NGEX RESOURCES INC

YEAR END REPORT

DECEMBER 31, 2011

NGEX Resources Inc.

2011 Highlights

NGEX Resources Inc. (NGEX or the "Company"), reported positive results from its core South American copper-gold projects during 2011. The highlight of the year's exploration program was some very encouraging drill results obtained from the Company's 60% owned Los Helados project in Chile which are described in more detail below. This drilling extended the higher grade core of the Los Helados system and confirmed Los Helados as a significant new copper-gold discovery. The positive results from Los Helados reinforced the Company's decision to focus on its South American projects. In conjunction with this strategy, the Company divested its Congo-Brazzaville projects in September, 2011 and its Eritrean base metal projects in January, 2012. The Company is now focusing its exploration efforts on South America. Los Helados, together with the Company's 60% interest in the nearby Josemaria and Filo del Sol projects, give the Company exposure to what is potentially a very significant emerging copper-gold district. The Company plans a major exploration program in 2012 that is expected to total up to 50,000 meters and is intended to upgrade the existing Inferred Resource at Josemaria and to generate an initial resource at Los Helados.

Highlights and accomplishments for 2011 include:

South America

- A highly successful exploration program was carried out on the Company's 60% owned Los Helados copper-gold porphyry project located in Chile. The Company and 40% partner Japan Oil, Gas and Metals National Corporation ("JOGMEC"), completed 9,643 metres of diamond drilling in 14 holes. This drill program was funded by the partners pro-rata to their interest. It was designed to test for the presence of a high-grade core to the system that was suggested by earlier drilling. The drilling was successful in confirming this interpretation, with the best results coming from Hole LH-16 (737 metres @ 0.64% Cu and 0.30 gpt Au) and LH-24 (900 metres @ 0.48% Cu and 0.23 gpt Au). All holes drilled in 2011 ended in mineralization and the high-grade zone remains open in several directions, including at depth. A drill program expected to total approximately 30,000 metres is planned to begin in the first quarter of 2012. The objective of this drill program will be to test for possible extensions of the higher grade mineralization intersected in previous drilling and to collect sufficient data to permit calculation of an initial resource.

- The Company also completed 2,173 metres of diamond drilling in 6 holes at its 60% owned Josemaria copper-gold project located in Argentina. The 2010-2011 drill program was 100% funded by joint venture partner JOGMEC (Japan Oil, Gas and Metals National Corporation) as part of their earn-in to the project which was completed during the fourth quarter. The drilling tested possible extensions of the Jose Maria system to the north where there is a strong chargeability anomaly and to the east where the system appears to extend under younger cover rocks. The drill holes intersected porphyry style alteration, but only sporadic weakly anomalous copper and gold values. An 18,000 meter infill drill program for Josemaria began in November, 2011 and is ongoing. The objective of this program is to upgrade the current Inferred resource to an Indicated resource.

Canada

- Teck Resources Limited ("Teck") completed an exploration program on the Company's GJ/Kinaskan copper-gold project in northern British Columbia. The program, which was funded 100% by Teck as part of the option agreement signed in August 2010, included 10 holes totalling 4,307 meters of diamond drilling as well as 77 line kilometres of Induced Polarization (IP), 50 line kilometres of ground magnetics, as well as mapping and 1,185 soil samples. Teck also refurbished the 40-man exploration camp and conducted baseline environmental and archaeological surveys. The highlight of the program was a drill intercept of 141.2 meters of 0.38% Cu and 0.53 g/t Au in hole GJK 11-219. Teck has advised the Company that it plans a follow-up exploration program in 2012 in which it expects to complete approximately 684 line kilometers of ZTEM airborne geophysical surveying and approximately 4,000 meters of drilling.

Africa

- During 2011 the Company completed 6 widely spaced drill holes for a total of 575 metres on its Bada Potash project in Eritrea. The objective of the drilling was to try to intersect near surface potash mineralization beneath what was believed to be shallow gravel cover. None of the drill holes intersected salt or potash beds and the Bada Potash exploration license was relinquished in December, 2011.

- During the fourth quarter the Company began an infill drill program at its Hambok copper-zinc project in Eritrea. Included in this program were a series of short RC designed to test the gold potential in the near surface oxidized zone above the Hambok sulfide body. The program comprised 978 meters in 16 Reverse Circulation holes averaging 60 meters per hole. The drilling was part of the exploration program required under the Company's license agreement. The expenditures will be reimbursed as part of the divestment of the project to Namibian Copper in the transaction discussed below.

Corporate

- On September 29, 2011, the Company sold the wholly owned subsidiary holding its Congo-Brazzaville projects to Africa Holdings (BVI) Ltd., a private company focused on African exploration projects, for $59,000 and 40% of the proceeds of any subsequent direct or indirect sale of the projects if such sale occurs prior to the first anniversary of the sale to Africa Holdings (BVI) Ltd. The sale was part of the Company's ongoing plan to focus on its South American projects.

- On October 28, 2011 the Company completed a non-brokered, private placement of 9 million shares of the Company at a price of $3.00 per share for gross proceeds of $27 million.

- On January 17, 2012 the Company announced a share purchase agreement with ASX listed, Namibian Copper whereby Namibian Copper would acquire Sanu Resources, Inc., a wholly owned subsidiary of the Company which holds its Eritrean Projects, for 50,000,000 shares of Namibian Copper and reimbursement of certain exploration expenditures including the infill drilling at Hambok described above. A contingent payment of $7,500,000 is due upon commencement of commercial production from any of the licenses held by Sanu.

Outlook

2012 will be an exciting year for the Company as we follow-up on the encouraging drill results obtained in 2011. With the divestment of the Eritrean and Congo projects, the Company's exploration budget is focused on large scale copper-gold targets in South America that demonstrate the potential for world class discoveries - including Los Helados, Josemaria and Filo del Sol. The 2012 exploration program in South America is expected to total more than 50,000 meters of drilling. This will be the largest exploration program in the Company's history and is expected to yield an initial resource estimate for Los Helados and an updated resource estimate for Josemaria.

NGEx RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

This MD&A focuses on significant factors that have affected NGEx Resources Inc. ("the Company" or "NGEx") and its subsidiaries and such factors that may affect its future performance. In order to understand the MD&A better, it should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2011 and 2010 and the related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollars amounts are expressed in Canadian dollars, unless otherwise indicated. The effective date of this MD&A is March 20, 2012.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and at the Company's website www.ngexresources.com .

OVERVIEW

The Company is principally engaged in the acquisition, exploration, and development of precious and base metal properties located in North and South America.

2011 HIGHLIGHTS

During the year ended December 31, 2011 there was exploration on the Company's projects in Chile and Argentina as well as in Canada and Eritrea.

- The Company completed 9,643 metres of diamond drilling in 14 holes on its 60% owned Los Helados copper-gold project located in Chile. This program was designed to test for the presence of a suspected high-grade core to the deposit, and was successful in confirming this interpretation, with the best results coming from hole LH-16 (737 metres @ 0.64% Cu and 0.30 gpt Au) and LH-24 (900 metres @ 0.48% Cu and 0.23 gpt Au). All holes ended in mineralization, and the high-grade zone remains open in several directions, including at depth. A drill program expected to total between 30,000 and 40,000 metres is planned to begin in the first quarter of 2012. The objective of this drill program is to test for possible extensions of the higher grade mineralization intersected in previous drilling.

