Luiri Gold Limited

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
OCTOBER 31, 2012

(Stated in Australian Dollars)

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

2005 Sheppard Avenue East, Suite 300
Toronto, Ontario
M2J 5B4, Canada
Phone 416-496-1234
Fax 416-496-0125
Email info@mhc-ca.com
Web www.mhc-ca.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Luiri Gold Limited

We have audited the accompanying consolidated financial statements of Luiri Gold Limited and its subsidiaries, which comprise the consolidated statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010, and the consolidated statements of changes in equity, consolidated statements of operations and comprehensive loss, and consolidated statements of cash flows for the years ended October 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Financial 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Luiri Gold Limited and its subsidiaries as at October 31, 2012, October 31, 2011, and November 1, 2010 and their financial performance and cash flows for the years ended October 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in he consolidated financial statements which describes that the Company has a history of losses and a need for working capital. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
December 21, 2012

Luiri Gold Limited

(A Development Stage Company)

Consolidated Statements of Financial Position

(expressed in Australian dollars)

As at	**October 31, 2012 $**	October 31, 2011 $ (Note 16)	November 1, 2010 $ (Note 16)
ASSETS			
Current Assets			
Cash and equivalents	**2,449,477**	2,727,167	3,545,485
Receivables	**235,375**	49,469	160,857
Prepaid expenses and deposits	**10,416**	5,650	15,176
Total current assets	**2,695,268**	2,782,286	3,721,518
Non-current assets			
Exploration and evaluation assets (Note 6)	**1,163,209**	715,209	75,352
Equipment (Note 7)	**143,433**	63,010	52,297
TOTAL ASSETS	**4,001,910**	3,560,505	3,849,167
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	**964,179**	677,147	300,308
Non-current Liabilities			
Provisions (Note 8)	**124,264**	78,081	-
TOTAL LIABILITIES	**1,088,443**	755,228	300,308
EQUITY			
Share capital (Note 9)	**25,653,478**	20,731,748	18,700,498
Shares to be Issued (Note 6)	**448,000**	-	-
Share-based payments reserve (Note 11)	**6,540,770**	5,446,678	5,072,043
Foreign currency translation reserves	**(1,569,817)**	(1,601,125)	(1,329,589)
Deficit	**(28,158,965)**	(21,772,024)	(18,894,093)
Total Equity	**2,913,466**	2,805,277	3,548,859
TOTAL LIABILITIES AND EQUITY	**4,001,910**	3,560,505	3,849,167

Going Concern (Note 1)
Commitments and Contingencies (Notes 6 and 12)

APPROVED ON BEHALF OF THE BOARD

signed "Evan Kirby"
Evan Kirby, Director

signed "Michael Langoulant"
Michael Langoulant, Director

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

Luiri Gold Limited
(A Development Stage Company)
Consolidated Statements of Equity
(expressed in Australian dollars)

	Share Capital	Share Capital	Shares to be Issued	Share Based Payments Reserve	Deficit	Foreign Currency Translation Reserves	Shareholders' Equity
	#	$	$	$	$	$	$
Balance – November 1, 2010	**111,556,905**	**18,700,498**	**-**	**5,072,043**	**(18,894,093)**	**(1,329,589)**	**3,548,859**
Shares issued on fundraising	15,875,000	2,031,250	-	-	-	-	2,031,250
Stock option compensation expense	-	-	-	374,635	-	-	374,635
Currency translation adjustments	-	-	-	-	-	(271,536)	(271,536)
Net loss for the year	-	-	-	-	(2,877,931)	-	(2,877,930)
Balance – October 31, 2011	**127,431,905**	**20,731,748**	**-**	**5,446,678**	**(21,772,024)**	**(1,601,125)**	**2,805,277**
Shares issued on fundraising (net of share issue costs)	70,000,000	4,921,730	-	-	-	-	4,921,730
Shares to be issued for exploration and evaluation assets	-	-	448,000	-	-	-	448,000
Stock option compensation expense	-	-	-	1,094,092	-	-	1,094,092
Currency translation adjustments	-	-	-	-	-	31,308	31,308
Net loss for the year	-	-	-	-	(6,386,941)	-	(6,386,941)
Balance – October 31, 2012	**197,431,905**	**25,653,478**	**448,000**	**6,540,770**	**(28,158,965)**	**(1,569,817)**	**2,913,466**

