springs property consists of four claims, acquired by Nubian from Timber Wolf Minerals Ltd., 15 km NE of the Goldbanks mercury mine, Pershing County, Nevada. There are no current claim maps, but the property was extensively drilled (~20 holes), in 2004 by Newmont Exploration: results are not known.

e) Enright Hill Gold-Silver Project

The Enright Hill property consists of four claims in the Hicks District, 16 km NE of Mountain City, 48 km NNE of Wildhorse Reservoir, in Elko County, about 130 km north of Elko City, Nevada.

##### **Other Unleased U.S. Properties**

a) Worthing Canyon Lead-Zinc-Silver-Gold Property, Idaho

The Company owns 18 unpatented claims covering a lead-zinc-silver-gold prospect in Birch Creek Mining District, Lemhi County, Idaho.

b) Pipestone Gold-Silver Property, Montana

The Company owns 4 unpatented claims on a gold-silver prospect in Jefferson County, Montana, which was staked in November 2010.

c) Copper Hills Gold Project, New Mexico

The Company owns 10 unpatented claims in Socorro County, New Mexico on an extension of the Morenci copper trend from Arizona.

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**Discontinued Operations**

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 2010. Although not reflected in the financial statements, the company still owns interests in Luapula Minerals, a Zambian copper project, and Bayombwe a DRC poly metallic project. The Company is actively seeking joint venture partners for these assets.

**Selected Financial Information**

The following table sets out selected consolidated financial statements for the last three completed fiscal years under Canadian GAAP and IFRS:

	2013		2012		2011	
Sales	\$	-	\$	-	\$	-
Net Loss and Comprehensive Loss	\$	(295,870)	\$	(298,291)	\$	(471,714)
Net loss per share (basic and fully diluted)	\$	(0.04)	\$	(0.04)	\$	(0.07)
Total Assets	\$	1,258,264	\$	1,302,264	\$	1,262,050
Long Term Financial Liabilities	\$	13,795	\$	183,887	\$	-
Cash Dividends per share	\$	-	\$	-	\$	-

The following tables set out selected results of operations for each of the eight most recently completed quarters:

	Quarter ended October 31, 2013		Quarter ended July 31, 2013		Quarter ended April 30, 2013		Quarter ended January 31, 2013	
Sales	\$	N/A	\$	N/A	\$	N/A	\$	N/A
Loss from continuing operations	\$	(59,201)	\$	(58,540)	\$	(104,727)	\$	(95,780)
Loss per share from continuing operations - basic & fully diluted	\$	(0.01)	\$	(0.01)	\$	(0.01)	\$	(0.01)
Net income (loss) and comprehensive loss	\$	(42,182)	\$	(19,126)	\$	(104,727)	\$	(104,681)
Net loss per share - basic & fully diluted	\$	(0.00)	\$	(0.00)	\$	(0.01)	\$	(0.01)
	Quarter ended October 31, 2012		Quarter ended July 31, 2012		Quarter ended April 30, 2012		Quarter ended January 31, 2011	
Sales	\$	N/A	\$	N/A	\$	N/A	\$	N/A
Loss from continuing operations	\$	(67,336)	\$	(65,278)	\$	(73,362)	\$	(96,932)
Loss per share from continuing operations - basic & fully diluted	\$	(0.01)	\$	(0.01)	\$	(0.01)	\$	(0.01)
Net income (loss) and comprehensive loss	\$	(67,336)	\$	(53,139)	\$	(84,729)	\$	(91,809)
Net loss per share - basic & fully diluted	\$	(0.01)	\$	(0.01)	\$	(0.01)	\$	(0.01)

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#### Results of operations

Three months ended October 31, 2013 compared to three months ended October 31, 2012.

For the quarter ended October 31, 2013, the Company recorded a loss from continuing operations of \$59,201 compared to a loss of \$67,336 in 2012. This decrease in loss was mainly the result of a decrease in management and consulting fees, and salaries and employee benefits offset by an increase in professional fees over 2012.