- The Company also completed 2,173 metres of diamond drilling in 6 holes at its 60% owned Josemaria copper-gold project located in Argentina. The 2010-2011 drill program tested possible extensions of the Josemaria system to the north where there is a strong chargeability anomaly and to the east where the system disappears under younger cover rocks. The drill holes intersected porphyry style alteration, but only sporadic weakly anomalous copper and gold values. An 18,000 metre infill drill program for Josemaria began in November, 2011 and is ongoing. The objective of this program is to upgrade the current Inferred resource to an Indicated resource.

- Teck Resources Limited ("Teck") completed an exploration program on the Company's GJ/Kinaskan copper-gold project in northern British Columbia. The program which was funded 100% by Teck as part of the option agreement signed in August 2010, included 10 holes totalling 4,307 metres of diamond drilling as well as 77 line kilometres of Induced Polarization (IP), 50 line kilometres of ground magnetics, as well as mapping and 1185 soil samples. Teck also refurbished the 40 man exploration camp and conducted baseline environmental and archaeological surveys. On December 13, 2011, the Company announced the results received from Teck on its 2011 exploration program at GJ/Kinaskan.

- During 2011 the Company completed 6 widely spaced drill holes for a total of 575 metres on its Bada Potash project in Eritrea. The objective of the drilling was to try to intersect near surface potash mineralization beneath what was believed to be shallow gravel cover. None of the drill holes intersected salt or potash beds and the license was relinquished in December, 2011.

- During the 4th quarter of 2011 the Company began an infill drill program at its Hambok copper-zinc project in Eritrea. Included in this program were a series of short Reverse Circulation (RC) holes designed to test the gold potential in the near surface oxidized zone above the Hambok sulfide body. The program comprised 978 metres in 16 RC holes averaging 60 metres per hole. The drilling was part of the exploration program required under the Company's license agreement.

- On January 17, 2012 the Company announced an Agreement with Namibian Copper NL ("Namibian Copper") whereby Namibian Copper would acquire Sanu Resources Inc. ("Sanu") a wholly owned subsidiary of the Company which holds its Eritrean Projects for 50,000,000 shares of Namibian Copper and reimbursement of certain exploration expenditures including the infill drilling at Hambok described above. A contingent payment of $7,500,000 is due upon commencement of commercial production from any of the licenses held by Sanu. The Transaction is subject to certain conditions precedent.

- On October 28, 2011 the Company completed a non-brokered, private placement of 9 million shares of the Company at a price of $3.00 per share for gross proceeds of $27 million.

SOUTH AMERICAN PROJECTS

Exploration on the Company's South American projects resumed during the fourth quarter of 2011. Significant drill programs are planned at Josemaria, Los Helados and Filo del Sol. Drilling started in November, 2011 at Josemaria. Drilling at Los Helados and Filo del Sol is expected to start in the first quarter of 2012

Josemaria Project, Argentina

Josemaria is a large copper/gold porphyry project located in San Juan Province, Argentina near the Vicuna group of properties described below. Josemaria contains an Inferred resource of 460 million tonnes at 0.39% copper and 0.30 grams/tonne gold at a 0.3% copper cut off. The resource estimate was prepared to NI 43-101 standards by Qualified Person Mr. John Nilsson P.Eng. and is filed on SEDAR under the Company's profile.

The 2010-2011 drill program which finished in April 2011 tested possible extensions of the Josemaria system to the north where there is a strong chargeability anomaly and to the east under younger cover rocks. These two targets were tested with 2,173 metres of drilling in 6 holes. The drill holes intersected porphyry style alteration, but only sporadic weakly anomalous copper and gold values.

The 2011-2012 drill program began in November 2011 and finished in March 2012. A total of 39 diamond drill holes for 19,227 metres was drilled during this period. The objective of this program is to upgrade the current Inferred resource. The Company expects this drilling to provide information to enable it to complete an updated resource calculation by the third quarter of 2012.

The previously 100% owned Josemaria and the adjacent 75% owned Batidero properties are subject to a joint exploration agreement ("Josemaria JEA") dated March 16, 2009 with Japan Oil, Gas and Metals National Corporation ("Jogmec"). Under the Josemaria JEA Jogmec had the option to acquire 40% of the Company's interest in these properties. In consideration, Jogmec paid US$1 million upon signing of the Josemaria JEA and was required to make US$6.13 million in exploration expenditures over three years in order to acquire the 40% interest. JOGMEC completed its earn in during the fourth quarter of 2011 and now holds a 40% interest in Josemaria. JOGMEC and NGEX will fund ongoing expenditures pro-rata to their ownership interest.

Vicuña Project (Los Helados, Filo del Sol), Argentina and Chile

The Vicuña properties comprise a large land package of approximately 31,650 hectares that covers a number of porphyry copper and high sulfidation gold targets in San Juan Province, Argentina and immediately adjacent parts of Chile. Nearby deposits held by other companies include Caserones–Regalito (Pan Pacific Copper) and El Morro-La Fortuna (Goldcorp/New Gold). The Vicuña Properties are adjacent to Josemaria and are subject to a separate Joint Venture Exploration Agreement (the "Vicuña JEA") with Jogmec in which the Company holds a 60% participating interest and Jogmec holds a 40% participating interest. Each party funds its pro-rata share of expenditures.

The Company completed 9,643 metres of diamond drilling in 14 holes during the 2010-2011 field season. This program was designed to test for the presence of a suspected high-grade core to the deposit, and was successful in confirming this interpretation, with the best results coming from hole LH-16 (737 metres @ 0.64% Cu and 0.30 gpt Au) and LH-24 (900 metres @ 0.48% Cu and 0.23 gpt Au). All holes ended in mineralization, and the high-grade zone remains open in several directions, including at depth.

The Los Helados results announced in 2011 are considered to be encouraging and indicative of a significant copper-gold system at Los Helados. An extensive infill and step out drill program expected to total between 30,000 and 40,000 metres is planned to begin upon receipt of drilling permits expected in early 2012. The objective of this drill program is to test for possible extensions of the higher grade mineralization intersected in previous drilling.

The Vicuña project includes several copper-gold targets that have been explored in the past including: Filo del Sol where previous drilling has indentified near surface copper oxides and gold within a diatreme, the same type of geological structure that hosts the Veladero Deposit owned by Barrick Gold. Most of the drilling to date has focused on a shallow copper oxide resource and a deeper sulfide copper target in the southern part of the project area. However, a recent review of project data identified several compelling near surface gold targets in the northern part of the project area. No drilling was done at Filo del Sol during the 2010-2011 field season because the Company decided to focus on drilling as much as possible at Los Helados. However, a drill program to better define both the copper oxide and the possible gold targets is planned to begin in early 2012.

Tamberias Property, Chile

On March 25, 2011 the Company entered into an option agreement (the "Agreement") with Compania Minera Tamberias SCM ("Tamberias SCM") whereby the Company can earn a 100% interest in the Tamberias property by making optional payments totalling US$ 20,000,000 on or before September 30, 2020. Tamberias SCM will retain a 1.5% NSR royalty that will be paid only after the Company has recovered all of its exploration and development costs.

The Tamberias property is located in Region 3, Chile and is adjacent to the Filo del Sol Project discussed above. Work on the Tamberias property by previous operators has defined potential for both porphyry copper and high-sulfidation gold mineralization. An exploration program comprising geophysics and drilling is tentatively planned for the first quarter of 2012.

Other Chilean Projects (Colmillos and Andrea)

The Colmillos project consists of 100% owned exploration licenses covering 3,400 hectares. Mapping and sampling to date have defined a 4.3 by 0.7 kilometre long trend of tourmaline breccia bodies with occasional copper oxides and strongly anomalous molybdenum analyses in rock chip samples. Copper mineralized tourmaline breccias are a common feature of many major porphyry copper systems. Construction of an access road began in December 2010 and was completed in early 2011. An IP (Induced Polarization) geophysical survey was completed over the alteration zone during the first half of 2011. A previously planned 2,000 metre drill program was deferred until 2012 as the Company concentrated on completing the drill program at Los Helados. Drilling is now tentatively scheduled for the first half of 2012.