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

Luiri Gold Limited
Consolidated Statements of Operations and Comprehensive Loss
(expressed in Australian dollars)

For the years ended October 31	**2012** **$**	2011 $
Expenses		
Consulting and advisory fees	**660,052**	674,053
Exploration and evaluation expenses	**2,968,879**	407,214
Professional fees	**647,677**	394,488
Share-based payments (Note 10)	**1,094,092**	374,635
Management fees	**120,000**	318,569
Office and administration	**332,335**	210,744
Employee expenses	**80,559**	208,233
Investor relations	**37,783**	162,305
Travel and accommodation	**356,462**	105,671
Transfer agent and filing fees	**79,859**	82,404
Directors fees (Note 13)	**116,515**	61,693
Insurance	**36,592**	35,137
Amortisation	**46,676**	10,527
Loss for the year before the undernoted	**(6,577,480)**	(3,045,673)
Interest income	**193,865**	128,689
Foreign exchange gain / (loss)	**(3,326)**	39,053
Net loss and comprehensive loss for the year	**(6,386,941)**	(2,877,931)
Loss per share - basic and diluted	**(0.04)**	**(0.02)**
Weighted average number of common shares - basic and diluted	**166,759,501**	**115,816,152**

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

Luiri Gold Limited
Consolidated Statements of Cash Flows
(expressed in Australian dollars)

For the years ended October 31	**2012** **$**	2011 $
Cash and cash equivalents provided by (used in)		
Operating Activities		
Net loss for the year	**(6,386,941)**	**(2,877,931)**
Adjustments for non-cash items:		
Amortisation	**46,676**	**10,527**
Share-based payments (Note 10)	**1,094,092**	**374,635**
Foreign exchange	**32,166**	**(271,536)**
Changes in non-cash working capital items:		
Receivables	**(185,906)**	**111,388**
Prepaid expenses and deposits	**(4,766)**	**9,526**
Accounts payable and accrued liabilities	**287,032**	**163,545**
Provisions	**46,183**	**-**
Net cash used in Operating Activities	**(5,071,464)**	**(2,479,846)**
Financing Activities		
Issuance of common shares and warrants	**5,250,000**	**2,031,250**
Share issue costs	**(328,270)**	**-**
Net cash provided from Financing Activities	**4,921,730**	**2,031,250**
Investing Activities		
Expenditures on exploration and evaluation assets	**-**	**(348,482)**
Acquisition of property and equipment	**(127,956)**	**(21,240)**
Net cash used in Investing Activities	**(127,956)**	**(369,722)**
Change in cash and equivalents	**(277,690)**	**(546,782)**
Cash and equivalents - beginning of year	**2,727,167**	**3,545,485**
Cash and equivalents - end of year	**2,449,477**	**2,727,167**
Cash and equivalents consists of:		
Cash	**377,241**	**959,663**
Equivalents	**2,072,236**	**1,767,504**
	2,449,477	**2,727,167**
Supplemental information		
Interest and taxes paid	**-**	**-**
Change in accrued mineral properties expenditures	**-**	**(291,375)**
Share to be issued for exploration and evaluation assets	**448,000**	**-**

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

1. Nature of Operations and Going Concern

Luiri Gold Limited (the "Company") was incorporated on February 3, 2004, in the Province of British Columbia under the British Columbia Business Corporations Act. On September 13, 2012, the Company changed its place of incorporation (via a continuance) from Canada into Bermuda such that it is now a Bermudan company. To date, the Company has not earned revenues and is considered to be in the exploration and evaluation stage. The Company's head office is at Suite 2, 5 Ord Street, West Perth, Western Australia.

The Company is in the process of exploring its mineral property interests in Zambia, and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company's continuing operations, the underlying value and the recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interests. The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations. Accordingly, these audited consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses and the statement of financial position classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development or sale of mining reserves and the achievement of profitable operations. The Company is planning to meet its future expenditures and obligations by raising funds through public offerings, private placements or by farm outs of mineral properties. It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

Continued…

2. Basis of Preparation

(a) Basis of Presentation

These audited consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 1, Presentation of financial statements and by IFRS 1, First-time Adoption of IFRS. The Company's accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The Company's audited consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. Certain information and footnote disclosures which are considered material to the understanding of the Company's audited consolidated financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in note 16 along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on the financial statements.