#### EXPLORATION AND EVALUATION ASSETS

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

	August 1, 2012	Costs for the year	July 31, 2013	Costs for the period	October 31, 2013
<b>Acquisition costs</b>	\$ 37,990	\$ 271,079	\$ 309,069	\$ -	\$ 309,069
<b>Exploration costs</b>					
Assaying and sampling	21,086	-	21,086	-	21,086
Claim staking	12,039	-	12,039	-	12,039
Geological consulting	18,435	5,186	23,621	-	23,621
Licences, permits and fees	9,723	-	19,341	12,299	31,640
Office and administration	4,151	-	4,151	-	4,151
	65,434	5,186	80,238	12,299	92,537
	103,424	276,265	389,307	12,299	401,606
Option fees received, net	(46,300)	-	(93,800)	-	(93,800)
Lease revenues received	-	(42,549)	(72,549)	(15,000)	(87,549)
<b>Total expenditures</b>	57,124	233,716	222,958	(2,701)	220,257

	August 1, 2011	Costs for the period	July 31, 2013	Costs for the period	October 31, 2013
<b>Analysed by property</b>					
Excelsior Springs, Nevada	39,008	117,315	78,823	(15,000)	63,823
Worthing Canyon, Idaho	18,116	33,064	53,719	2,533	56,252
Blair Junction, Nevada	-	14,018	15,527	1,510	17,037
Palmetto, Nevada	-	16,364	16,669	1,531	18,200
Dunfee, Nevada	-	22,689	26,004	3,330	29,334
Copper Hills, New Mexico	-	25,311	25,311	1,425	26,736
Enright Hills, Nevada	-	1,587	2,344	756	3,100
Leach Hot Springs, Nevada	-	1,324	1,933	609	2,542
Pipestone, Montana	-	2,044	2,628	605	3,233
<b>Total expenditures</b>	\$ 57,124	\$ 233,716	\$ 222,958	(2,701)	220,257



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### **Liquidity**

The Company had working capital of \$632,580 as at October 31, 2013 compared to \$656,582 at July 31, 2013. This working capital will be further boosted by the November 15 debt restructuring. See subsequent events section. However, the Company has not received any repayments on this receivable since December 2011, and, under the terms of the September 2010 agreement, has initiated arbitration proceedings. The outcome of this process is not yet determinable.

The Timber Wolf mineral property purchase on October 31, 2011 of USD \$260,000 was financed by a \$130,000 private placement of the directors' and officers', and a USD \$160,000 loan from the vendor. The vendor has further agreed to defer loan repayments for six months commencing in October 2013.

### **Capital Resources**

The Company's authorized capital consists of an unlimited number of common shares without par value. At October 31, 2013 and July 31, 2013 the Company had 10,177,773 issued and outstanding common shares.

At November 27, 2013, the Company had 10,177,773 shares outstanding and 13,832,773 shares outstanding on a fully diluted basis.

### **Subsequent Event**

On November 15, 2013, the Company restructured the following existing debt into a two year unsecured note bearing interest at 10% per annum:

Convertible debenture	\$	130,000
Accrued liabilities to related parties		90,000
Short-term directors' loan		20,000
Accrued interest on debentures		13,534
<b>TOTAL DEBT RESTRUCTURING</b>	<b>\$</b>	<b><u>253,534</u></b>

### **Significant Accounting Judgments and Estimates**

The preparation of the interim condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and further periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of proceeds receivable which are included in the condensed consolidated interim statement of financial position;
- the carrying value and recoverable amount of exploration and evaluation assets; and
- the inputs used in accounting for share-based payments expense in the condensed consolidated interim statements of operations and comprehensive loss.

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#### **Off-balance sheet arrangements**

The Company did not enter into any off-balance sheet arrangements during the period.

#### **Proposed transactions**

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the consolidated financial statements for the three month ended October 31, 2013.

#### **Future accounting pronouncements**

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended October 31, 2013:

- IFRS 9                                      New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets<sup>(i)</sup>

<sup>(i)</sup> 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.

#### **Risk Factors**

The Company is engaged in the exploration for mineral deposits. These activities involve significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the mining industry, metal price fluctuations and operating in foreign countries and currencies.

##### **(a) Inherent risks within the mining industry**

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use, environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral deposit.

Mining activities also involve risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the Company's current mineral properties will be economically viable for development and production.

##### **(b) Prices for gold and base metals**

Metal prices are subject to volatile price fluctuations and may have a direct impact on the future commercial viability of the Company's exploration properties. Price volatility results from a variety of factors, including

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#### **Risk Factors (continued)**

##### **(b) Prices for gold and base metals (Continued)**

global consumption and demand for metals, international economic and political trends, fluctuations in the US dollar and other currencies, interest rates, and inflation.