The Andrea Project consists of 100% owned exploration licenses covering 1,300 hectares. The alteration zone extends over an area of 3 by 2 kilometres and grades outward from a 600 metres long central core of potassic alteration with disseminated secondary biotite and stockwork pyrite, magnetite and chalcopyrite, to a large area of sericitic alteration. The results of geochemical sampling and alteration mapping completed during 2010 indicate that a significant copper-molybdenum porphyry system has been identified at Andrea. The best results to date correspond to the zone of potassic alteration which has strongly anomalous copper - up to 0.6% in rock chips. The planned program is similar to that for Colmillos. Negotiations with the owners of surface rights along the right of way for the planned access road are ongoing. A geophysical survey supported by helicopter and mules was completed during the quarter ended March 31 2011. Follow-up work has been deferred while Company geologists focus on other projects.

NORTH AMERICAN PROJECT

GJ/Kinaskan Project, Canada

The GJ/Kinaskan Property is located in northwest British Columbia, Canada, about 10 kilometres west of Highway 37. The Company has a 100% interest subject to an earn-in option with Teck as described below. The claims cover an area of about 150 square kilometres and cover a number of significant mineral showings, including the Donnelly, GJ and North zones. The GJ project has a Measured and Indicated resource of 153.3 million tonnes grading 0.321% copper and 0.369 g/t gold, at a cut off grade of 0.20% copper which contains 1.09 billion pounds of copper and 1.82 million ounces of gold. The resource estimate was prepared to NI 43-101 standards by qualified person Mr. Gary Giroux P.Eng. and is filed on SEDAR under the Company's profile.

Teck's Earn-In Option - In August 2010, the Company entered into an earn-in option agreement with Teck whereby Teck can earn up to a 75% interest in the GJ and Kinaskan properties by paying the Company $100,000 (paid) on signing of the Agreement and exercising the following options:

First Option: Teck will have the option to earn an initial 51% interest by making cumulative expenditures of $12 million on or before December 31, 2014 of which a minimum of $2.5 million in expenditures, including a firm commitment of 1,500 metres of drilling, must be spent on or before December 31, 2011.

Second Option: Upon exercise of the First option, Teck will have a one-time option to elect to earn an additional 9% interest for a total of 60% interest by sole funding another $12 million in expenditures prior to December 31, 2017 with minimum annual expenditure of $2 million per year.

Third Option: Upon exercising the second option Teck will have a one-time option to elect to earn an additional 15% interest for a total of 75% interest by sole funding another $20 million in expenditures prior to December 31, 2020.

After the formation of a joint venture at any of the earn-in periods, expenditures are to be funded by the Company and Teck in pro-rata to the interest held. If any ownership interest falls below 10% it will convert to a 2% Net Smelter Return after payback of all project expenditures.

During the third quarter of 2011, Teck completed an exploration program at GJ/Kinaskan that included 10 diamond drill holes totalling 4,307 metres, 77 line kilometres of IP, 50 line kilometres of ground magnetics as well as mapping and 1185 soil samples. Teck also refurbished the 40 man exploration camp and conducted baseline environmental and archaeological surveys. The Company released results from GJ during the fourth quarter of 2011. The exploration program was 100% funded by Teck.

AFRICAN PROJECTS

Mogoraib (Hambok), Kerkebet, Shukula and Lelit, Eritrea

The Company holds two exploration licenses, Mogoraib and Kerkebet, which cover the strike extension of the rocks hosting Nevsun Resources ("Nevsun')'s Bisha copper-zinc-gold deposit. Two other licenses, Shukula and Lelit, were relinquished in 2011.

On January 17, 2012 the Company announced an Agreement with Namibian Copper whereby Namibian Copper would acquire Sanu a wholly owned subsidiary of the Company which holds its Eritrean Projects for 50,000,000 shares of Namibian Copper and reimbursement of certain exploration expenditures including the infill drilling at Hambok described above. A contingent payment of $7,500,000 is due upon commencement of commercial production from any of the licenses held by Sanu. The Transaction is subject to certain conditions precedent.

The most advanced project is the Hambok deposit located in the Mogoraib License which has an Indicated resource (at a 0.75% zinc cutoff) of 10.7 million tonnes grading 0.98% copper, 2.25% zinc, 6.84 g/t silver, 0.20 g/t gold and an additional Inferred resource (at a 0.75% zinc cutoff) of 17.0 million tonnes of 0.85% copper, 1.74% zinc, 5.89 g/t silver, 0.19 g/t gold. The resource estimate was prepared to NI 43-101 standards by qualified person Mr. Gary Giroux P.Eng. and is filed on SEDAR under the Company's profile.

During the second quarter of 2011 the Company completed four infill diamond drill holes at Hambok at locations that were recommended in the NI 43-101 resource report. During the 4th quarter of 2011 the Company restarted an infill drill program at Hambok. Included in this program were a series of short Reverse Circulation (RC) holes designed to test the gold potential in the near surface oxidized zone above the Hambok sulfide body.

The program comprised 978 metres in 16 Reverse Circulation holes averaging 60m per hole. The drilling was part of the exploration program required under the Company's license agreement.

Bada Potash License, Eritrea

In December, 2010 the Company was granted the Bada Potash Exploration License (the "Bada License"), located in the Danakil Depression in Eritrea. The Bada license encompasses 431 square kilometres and is located 30 kilometres inland from the Red sea port of Mersa Fatma and 150 kilometres southeast of the capital city of Asmara.

During 2011 the Company completed 6 widely spaced drill holes for a total of 575 metres. The objective of the drilling was to try to intersect potash mineralization beneath what was believed to be shallow gravel cover. None of the drill holes intersected salt or potash beds and the license was relinquished in December, 2011.

Congo-Brazzaville

On September 29, 2011 the Company sold the wholly owned subsidiary holding its Congo-Brazzaville projects to Africa Holdings (BVI) Ltd a private company focused on African exploration projects for $59,000 and 40% of the proceeds of any subsequent direct or indirect sale of the projects if such sale occurs prior to the first anniversary of the sale to Africa Holdings (BVI) Ltd.

SELECTED ANNUAL INFORMATION

	Year ended December 31, 2011	Year ended December 31, 2010	Nine months ended December 31, 2009 (i)
Statement of Operations Data ($000's)			
Total Revenue	$ NIL	$ NIL	$ NIL
Exploration expenditures	$ 12,154	$ 6,472	$ 3,768
Write down of mineral property interest	$ 3,371	$ 133	$ -
Net income (loss)	$ (19,073)	$ (5,978)	$ 3,620
Data per Common Share ($)			
Basic and Diluted Net income (loss)	$ (0.13)	$ (0.04)	$ 0.03
Balance Sheet Data ($000's)			
Total Assets	$ 61,970	$ 46,234	$ 50,051
Long Term Liabilities	$ -	$ -	$ -

(i) Conversion to IFRS on January 1, 2011 requires the completion of IFRS compliant financial statements on a comparative basis with 2010. Financial results prior to 2010 remain unchanged and are reported in accordance with Canadian GAAP. (See MD&A – Changes in Accounting Policies - IFRS). The financial results for 2009 are for a nine months transitional period due to a year end change from March to December.

SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	**Dec-11**	**Sep-11**	**Jun-11**	**Mar-11**	**Dec-10**	**Sep-10**	**Jun-10**	**Mar-10**
	IFRS Basis							
Exploration Expenses, net of recoveries ($000's)	4,490	1,591	2,589	3,483	1,735	1,143	1,741	1,853
Net income (loss) ($000's)	(9,479)	(1,858)	(3,463)	(4,273)	522	(1,414)	(2,315)	(2,773)
Basic and diluted income (loss) per share ($) (i)	(0.07)	(0.01)	(0.02)	(0.03)	0.01	(0.01)	(0.02)	(0.02)

(i) As a result of rounding the sum of the quarterly amounts may differ from the year to date.

QUARTERLY ANALYSIS

Net loss, quarter over quarter, is affected by the level of exploration and project investigation expenses incurred and write-off of mineral properties interests and will vary accordingly. Net loss is also impacted by the recognition of stock based compensation in that quarter which will depend on options granted and vested. Exploration expenditures are affected to some extent by seasonal factors, exploration results and availability of funds.

The net loss for the fourth quarter ended December 31, 2011 included a write down in the carrying value of $3.4 million on the Hambok property. The Company determined that the recoverable amount on the Hambok property was less than the carrying value in light of the consideration expected from the pending sale of the property to Namibian Copper (See MD&A - African projects).

The net income for the fourth quarter ended December 2010 is primarily due to a gain of $3.1 million realised from the sale of available for sale ("AFS") securities.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2011 COMPARED TO YEAR ENDED DECEMBER 31, 2010

The Company's loss for the year ended December 31, 2011 was $19.1 million or $(0.13) per share as compared to a loss of $6.0 million or $(0.04) per share for the year ended December 31, 2010. The increase in loss of $13.1 million was primarily due to increased exploration expenditures of $5.7 million and a write down of $3.4 million in the carrying value of the Hambok property. The loss for the prior year was offset by a gain on investment of $3.0 million. The increase in exploration expenditures over the prior year corresponds to the Company's increased level of exploration activities in South America resulting from the encouraging drill results at the Vicuna (Los Helados) project. The write down on the Hambok property was due to the Company's determination that the recoverable amount was less than the carrying value in light of the consideration expected from the pending sale of the property to Namibian Copper (See MD&A - African projects).

The operating losses are a reflection of the Company's status as a non-revenue producing mineral exploration company. As the Company has no main source of income, losses are expected to continue.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2011, the Company had cash of $41.3 million and working capital of $33.0 million as compared to cash and working capital of $23.3 million and $19.7 million, respectively, at December 31, 2010. The increase in cash and working capital was primarily due to net proceeds of $26.6 million received from a non-brokered private placement of 9 million of the Company's shares at $3 per share.

Net cash used in operating activities was $9.4 million for the year ended December 31, 2011 and consisted primarily of the loss from operations of $19.1 million, which included exploration expenditures of $12.2 million and adjusted for the impact of non-cash items, including an impairment charge of $3.4 million and changes in non-cash working capital items.

Cash used in investing activities was $0.9 million, which included option payments for the Tamberias and Paramillos properties totalling $0.6 million and equipment purchases.

Cash flow from financing activities was $28.4 million, which comprised of net proceeds of $26.6 million from a non-brokered private placement of 9 million shares of the Company at a price of $3.00 per share and the exercise of stock options.

Based on the Company's financial position at December 31, 2011 the Company believes that existing funds will be sufficient to perform planned discretionary exploration and general corporate activities for at least the next twelve months. Additional funding from equity financing or disposition of mineral properties may be required in the future to fund further exploration and corporate expenses. There can be no assurance that such financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

OUTLOOK

The Company's exploration effort is focused on large scale copper-gold targets that demonstrate the potential for world class discoveries. With the divestment of the Eritrean projects the Company is fully focused on its South American copper-gold projects including its very significant Los Helados discovery in Chile. The 2011-2012 exploration program in South America will be the largest in the Company's history and is expected to yield an initial resource estimate for Los Helados and an updated resource estimate for Josemaria.

An extensive infill and step out drilling program at Josemaria is underway and step out and infill drilling at Los Helados as well as exploration drilling at Filo del Sol are expected to start in the first quarter of 2012. Altogether these drill programs are expected to total up to 60,000 metres of drilling although it is important to note that this is the Company's current best estimate of the number of metres which can be drilled during the field season with the number of drills available. The actual number of metres drilled will vary depending on results and actual drilling rates. If all the planned drilling is completed the Company's share of the budget for the 2011-2012 exploration program is expected to be in the order of $30,000,000. With the completion of the $27 million private placement in October, 2011 the Company's planned exploration program is fully financed.

CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, IFRS as issued by the International Accounting Standards Board became Canadian generally accepted accounting principles for publicly accountable enterprises. As a result the Company has prepared its December 31, 2011 consolidated financial statements in accordance with IFRS with comparative information for 2010 restated. These consolidated financial statements are the Company's first annual financial statements prepared under IFRS and have been prepared in accordance with IFRS 1, *First-time adoption of IFRS.*

The adoption of IFRS has not had a material impact on the Company's financial position, operations and business decisions. Subject to certain transition elections disclosed in Note 4 to the consolidated financial statements, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout the year presented, as if these policies had always been in effect.

Reconciliation between the Company's financial statements as previously reported under Canadian GAAP ("CGAAP") and current reporting under IFRS is detailed in Note 4 of the consolidated statements.

The following is an overview of the more significant impact to the Company's financial results due to the transition to IFRS.

Shareholders' equity, mineral properties, plant and equipment – The most significant changes to the January 1, 2010 balance sheet on transition to IFRS were within the shareholders equity, mineral properties, plant and equipment. These accounts were adjusted for the effect of changes in foreign exchange rates on the date of transition to IFRS. The net impact was a decrease of $2.6 million in shareholders equity, a decrease of $172,476 in plant and equipment and $2.4 million in mineral properties. The Company elected an IFRS 1 election which allowed it to deem its cumulative translation differences to zero on the transition date to IFRS.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, Financial instruments - Classification and Measurement, IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27, Separate Financial Statements, IFRS 13, Fair Value Measurement, IAS 19, Post-employment Benefits and amended IAS 28, Investments in Associates and Joint Ventures. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of these new standards:

IFRS 7 Financial instruments – disclosure

IFRS 7 was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011.

IFRS 9 – Financial instruments - classification and measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

Otherwise it is at fair value through profit or loss. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

IFRS 10 – Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation-Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 19 – Post-employment Benefits

IAS 19 was amended to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the Company's management to make certain critical accounting estimates, judgments and assumptions about future events that effect the amounts reported in the consolidated financial statements and related notes to the financial statements. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments, estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements.

The Company has determined that the following accounting estimates and judgements are critical and could have the most significant effect on the amounts recognized in the financial statements if there is a change in estimate:

Valuation of Mineral Properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes a periodic review of the carrying values of mineral properties and whenever events or changes in circumstances indicate that their carrying values may exceed their fair value. In undertaking this review, management of the Company is required to make significant estimates.

These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures. Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves.

Stock-based Compensation - The fair value of stock options is determined using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management of the Company is required to make certain assumptions and estimates regarding the life of the options, volatility and forfeitures rates. Changes in the assumptions used could result in materially different results.

Income Taxes – Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is “probable” that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Company incurred:

(a) management fees of $540,000 (2010 - $540,000) in respect of office facilities and administrative services from Namdo Management Services Ltd. (“Namdo”), a company controlled by a director. In addition the Company incurred $183,000 (2010 - $nil) for its share of leasehold improvements relating to new offices. At December 31, 2011, $13,754 (December 31, 2010 - $11,005) was due to this company and included in amounts due to related parties.