The preparation of financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

(b) Approval of the financial statements

These consolidated financial statements of the Company were approved for issue by the Board of Directors on December 19, 2012.

(c) Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after November 1, 2012 or later periods. Updates that are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 9 Financial Instruments
This standard introduces new requirements for the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning November 1, 2012, and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 10 Consolidated Financial Statements
IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of Standing Interpretations Committee Standard 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet determined the impact of IFRS 10 on its financial statements.

Continued…

2. Basis of Preparation (continued)

IFRS 13 Fair Value Measurement
IFRS 13 deals with how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

IAS 1, Presentation of Financial Statements
IAS 1 has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has not yet determined the impact of the amendments to IAS 1 on its financial statements.

IFRS 11 Joint Arrangements
IFRS 11 establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company has not yet determined the impact of this standard on its consolidated financial statements.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company has not yet determined the impact of this standard on its consolidated financial statements.

IAS 32 Financial Instruments - presentation
IAS 32 was amended to clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014 with retrospective application required. Earlier application is permitted. The Company has not yet determined the impact of IAS 32 on its consolidated financial statements.

(d) Currency translation

The Company's functional and presentation currency is the Australian dollar ("$").

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign currency gains and losses are presented in operations in the period in which they occur.

Continued…

2. Basis of Preparation (continued)

(e) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Exploration and evaluation assets
Management has determined that exploration and evaluation costs incurred in acquiring tenure to mineral tenements have future economic benefits and are economically recoverable. The Company, however, reviews the capitalised costs on its mineral tenements on a periodic basis and will recognize an impairment in value based upon various factors including the stage of exploration and work programs proposed. See Note 3(c) for details of the Company's policy regarding capitalised exploration and evaluation assets.

Impairment of exploration and evaluation assets
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Reductions in commodity price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realising income tax assets recognised, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Future changes in tax laws could limit the Company from realising the tax benefits from the deferred tax assets. The Company reassesses unrecognised income tax assets at each reporting period.

Continued…

2. Basis of Preparation (continued)

Share-Based Payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Contingencies
See Notes 6 and 12.

Continued…

3. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances between subsidiaries are eliminated on consolidation. Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases. The Company's subsidiaries are Luiri Gold Australia Pty Ltd, LG Holdings Ltd and Luiri Gold Mines Ltd.

(b) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

(c) Exploration and evaluation assets

Direct property acquisition costs and holding costs are deferred until the properties to which they relate are brought into production, at which time they will be amortised on a unit of production basis, or until the properties are sold, abandoned or allowed to lapse, at which time they will be written off.

Costs include the cash consideration paid and the fair market value of the shares as they are issued, if any, on the acquisition of mineral properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. Any proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year.

All other exploration costs are charged to operations.

The recorded amounts for acquisition costs of properties represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalised costs on its properties on a periodic basis and will recognize an impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property. Management's assessment of a property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

(d) Equipment

Equipment is generally depreciated on a declining balance basis or straight line basis over their estimated useful lives ranging from 10-30%.

An item of equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of operations when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period, and adjusted prospectively if appropriate.

Continued…

3. Significant accounting policies (continued)

(e) Impairment of non-financial assets

The carrying values of capitalised mine properties and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the operations so as to reduce the carrying amount to its recoverable amount.

(f) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is not virtually certain that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Continued…

3. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(g) Financial assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date.

The Company's financial assets include cash and cash equivalents and receivables.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income and finance costs in operations. The Company has classified its cash equivalents as fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of operations. The losses arising from impairment are recognised in the statement of operations. The Company has classified its cash and receivables as loans and receivables.

Continued…

3. Significant accounting policies (continued)

(h) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in operations. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in operations.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Continued…

3. Significant accounting policies (continued)

(i) Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings.

The Company's financial liabilities include accounts payable and accrued liabilities. The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as at FVTPL if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The Company has not designated any financial liabilities as at FVTPL.

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in operations when the liabilities are derecognised, as well as through the EIR amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of operations.

Loans and borrowings includes accounts payable and accrued liabilities.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in operations.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Continued…

3. Significant accounting policies (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(j) Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(k) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognised on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(l) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange gains and losses on foreign currency borrowings.