##### **(c) Foreign currency risks**

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The company does not currently have any foreign currency or commercial risk hedges in place. The Company raises the majority of its equity financings in Canadian dollars while expenditures related to foreign operations are predominately incurred in US dollars. Fluctuations in the exchange rates between the Canadian dollar, US Dollar may impact the Company's financial condition.

##### **(d) Risks Associated with Foreign Operations**

The Company's investments in foreign countries such as U.S., Zambia and the DRC carry certain risks associated with different political, business, social and economic environments. The Company is currently evaluating gold and base metal properties in U.S., Zambia and the DRC but will undertake new investments only when it is satisfied that the risks and uncertainties of operating in different cultural, economic and political environments are manageable and reasonable relative to the expected benefits. Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance and regulatory characteristics of property rights in certain foreign countries.

Future government, political, legal or regulatory changes in the foreign jurisdictions in which the Company currently operates or plans to operate could affect many aspects of the Company's business, including title to properties and assets, environmental protection requirements, labor relations, taxation, currency convertibility, repatriation of profits or capital, the ability to import necessary materials or services, or the ability to export produced materials.

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**Related Party Transactions**

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

**a) Director transactions**

For the three months ended October 31, 2013

	Management & consulting fees	Share-based payments	Interest paid on related party loan	Total
	\$	\$	\$	\$
Executive Directors*	6,500	-	-	6,500
Non-executive Directors*	4,750	-	-	4,750
Former Director	-	-	517	517

For the three months ended October 31, 2012

	Management & consulting fees	Share-based payments	Interest paid on related party loan	Total
	\$	\$	\$	\$
Executive Directors*	19,500	-	-	19,500
Non-executive Directors*	16,750	-	-	16,750
Former Director	-	-	517	517

**b) Related party balances**

	October 31 2013	July 31 2013
Unsecured 4.5% interest-bearing loan with no fixed terms or repayment	\$ 45,977	\$ 45,977
Unsecured director loan with no fixed terms or repayment	\$ 20,000	\$ -
	\$ 65,977	\$ 45,977
Unpaid management fees to directors **	\$ 90,000	\$ 78,750

\*Paid to directors, non-executive directors, and/or companies controlled by those individuals.

\*\*Unsecured, non-interest bearing, and with no fixed terms of repayment.

During the year ended July 31, 2013, the Company settled related party debts of \$194,150 by issuing 1,941,500 shares at \$0.10 each.

**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 October 31, 2013, the classification of the financial instruments, and as their carrying values and fair values, are shown in the table below:

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**Financial instruments and risk management (Continued)**

	LEVEL	HELD FOR TRADING	LOANS AND RECEIVABLES/ AMORTIZED COST	FAIR VALUE/ AMORTIZED COST
<b>Financial assets</b>				
Cash	1	\$ 13,312	\$ -	\$ 13,312
Proceeds receivable	2	-	1,022,042	1,022,042
		\$ 13,312	\$ 1,022,042	\$ 1,035,354
<b>Financial liabilities</b>				
Accounts payable	3	-	69,229	69,229
Accrued liabilities	3	-	90,000	90,000
Accounts payable on assets held for sale	3	-	19,791	19,791
Accounts payable, related parties	3	-	65,977	65,977
Loan payable	3	-	60,858	60,858
Convertible notes	3	-	130,000	130,000
		\$ -	\$ 435,855	\$ 435,855

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.

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 period ended October 31, 2013 or the year ended July 31, 2013.

# NUBIAN RESOURCES LTD.

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### Financial instruments and risk management (Continued)

#### 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 America, 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 October 31, 2013, the Company was exposed to currency risk through the following assets and liabilities denominated in USD.

<b>USD</b>	<b>2013</b>	<b>July 31, 2013</b>
Cash	\$ 1,849	\$ 20,114
Proceeds receivable	\$ 1,022,042	\$ 1,008,000
Accounts payable and accrued liabilities	\$ (19,791)	\$ (19,791)
Loan payable	\$ (60,858)	\$ (68,119)

Based on the above net exposures at October 31, 2013, 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 \$94,000 in the Company's loss from operations.

#### 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 7).

## **NUBIAN RESOURCES LTD.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED OCTOBER 31, 2013**

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#### **Controls and Procedures**

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

#### **Policies & Conversion to International Financial Reporting Standards**

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory change-over date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE"s) such as the Company.

As stated in Note 2 of the Financial Statements, these are the Company's condensed consolidated financial statements prepared in accordance with IAS 34, Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards (IFRS).