(b) $3,376 (2010 - $35,723) for technical services to Lundin Mining Corporation, a company related by certain directors in common. At December 31, 2011, $nil (December 31, 2010 - $23,829) was due to this company in respect of technical services incurred.

(c) $91,800 (2010 -$12,175) of aircraft chartered service from Mile High Holdings Ltd, a company associated with the Chairman of the Company. At December 31, 2011, $nil (December 31, 2010 - $nil) was due to this company.

(d) $270,000 (2010 - $nil) in donation to Lundin Foundation, a company directed by certain directors in common.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OUTSTANDING SHARE DATA

As at March 20, 2012, the Company had 158,190,410 common shares outstanding and 4,483,173 share options outstanding under its stock-based incentive plans.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities. The Company’s financial instruments consist of cash, accounts receivable, prepaid expenses, due from joint venture partners, accounts payable and accrued liabilities, due to related parties and due to joint venture partners. The carrying value of cash, accounts receivable, prepaid expenses, due from joint venture partners, accounts payable and accrued liabilities, due to related parties and due to joint venture partners approximates fair value due to their short term nature.

CONTINGENCY

The Company's Argentine subsidiary, Desarrollo de Prospectos Mineros SA "DPM", has received a claim in January 2009from the Banco Central de la Republia Argentina ("BCRA") in connection with two foreign exchange transactions made in 2003. It has been alleged that DPM exceeded the maximum allowable limit by approximately US$63,000 for foreign exchange conversions on those days.

DPM has filed a statement of defence to dismiss this claim. Provisions have not been made in the consolidated financial statements as the likelihood of the loss occurring cannot be determined and the amount of loss if it should occur cannot be reasonably estimated at this early stage. DPM will continue to defend its position.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Payment due period		
In US$	< 1 year	1-3 years	Total
Land access rights payments	258,000	762,000	1,020,000

These amounts represent the Company's 60% share as the payments relate to the Los Helados property, which forms part of the Vicuña JEA.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that material information related to the Company is identified and communicated as appropriate on a timely basis. Management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as December 31, 2011.

Internal Control over financial reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance IFRS. Any system no matter how well conceived or operated has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and will not prevent all or detect errors and frauds.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission framework to evaluate the effectiveness of our internal control over financial reporting. Management has concluded that as at December 31, 2011 weaknesses existed in the design of internal control over financial reporting due to segregation of duties in the Company's foreign subsidiary in Africa as a result of having a limited number of accounting staff. Management has addressed this through the implementation of treasury controls and direct oversight of the reporting process.

Changes in internal control over financial reporting
There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

Exploration and Development Risk: The Company's properties in North and South America and Africa are in early exploration stages and are without a known body of commercial ore. Exploration for mineral resources involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs.

The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body would be developed and brought into commercial production.

The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), commodity prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection.

Most of the above factors are beyond the control of the Company. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several metal commodity targets in a number of geologic and political environments. Management also balances the exploration risks through joint ventures and option agreements with other companies.

Beyond exploration and development risk, management is faced with a number of other risk factors. The more significant ones include:

Metal Price Risk: The Company's portfolios of properties and investments have exposure to predominantly copper, gold and silver. The prices of these metals greatly affect the value of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures, option agreements and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metals prices.

Financial Markets: The Company is dependent on the equity markets as its main source of operating working capital and funding for its exploration activities. The Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects. Consequently, there can be no assurance that equity financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

Foreign Operations Risk: The Company conducts exploration activities in several countries, including Argentina, Chile and Eritrea. Each of these countries expose the Company to risks that may not otherwise be experienced if all operations was located in Canada. The risks include, but are not limited to, civil unrest or war, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes, high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties.

Changes in mining or investment policies or shifts in political attitudes may also adversely affect Company's existing assets and operations. Real and perceived political risk may also affect Company's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities.

Competition: There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other exploration and mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Environmental and Socio-Political Risks: The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company conducts activities and the Company will conduct its activities in accordance with high corporate social responsibility principles. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines.

Programs may also be delayed or prohibited in some areas due to technical factors, new legislative constraints, social opposition or local government capacity or willingness to issue permits to explore in a timely manner.

In parts of Argentina, there is significant environmental opposition to both mineral exploration and mining. This has affected properties in some of the provinces where the Company works, in particular in Mendoza where the Company had two drill ready projects, Paramillos and Papagallos. In certain other Argentine provinces , there is a significant degree of anti-mining sentiment which affects the risk of successfully exploring and developing the Company's assets in those provinces.

The Argentine Congress has passed legislation designed to protect the country's glaciers. This law would prevent development on and around glaciers. The detailed regulations that will govern implementation of the law have not yet been written but this legislation could affect the Company's ability to develop parts of the Vicuña and possibly part of the Josemaria property.

Title Risk: The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, those rights are in good standing except for the imposed provincial park boundary expansion over the Papagallos Project, and anti-mining legislation affecting all mineral exploration in Mendoza and La Rioja provinces in Argentina. The results of the Company's investigations should not be construed as a guarantee of title. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties. Title to the Company's projects in Africa is held under exploration license agreements with the national governments that are subject to renewal on a periodic or annual basis.

Although the Company has not had any problem renewing its licenses in the past there is no guarantee that it will always be able to do so. Inability to renew a license could result in the loss of any project located within that license.

The Company is earning an interest in certain of its properties through option agreements and acquisition of title to the properties is completed only when the option conditions have been met. These conditions include making property payments, incurring exploration expenditures on the properties and satisfactory completion of certain pre-feasibility studies and third party agreements.

If the Company does not satisfactorily complete these option conditions in the time frame laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write down its previously capitalized costs related to that property.

OFF-BALANCE SHEET AGREEMENTS

The Company has no off-balance sheet arrangements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made and information contained herein in the MD&A constitutes "forward-looking information" within the meaning of applicable securities legislation. Generally, these forward-looking statements can frequently, but not always, be identified by use of forward-looking terminology such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "planned", "budget", "scheduled", "possible" or variations of such words and phrases, or statements that certain actions, events, conditions or results "will", "may", "could", "would" or "should" occur or achieved.

The forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and they are subject to a number of known and unknown risks, uncertainties and other factors which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements.

The Company believes that the expectations reflected in the forward-looking information included in this MD&A are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon. This information speaks as of the date of the MD&A. In particular, this MD&A contain forward-looking statements or information pertaining to the following: the Company's exploration and development expenditures programs and objectives; mineral reserves and resources estimates, geology, size, grade and continuity of mineral deposits, exploration/drill results and budgets; impact of metal prices and foreign currency fluctuations; uncertain political and economic environments; changes in laws or policies; delays or the inability to obtain the necessary government permits; the need to obtain financing and uncertainty as to the availability and terms of future financing; uncertainties involved in dispute or litigation and other risks and uncertainties.

These forward-looking statements and information contained herein are based on a number of assumptions, including, but not limited to, assumptions regarding general business and economic conditions, metal prices, timing and receipt of government permits, success of exploration/drill results, ability to carry out the Company's exploration activities as planned, sufficiency of Company's funds to perform the planned activities, financial markets, accuracy of the Company's resource and reserves estimates (including with respect to size, grade and recoverability) and geological, operational and price assumptions on which these are based, and our ongoing relations with joint venture partners.

The list of assumptions and factors are not and should not be construed as exhaustive. Events or circumstances beyond the Company's control could cause actual results to vary materially.