(m) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. The diluted loss per share calculation assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

Continued…

4. Capital Management

The capital of the Company consists of share capital, warrants and options. As at October 31, 2012 total equity (managed capital) was $2,913,466 (2011 - $2,805,277; November 1, 2010 - $3,548,849). 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 exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage and as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay the administrative costs, the Company will spend its existing working capital and will attempt to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the years ended 2012 and 2011. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

5. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarised below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

Credit risk

The Company's credit risk is primarily attributable to cash and equivalents in current assets. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of term deposits, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Amounts receivable consist of GST/VAT/HST due from the governments of Canada, Australia and Zambia and receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2012, the Company has a cash and equivalents balance of $2,449,477 (2011 - $2,727,167; November 1, 2010 - $3,545,845); to settle current liabilities of $964,179 (2011 - $677,147; November 1, 2010 - $300,308). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Continued…

5. Financial Risk Factors (continued)

(b) Foreign Currency risk

The Company's functional currency is the Australian dollar as major transactions are in Australian dollars. The Company funds certain operations, exploration and administrative expenses in Zambia on a cash call basis using US dollar currency converted from its Australian dollar bank accounts held in Australia. The Company also incurs certain operating expenses in Canadian dollars and British pounds. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not currently hedge its foreign exchange risk.

Balances in non-Australian dollar currencies are presented in Australian dollars as follows:

	Canadian dollars	US Dollars	Zambian Kwacha
Cash and cash equivalents	3,592	250,631	31,952
Receivables	10,511	-	184,300
Accounts payable	-	118,823	179,176

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Fair Values

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate fair value because of the limited term of these instruments. At October 31, 2012, the Company's financial instruments that are carried at fair value, consisting of cash equivalents have been classified as follows within the fair value hierarchy: Level 2 - $2,072,236 (2011 - $1,767,504; November 1, 2010 - $3,166,575).

Sensitivity analysis

The Company has designated its cash equivalents as held-for-trading, which are measured at fair value. Cash and amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as loans and borrowings, which are measured at amortized cost.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible":

- Cash equivalents include deposits at call, which are at variable rates. Sensitivity to a 1% change in rates would have a corresponding impact on net loss of approximately $25,000, based on current cash equivalents balances.
- A 10% increase in foreign exchange rates relative to the Australian dollar would have impacted net loss for the year by approximately $1,000.
- Price risk is remote since the Company is not a producing entity.

Continued…

(expressed in Australian dollars)

6. Exploration and evaluation assets

The Company's Zambian tenements together constitute the Company's "Luiri Hill Project", which the Company is exploring for gold and copper-gold deposits. The cumulative acquisition costs of the Company's interest in its Zambian mineral properties are as follows:

	October 31 2012 $	October 31 2011 $	November 1 2010 $
Balance, beginning of the year	**715,209**	75,352	75,352
Capitalised in the year	**448,000**	639,857	-
Balance, end of the year	**1,163,209**	715,209	75,352

The Company has made formal commitments to the local communities in relation to community development programs during the exploration phase of the Luiri Hill Project.

These commitments of the Company include:

- Initial funding of a community development trust fund (the "Community Fund"), which is to be established, with the Company responsible for the following:
  - payment of US$150,000 to the Community Fund; and
  - issuance to the Community Fund of shares of the Company having a value equivalent to 5% of the market value of the project, based on an independent valuation of the project at the date of issue. The issuance of such shares shall be subject to regulatory approval and shareholder approval, if required.
- Facilitation and funding of a local community development committee. This committee will monitor and administer the funding of social development projects and activities within a certain area of the project.

During the year ended October 31, 2012, the Community Fund was established and is known as the Shakumbila Trust. A formal agreement with the Shakumbila Trust is being prepared and is expected to be executed in 2013. Once this agreement is signed the Company can proceed to make the cash payment and share issuances as have been agreed.

As at October 31, 2012, the Company had accrued for the US$150,000 payment that is to be made to the Community Fund. In addition, the Company has recorded an accrual for shares to be issued to the value of $448,000 representing the estimated 5% of the market value of the project, based on an independent valuation of the project to meet its share issue obligation to the Community Trust. These accruals have been capitalised as exploration and evaluation assets.