See our Annual Information Form for the year ended December 31, 2011 filed on Sedar for additional information on risks, uncertainties and other factors relating to forward-looking information and statements. There can be no assurance that such forward-looking statements or information will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking information or statements, which speak only as of the date the statements were made. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The Company does not undertake or assume any obligations to update or revise any forward-looking statements and information after the date of this MD&A, except as required by applicable laws.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements, the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of the management of NGEx Resources Inc.

The consolidated financial statements have been prepared in accordance with International Financial Accounting Standards as issued by the International Accounting Standards Board, using management's best estimates and judgment based on currently available information.

In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains an appropriate system of internal controls to provide reasonable assurance that financial information is accurate and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors carries out its responsibilities for the consolidated financial statements principally through its Audit Committee, comprised of independent directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants.

"Wojtek Wodzicki"
President and Chief Executive Officer

"Wanda Lee"
Chief Financial Officer

Vancouver, British Columbia
March 20, 2012

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NGEx Resources Inc.

We have audited the accompanying consolidated financial statements of NGEx Resources Inc., which comprise the consolidated balance sheets as at December 31, 2011 and December 31, 2010 and January 1, 2010 and the consolidated statements of income (loss) and comprehensive income (loss), statements of cash flows, and statements of changes in equity for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NGEx Resources Inc. as at December 31, 2011 and December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Signed ***PricewaterhouseCoopers LLP***

Chartered Accountants
March 20, 2012
Vancouver, BC

NGEx Resources Inc.
Consolidated Balance Sheets
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Note	December 31, 2011	December 31, 2010	January 1, 2010 (Note 2)
ASSETS				
Current				
Cash and cash equivalents	5	$ 41,337,097	$ 23,265,174	$ 14,240,947
Investments		-	-	6,308,223
Receivables and other	6	758,917	242,616	5,503,258
Due from joint venture partners		-	10,660	15,513
		42,096,014	23,518,450	26,067,941
Non-current				
Equipment, net	7	423,724	197,447	290,179
Mineral properties	8	19,442,632	22,474,295	23,649,657
Other assets		8,000	43,500	43,500
		$ 61,970,370	$ 46,233,692	$ 50,051,277
LIABILITIES				
Current				
Trade payables and accrued liabilities	9	$ 4,841,244	$ 2,048,306	$ 973,568
Due to related parties	13	13,754	34,833	147,155
Due to joint venture partners	8(b)(i)(ii)	4,240,082	1,782,273	613,339
		9,095,080	3,865,412	1,734,062
EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Share Capital	10, 11	180,786,894	151,762,620	151,480,754
Reserved for issuance		1,284	1,290	1,290
Contributed surplus		4,732,202	3,866,395	2,986,094
Cumulative deficit		(131,209,781)	(112,136,981)	(106,158,921)
Accumulated other comprehensive (loss) income		(1,435,309)	(1,125,044)	7,998
		52,875,290	42,368,280	48,317,215
		$ 61,970,370	$ 46,233,692	$ 50,051,277
Subsequent event	20			

ON BEHALF OF THE BOARD:

/s/William A. Rand
Director

/s/Wojtek A. Wodzicki
Director

The accompanying notes are an integral part of these financial statements

NGEx Resources Inc.
Consolidated Statements of Loss and Comprehensive Loss
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Note	For the Year Ended December 31, 2011	2010
Expenses			
Exploration and project investigation	12	$12,153,656	$ 6,471,818
General and Administration:			
Management fees		540,000	540,000
Office and general		80,889	92,662
Professional fees		345,942	256,828
Promotion and public relations		286,879	60,793
Donation		376,000	35,000
Stock exchange and filing fees		70,939	35,724
Transfer agent and shareholder information		37,254	37,228
Travel		97,819	76,336
Employee benefits	13	425,260	1,125,041
Share-based payments		1,220,111	723,230
Operating loss		15,634,749	9,454,660
Other (income) expenses			
Interest income		(189,032)	(185,778)
Foreign exchange loss		177,301	109,762
Other expenses		117,638	192,248
Gain on sale of investments		-	(3,043,056)
Gain on sale of subsidiaries		(39,162)	(682,332)
Write-down of mineral property interests		3,371,306	132,555
Net loss for the year		19,072,800	5,978,059
Other comprehensive loss			
Unrealized (gain) on investments		-	(3,086,759)
Adjustments for realized gain on disposition of investments		-	3,094,757
Cumulative foreign currency translation adjustment		310,264	1,125,044
		310,264	1,133,042
Comprehensive loss for the year		$19,383,064	$ 7,119,099
Basic loss per common share		$ 0.13	$ 0.04
Diluted loss per common share		$ 0.13	$ 0.04
Weighted average number of shares outstanding		149,905,814	146,899,604
Diluted weighted average number of shares outstanding		149,905,814	146,899,604

The accompanying notes are an integral part of these financial statements

NGEx Resources Inc.
Consolidated Statements of Cash Flows
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Cash flows used in operating activities		
Net loss for the year	$ (19,072,800)	$ (5,978,059)
Items not affecting cash		
Depreciation	70,026	68,454
Share-based payments	1,528,806	979,635
Gain on sale of subsidiaries	(39,162)	(682,332)
Gain on sale of investments	-	(3,043,056)
Write-down of mineral property interests	3,371,306	132,555
	(14,141,824)	(8,522,803)
Changes in non-cash working capital items		
Trade receivable and other	(516,301)	183,637
Trade payable and other	2,792,937	1,074,738
Due to related parties	(21,079)	(112,322)
Advances from/(to) joint venture partners	2,468,469	1,173,787
	(9,417,798)	(6,202,963)
Cash flows from financing activities		
Common shares issued, net	28,361,269	182,532
	28,361,269	182,532
Cash flows (used in) from investing activities		
Option payments received	-	100,000
Net cash on sale of subsidiaries	39,162	112,332
Mineral properties and related expenditures	(639,830)	(207,310)
Collection of accounts receivable from sale of subsidiaries	-	5,077,003
Purchase of equipment	(306,380)	49,352
Proceeds from sale of available for sale investments	-	9,913,281
Other assets	35,500	-
	(871,548)	15,044,658
Increase in cash	18,071,923	9,024,227
Cash and cash equivalents, beginning of the year	23,265,174	14,240,947
Cash and cash equivalents, end of the year	$ 41,337,097	$ 23,265,174

The accompanying notes are an integral part of these financial statements

NGEx Resources Inc.
Consolidated Statements of Changes in Equity
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Number of Shares issued and outstanding	Number of Shares reserved for issuance	Share capital	Reserved for issuance	Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated Deficit	Total
Balance January 1, 2011	147,087,899	20,348	$ 151,762,620	$ 1,290	$ 3,866,395	$ (1,125,044)	$ (112,136,981)	$ 42,368,280
Exercise of shares options	2,033,011	-	2,433,536	-	(662,999)	-	-	1,770,537
Private Placement	9,000,000	-	26,590,732	-	-	-	-	26,590,732
Stock-based compensation	-	-	-	-	1,528,806	-	-	1,528,806
Exchange of reserved shares	100	(100)	6	(6)				-
Effects of foreign currency translation	-	-	-	-	-	(310,265)	-	(310,265)
Loss for the year	-	-	-	-	-	-	(19,072,800)	(19,072,800)
Balance December 31, 2011	158,121,010	20,248	$ 180,786,894	$ 1,284	$ 4,732,202	$ (1,435,309)	$ (131,209,781)	$ 52,875,290
Balance January 1, 2010	146,858,712	20,348	$ 151,480,753	$ 1,290	$ 2,986,094	$ 7,998	$ (106,158,922)	$ 48,317,213
Exercise of shares options	229,187	-	281,867	-	(99,334)	-	-	182,533
Stock-based compensation	-	-	-	-	979,635	-	-	979,635
Unrealized gain on investments	-	-	-	-	-	-	-	-
Effects of foreign currency translation	-	-	-	-	-	(1,133,042)	-	(1,133,042)
Loss for the year	-	-	-	-	-	-	(5,978,059)	(5,978,059)
Balance December 31, 2010	147,087,899	20,348	$ 151,762,620	$ 1,290	$ 3,866,395	$ (1,125,044)	$ (112,136,981)	$ 42,368,280

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

NGEx Resources Inc. and its subsidiaries and joint ventures (collectively referred to as the "Company") is principally engaged in the acquisition, exploration and development of mineral properties located in North and South America.

The Company is governed by the Canada Business Corporations Act and its registered office is located at Suite 2610 – Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1, Canada. The Company's common shares are listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

These consolidated financial statements for the year ended December 31, 2011 ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on a historical cost basis except for certain financial assets and liabilities measured at fair value. These financial statements are the Company's first annual consolidated financial statements prepared under IFRS and have been prepared in accordance with IFRS 1 "First time Adoption of International Financial Reporting standards " ("IFRS1"). The Company date of transition to IFRS and its opening IFRS balance sheet are as at January 1, 2010 ("the transition date").

Prior to the adoption of IFRS, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") which differs in some respects from IFRS. The transition date balance sheet and the comparative amounts as at and for the year ended December 31, 2010 have been restated to reflect the accounting policies at December 31, 2011 with the exception of certain specific exemptions in accordance with IFRS1. The effect of these exemptions and the adjustments to the previously reported December 31, 2010 annual consolidated financial statements as a result of adopting IFRS are disclosed in Note 4 along with the reconciliation between Canadian GAAP and IFRS at the transition date and as at and for the year ended December 31, 2010.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The significant accounting policies are presented in Note 3 and have been consistently applied in each of the period presented. Also included in Note 3 are the significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these financial statements.

The policies applied in these financial statements are based on IFRS in effect as at March 20, 2012, the date the Board of Directors approved the financial statements for issue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in these consolidated financial statements are as follows:

a) Consolidation

These financial statements include the accounts of the Company and its subsidiaries. All intercompany balances, transactions, income and expenses, and profits or losses between group companies are eliminated in full on consolidation. Accounting policies of subsidiaries, joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

The significant entities of the Company are listed below:

Entity	Location	Entity Type at December 31, 2011	Interest at December 31, 2011	Method
Desarrollo de Propspectos Mineros S.A.	Argentina	Subsidiary	100%	Consolidation
Minera Frontera del Oro S.C.M.	Chile	Subsidiary	100%	Consolidation
Sanu Resources Inc.	Eritrea	Subsidiary	100%	Consolidation
Bada Potash Ltd.	Eritrea	Subsidiary	100%	Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is normally achieved through ownership directly or indirectly of more than 50% of the voting power. Control can also be achieved through power over more than half of the voting rights by virtue of an agreement with other investors or through the exercise of de facto control. For non-wholly subsidiaries, the net assets attributable to outside equity shareholders are presented as “non-controlling interest” in the equity section of the consolidated balance sheet. Profit for the period that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

(ii) Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. In some situations, joint control exists even though the Company has an ownership interest of more than 50% because of the veto rights held by joint venture partners.

Jointly controlled entities (“JCEs”): A JCE is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has a long term interest.

Jointly controlled assets (“JCAs”): A JCA is a joint venture in which the venturers have joint control over the assets contributed to or acquired for the purposes of the joint venture. JCAs do not involve the establishment of a corporation, partnership or other entity. This includes situations where the participants derive benefits from the joint activity through a share of the production, rather than by receiving a share of the results of trading.

The Company’s interests its JCEs and JCAs are accounted for using proportionate consolidation whereby the Company’s proportionate interest in each of the assets, liabilities, revenues, expenses and cash flows of JCEs and JCAs are incorporated into Company’s financial statements under the appropriate headings.

(iii) Associates

An associate is an entity that is neither a subsidiary nor a joint venture, over who's operating and financial policies the Company exercises significant influence. Significant influence is presumed to exist where the Company has between 20% and 50% of the voting rights, but can also arise where the Company holds less than 20% if it has the power to be actively involved and influential in policy decisions affecting the entity. The Company's share of the net assets, post tax results and reserves of associates are included in the financial statements using the equity accounting method.

This involves recording the investment initially at cost to the Company, which therefore includes any goodwill on acquisition, and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Company's share of the associate's results less any impairment of goodwill and any other changes to the associate's net assets such as dividends. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

(iv) Acquisition

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill, which is not amortized but is reallocated for impairment annually and where there is an indication of impairment. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Company and is presented in equity in the consolidated balance sheet, separately from the parent shareholders' equity.

b) Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements.

Areas of judgement that have the most significant effect on the amounts recognized in the financial statements are:

Valuation of Mineral Properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes a periodic review of the carrying values of mineral properties and whenever events or changes in circumstances indicate that their carrying values may exceed their fair value. In undertaking this review, management of the Company is required to make significant estimates.

These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures. Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves.

Stock-based Compensation - The fair value of stock options is determined using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management of the Company is required to make certain assumptions and estimates regarding the life of the options, volatility and forfeitures rates. Changes in the assumptions used could result in materially different results.

Income Taxes – Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the person that makes strategic decisions.

The Company's primary activity is the exploration and development of mineral properties so there is one reportable operating segment. The Company's geographical segments are determined by the location of the Company's assets and liabilities.

d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
(c) All resulting exchange differences are recognized as a separate component of equity.

e) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful lives of fixed assets are as follows:

Furniture and office equipment	2 to 3 years
Field equipment	3 years
Vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses)/gains – net' in the income statement.

f) Exploration and evaluation expenditure and mineral properties

The Company is in the process of exploring its mineral properties and has adopted the policy of capitalizing significant acquisition costs for property rights, including payments for exploration rights and leases and estimated fair value of exploration properties acquired as part of a business acquisition. Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves.

Development expenditures incurred subsequent to a determination of the feasibility of mining operations and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

g) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Financial instruments

Classification of financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement of financial assets

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security.

The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

Impairment of financial assets

(i) Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists.

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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(ii) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the separate consolidated income statement.

Impairment losses recognized in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

j) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the 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 recognized in the income statement within “general and administrative expenses”. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against “general and administrative expenses” in the income statement.

k) Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

l) Payables

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

m) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

n) Share-based payments

The Company has a share-based compensation plan, under which the entity receives services from employees and non-employees as consideration for equity instruments (options) of the Company.

Stock options granted to employees are measured on the grant date. Stock options granted to non-employees are measured on the date that the goods or services are received.