7. Equipment

	Cost $	**Accumulated Amortisation $**	**Net Book Value $**
Balance, November 1, 2010	108,955	(56,658)	52,297
Balance, October 31, 2011	128,065	(65,055)	63,010
Balance, October 31, 2012	256,021	(112,588)	143,433

Continued…

(expressed in Australian dollars)

8. Provisions

	October 31 2012 $	October 31 2011 $	November 1 2010 $
Payroll termination costs	**124,264**	78,081	-

9. Share Capital

Authorised:
600,000,000 common shares with par value of $US0.01 each.

Issued:

	Number of Shares #	**Amount $**
Balance, November 1, 2010	**111,556,905**	**18,700,498**
Funds received for shares, net of offering costs(i)	15,875,000	2,031,250
Balance, October 31, 2011	127,431,905	20,731,748
Funds received for shares, net of offering costs (i)	70,000,000	4,921,730
Balance, October 31, 2012	**197,431,905**	**25,653,478**

(i) Share Issues
In April 2012, the Company completed a private placement of 70,000,000 shares at $0.075 per share, raising $5,250,000. Share issues costs incurred related to this private placement were $328,270.

In October 2011, the Company completed a private placement of 10,000,000 shares at $0.115 per share, raising $1,150,000. There were no share issue costs incurred related to this private placement.

In February 2011, the Company completed a private placement of 5,875,000 shares at $0.15 per share, raising $881,250. There were no share issue costs incurred related to this private placement.

Continued…

(expressed in Australian dollars)

10. Share-Based Payment

The Company may grant incentive stock options to its officers, directors, employees and consultants, for the purchase of common shares of the Company. Stock options are non-transferable. The Board of Directors of the Company determines the exercise price, but it may be no less than the current market price at the time of the grant. Options have a maximum term of five years and terminate 90 days after the termination of employment or other contracting arrangement of the option holder. Vesting of options may be at the time of granting of the option or over a period as set out in each option agreement. Once approved and vested, stock options are exercisable at any time until expiry or termination as described above. The Company records the stock-based compensation expense over the vesting term of the options granted.

In June 2012, 12,000,000 options were issued as an incentive to directors. The options are exercisable at $0.10 on or before June 30, 2015. The stock options vest, subject to continuity of service obligations, 50% on July 1, 2013 and 50% on July 1, 2014. During the year ended October 31, 2012 a share based payment expense of $333,011 was recorded in the consolidated statement of operations and comprehensive loss (2011- $nil). The fair value of options was $0.08, estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.43% per annum, expected volatility of 130%, expected dividend rate of $nil and an expected life of 2.24 years.

In August 2011, 800,000 options were issued to an employee as part of his compensation. The options are exercisable at $0.17 on or before June 30, 2015. The stock options vested on August 31, 2012. During the year ended October 31, 2012 a share based payment expense of $65,510 was recorded in the consolidated statement of operations and comprehensive loss (2011- $21,957). The fair value of options was $0.11, estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.2% per annum, expected volatility of 130%, expected dividend rate of $nil and an expected life of 3.83 years.

In June 2011, 8,000,000 options were issued as an incentive to directors. The options are exercisable at $0.17 on or before June 30, 2015. The stock options vested on July 17, 2012. During the year ended October 31, 2012 a share based payment expense of $695,572 was recorded in the consolidated statement of operations and comprehensive income (2011- $363,837). The fair value of options was $0.13, estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 2.2% per annum, expected volatility of 119%, expected dividend rate of $nil and an expected life of 3.5 years.

The exercise price of all share purchase options granted was greater than or equal to the market price at the grant date.

Option pricing models require the input of highly subjective assumptions. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable measure of the fair value of the Company's options at the date of grant.

	October 31, 2012		October 31, 2011	
	Number of Options #	**Weighted average exercise price $ per share**	Number of Options #	Weighted average exercise price $ per share
Balance, beginning of the year	**10,100,000**	**0.19**	3,703,500	0.48
Granted	**12,000,000**	**0.10**	8,800,000	0.17
Expired	**(1,000,000)**	**0.20**	(2,403,500)	(0.49)
Balance, end of the year	**21,100,000**	**0.14**	10,100,000	0.19

Continued…

(expressed in Australian dollars)

10. Share-Based Payment (continued)

The weighted average grant date fair value of options granted during 2012 was $0.08 (2011 - $0.13), while the weighted average remaining life of options at October 31, 2012 was 2.76 years (2011 – 3.33 years).

Summary of stock options outstanding as at October 31, 2012:

Expiry Date	Options Outstanding #	Options Exercisable #	Exercise Price $	Estimated Grant Date Fair Value $
April 1, 2015	100,000	100,000	0.45	18,267
April 1, 2015	100,000	100,000	0.65	17,192
April 1, 2015	100,000	100,000	0.85	16,118
June 30, 2015	8,800,000	8,800,000	0.17	1,146,875
June 30, 2015	12,000,000	Nil	0.10	960,000
	21,100,000	9,100,000		2,158,452

11. Share-based payments reserve

	$
Balance, November 2010	**5,072,043**
Share –based payment	374,635
Balance, October 31, 2011	**5,446,678**
Share –based payment	1,094,092
Balance, October 31, 2012	**6,540,770**

12. Commitments and Contingencies

a) Under the terms of non-cancellable operating leases, the Company is committed to rental payments of $22,000 due within one year.

b) The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

c) See Note 6.

Continued…

(expressed in Australian dollars)

13. Related Party Transactions

Related party transactions occurred in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. The following amounts were paid to related parties during the year ended October 31, 2012:

- Palace Trading Limited, a company associated with the Company's Chairman, was paid $120,000 (2011 - $80,000) for the Chairman's corporate and management services;
- Metallurgical Management Services Pty Ltd, a company associated with the Company's CEO, was paid $250,000 (2011 - $52,500) for the CEO's management services; and
- Lanza Holdings Pty Ltd, a company associated with the Company's CFO, was paid $120,000 (2011 - $33,333) for the CFO's corporate and accounting services;

Directors' fees are paid on the basis of $3,333 per month for the Chairman and $2,500 per month for other directors. For the year ended October 31, 2012 the Company paid directors fees of $116,515 (2011 - $61,693).

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the year were as follows:

	Year ended October 31,	
	2012	2011
Short-term benefits	$606,515	$473,063
Share-based payments	$1,094,092	$375,635

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

14. Segmented Information

The Company considers its business to consist of two geographical segments, Zambia and the corporate head office in Australia.

Geographic segmentation of the Company's assets is as follows:

	October 31 2012 $	October 31 2011 $	November 1 2010 $
Canada	**-**	-	280,604
Australia	**2,236,812**	2,706,374	3,283,790
Zambia	**1,765,098**	854,131	284,773
	4,001,910	3,560,505	3,849,167

All of the Company's mineral properties are located in Zambia.

Continued…

(expressed in Australian dollars)

15. Income Taxes

(a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 28% (2011 – 29%) were as follows:

	2012	2011
Loss before income taxes	**6,386,941**	2,877,931
Expected income tax benefit based on statutory rate	**1,791,000**	826,000
Adjustments to benefit resulting from:		
Share issue costs	**(123,000)**	-
Expired non-capital losses	**(2,350,000)**	(271,000)
Share-based payment	**-**	(94,000)
Non-deductible mineral properties	**(134,000)**	(192,000)
Differences in income tax rates	**-**	(107,000)
Change in income tax rates	**-**	-
Change in foreign exchange rates	**-**	(250,000)
Other	**(145,000)**	(262,000)
Change in tax assets not recognized	**961,000**	350,000
Provision for income taxes	**-**	-

(b) Deferred Income Tax Balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities in Canada approximate the following:

	2012	2011
Deferred income tax assets (liabilities)		
Non-capital losses	**3,460,000**	4,181,000
Mineral properties	**(349,000)**	(215,000)
Fixed assets	**-**	(17,000)
Share issue costs	**-**	123,000
Tax assets not recognized	**(3,111,000)**	(4,072,000)
Deferred income tax liabilities	**-**	-

Continued…

(expressed in Australian dollars)

15. Income Taxes (continued)

(c) Income Tax Loss Carry-Forwards

The following table summarizes the non-capital losses of the Company in Zambia, along with their expiry dates, which may be used, under certain circumstances, to reduce taxable income of future years:

Expiry Date	Zambia
2013	2,372,000
2014	1,757,000
2015	1,011,000
2016	2,531,000
2017	880,000
2018	2,305,000
None	-
	10,856,000

The loss carry-forwards in Zambia of $10,856,000 have been converted based on a Kwacha balance of approximately K$58,370,450,000. The Company has loss carry forwards in Australia of $677,000 to be carried forward indefinitely.

16. Transition to IFRS

The Company's consolidated financial statements for the year ending October 31, 2012 are the first annual financial statements that comply with IFRS, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was November 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company is October 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

Continued…

16. Transition to IFRS (continued)

IFRS Exemption Options Applied

1. Share-based payments - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

2. Business combinations - IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transaction Date. The Company elected to apply IFRS 3 prospectively from the Transition Date. The retrospective basis would require the restatement of all business combinations that occurred prior to the Transition Date.

3. IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a Company elects to apply IFRS 3 Business Combinations 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.

IFRS Mandatory Exceptions
Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliations of Canadian GAAP to IFRS
IFRS 1 requires an entity to reconcile its equity, comprehensive loss and cash flows for prior periods. As there has been no changes made to the consolidated statements of financial position nor the consolidated statements of comprehensive loss there have been no changes to the net cash flows; hence no cash flow reconciliations have been presented.

Changes in accounting policies
In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

a) Share-based compensation - Forfeitures

Canadian GAAP - Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. There was no material adjustment required as a result of this difference.

Continued…

Reconciliation of consolidated statement of financial position as of November 1, 2010
(expressed in Australian dollars)

	Canadian GAAP Balances $	IFRS Adjustments $	IFRS Balances $
ASSETS			
Current assets			
Cash and cash equivalents	3,545,485	-	3,545,485
Receivables	160,857	-	160,857
Prepaid expenses and deposit	15,176	-	15,176
Total Current Assets	3,721,518	-	3,721,518
Non-current assets			
Exploration and evaluation assets	75,352	-	75,352
Property, plant and equipment	52,297	-	52,297
Total Assets	3,849,167	-	3,849,167
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	300,308	-	300,308
EQUITY			
Share capital	18,700,498	-	18,700,498
Share-based payments reserves	5,072,043	-	5,072,043
Foreign currency translation reserves	(1,329,589)	-	(1,329,589)
Deficit	(18,894,093)	-	(18,894,093)
Total Equity	3,548,859	-	3,548,859
Total Liabilities and Equity	3,849,167	-	3,849,167

Continued…

Reconciliation of consolidated statement of financial position as of October 31, 2011
(expressed in Australian dollars)

	Canadian GAAP Balances $	IFRS Adjustments $	IFRS Balances $
ASSETS			
Current assets			
Cash and cash equivalents	2,727,167	-	2,727,167
Receivables	49,469	-	49,469
Prepaid expenses and deposit	5,650	-	5,650
Total Current Assets	2,782,286	-	2,782,286
Non-current assets			
Exploration and evaluation assets	715,209	-	715,209
Property, plant and equipment	63,010	-	63,010
Total Assets	3,560,505	-	3,560,505
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	755,228	-	755,228
EQUITY			
Share capital	20,731,748	-	20,731,748
Share-based payments reserves	5,446,678	-	5,446,678
Foreign currency translation reserves	(1,601,125)	-	(1,601,125)
Deficit	(21,772,024)	-	(21,772,024)
Total Equity	2,805,277	-	2,805,277
Total Liabilities and Equity	3,560,505	-	3,560,505

Continued…

Reconciliation of consolidated statement of operations and comprehensive loss for the year ended October 31, 2011
(expressed in Australian dollars)

	Canadian GAAP Balances $	IFRS Adjustments $	IFRS Balance $
Revenue	-	-	-
Expenses			
Consulting and advisory fees	674,053	-	674,053
Mineral properties expenses	407,214	-	407,214
Professional fees	394,488	-	394,488
Stock-based compensation	374,635	-	374,635
Management fees	318,569	-	318,569
Office and administration	210,744	-	210,744
Employee expenses	208,233	-	208,233
Investor relations	162,305	-	162,305
Travel and accommodation	105,671	-	105,671
Transfer agent and filing fees	82,404	-	82,404
Directors fees	61,693	-	61,693
Insurance	35,137	-	35,137
Amortisation	10,527	-	10,527
	(3,045,673)	-	(3,045,673)
Interest Income	128,689	-	128,689
Foreign exchange gain	39,053	-	39,053
Loss and comprehensive loss for the period	(2,877,931)	-	(2,877,931)
Loss per Share - Basic and diluted	(0.02)	-	(0.02)
Weighted average number of common shares - Basic and diluted	115,816,152	-	115,816,152