The fair value of the employee and non-employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted and the vesting periods. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The cash subscribed for the shares issued when the options are exercised is credited to share capital, net of any directly attributable transaction costs.

o) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

p) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

q) New accounting pronouncements

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, *Financial instruments - Classification and Measurement*, IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities*, IAS 27, *Separate Financial Statements*, IFRS 13, *Fair Value Measurement*, IAS 19, *Post-employment Benefits* and amended IAS 28, *Investments in Associates and Joint Ventures*. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of these new standards:

IFRS 7 Financial instruments – disclosure

IFRS 7 was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011

IFRS 9 – Financial instruments - classification and measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

IFRS 10 – Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation-Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 19 Post-employment Benefits

IAS 19 was amended to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

4. TRANSITION TO IFRS

The effect of the Company's transition to IFRS, described in Note 2, is summarized in this note as follows:

a) Transition election

The Company has applied the following transition exceptions and exemptions to the full retrospective application of IFRS as follows:

- Cumulative translation adjustments ("CTA") – exemption that allows a company to set its CTA to zero at date of transition.
- Business combinations – exemption that allows a company not to apply the provisions of IFRS 3 to past combinations or apply these provisions only to all business combinations after a certain date.

b) Functional currency and cumulative translation adjustment account

Under Canadian GAAP the Company determines whether a subsidiary is an integrated operation or a self-sustaining entity which determines the method of translation into the presentation currency of the Group. IFRS requires that an entity determine the functional currency of each subsidiary individually, prior to consolidation into the Group's presentation currency.

The Company determined that some subsidiaries had a functional currency other than the CDN dollar, which under Canadian GAAP had been classified as being integrated operations. Those subsidiaries under Canadian GAAP were consolidated using the temporal method (i.e. monetary assets and liabilities translated at the current rate and nonmonetary assets and liabilities at historic exchange rates with gains or losses being charged to income), whereas under IFRS those entities with non CDN dollar functional currencies are translated into CDN dollars using the current rate method (whereby all assets and liabilities are translated using the reporting date exchange rates with any gains or losses being recorded in equity).

The net impact was a decrease in mineral properties of $2,431,352 and a decrease in plant and equipment of $172,476, offset by a charge to currency translation adjustment ("CTA") to the January 1, 2010 balance.

For the year ended December 31, 2010, the impact was a decrease in mineral properties of $1,150,117 and an increase in plant and equipment of $25,073.

The Company also elected to take the IFRS 1 exemption to deem cumulative translation adjustments to be zero at the date of transition to IFRS. Hence all existing CTA balances and the impact of the above adjustments as of January 1, 2010 were recorded against the brought forward deficit.

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

c) Reconciliation of consolidated balance sheet and statement of comprehensive income (loss) from Canadian GAAP to IFRS:

	December 31, 2010			January 1, 2010		
	Cdn GAAP	Adjustment	IFRS	Cdn GAAP	Adjustment	IFRS
Assets						
Current assets						
Cash and cash equivalents	$ 23,265,174	$ -	$ 23,265,174	$ 14,240,947	$ -	$ 14,240,947
Investments	-	-	-	6,308,223	-	6,308,223
Trade receivables	44,667	-	44,667	5,114,646	-	5,114,646
Prepaid expenses	197,949	-	197,949	388,612	-	388,612
Due from joint venture partners	10,660	-	10,660	15,513	-	15,513
	23,518,450	-	23,518,450	26,067,942	-	26,067,942
Equipment, net	344,850	(147,403)	197,447	462,655	(172,476)	290,179
Mineral properties	26,055,764	(3,581,469)	22,474,295	26,081,009	(2,431,352)	23,649,657
Other assets	43,500		43,500	43,500		43,500
Total Assets	$ 49,962,564	$ (3,728,872)	$ 46,233,692	$ 52,655,106	$ (2,603,828)	$ 50,051,278
Liabilities						
Current liabilities						
Trade payables and accrued liabilities	$ 2,048,306	$ -	$ 2,048,306	$ 973,568	$ -	$ 973,568
Due to related parties	34,833	-	34,833	147,155	-	147,155
Due to joint venture partners	1,782,273	-	1,782,273	613,339	-	613,339
	3,865,412	-	3,865,412	1,734,063	-	1,734,063
Equity attributable to shareholders						
Share Capital	151,762,620	-	151,762,620	151,480,754	-	151,480,754
Reserved for issuance	1,290	-	1,290	1,290	-	1,290
Contributed surplus	3,866,395	-	3,866,395	2,986,094	-	2,986,094
Cumulative deficit	(109,533,153)	(2,603,828)	(112,136,981)	(103,555,093)	(2,603,828)	(106,158,921)
Accumulated other comprehensive income (loss)	-	(1,125,044)	(1,125,044)	7,998	-	7,998
	46,097,152	(3,728,872)	42,368,280	50,921,043	(2,603,828)	48,317,215
Total Liabilities and equity	$ 49,962,564	$ (3,728,872)	$ 46,233,692	$ 52,655,106	$ (2,603,828)	$ 50,051,278

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

	Year ended December 31, 2010		
	Cdn GAAP	**Adjustment**	**IFRS**
Expenses			
Exploration and project investigation	$ 6,471,818	$ -	$ 6,471,818
Management fees	540,000	-	540,000
Office and general	92,662	-	92,662
Professional fees	256,828	-	256,828
Promotion and public relations	60,793	-	60,793
Donation	35,000	-	35,000
Stock exchange and filing fees	35,724	-	35,724
Transfer agent and shareholder information	37,228	-	37,228
Travel	76,336	-	76,336
Wages and benefits	1,125,041	-	1,125,041
Stock based compensation	723,230	-	723,230
Operating loss	9,454,660	-	9,454,660
Other (income) expenses			
Interest income	(185,778)	-	(185,778)
Foreign exchange (gain) loss	109,762	-	109,762
Other expenses (income)	192,248	-	192,248
Gain on sale of investments	(3,043,056)		(3,043,056)
Gain on sale of subsidiaries	(682,332)	-	(682,332)
Write-off of mineral property interests	132,555	-	132,555
Net loss for the period	5,978,059	-	5,978,059
Other comprehensive loss (income)			
Unrealized (gain) on investments	-	-	-
Unrealized (gain) on investments	(3,086,759)		(3,086,759)
Adjustments for realized gain on investments due to disposition	3,094,757		3,094,757
Cumulative foreign currency translation adjustment	-	1,125,044	1,125,044
Comprehensive loss for the year	$ 5,986,057	$ 1,125,044	$ 7,111,101

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

5. CASH

	December 31, 2011 $	2010 $
Cash on hand and balances with banks	16,337,097	23,265,174
Short-term deposits	25,000,000	-
Total cash	41,337,097	23,265,174

6. RECEIVABLE AND OTHER

	December 31, 2011 $	2010 $
Trade receivables	14,210	13,694
Value added taxes	57,983	34,594
Taxes recoverable	59,003	53,963
Prepaid	460,796	43,722
Other	166,925	96,643
Total receivable and other	758,917	242,616

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

7. EQUIPMENT

Cost	Furniture and office equipment $	Field equipment $	Vehicles $	Leasehold Improvements $	Total $
As at January 1, 2010	377,248	346,597	62,040	-	785,885
Additions	5,364	9,331	-		14,695
Disposals and other	(44,057)	-	(19,988)	-	(64,045)
Effect of changes in foreign exchange rates	(15,755)	(30,957)	2,504	-	(44,208)
As at December 31, 2010	322,800	324,970	44,557	-	692,327
Additions		109,930	13,450	183,000	306,380
Disposals and other	(544)	-	(16,467)	-	(17,011)
Effect of changes in foreign exchange rates	(18,934)	(19,093)	(2,441)	-	(40,468)
As at December 31, 2011	303,322	415,807	39,099	183,000	941,228
Accumulated depreciation					
As at January 1, 2010	297,168	166,153	32,386	-	495,707
Depreciation for the period	51,388	46,937	9,166	-	107,490
Disposals and other	(19,834)	-	(19,201)	-	(39,035)
Effect of changes in foreign exchange rates	(37,773)	(32,179)	671	-	(69,281)
As at December 31, 2010	290,949	180,910	23,021	-	494,880
Depreciation for the period	19,144	38,043	6,739	6,100	70,026
Disposals and other	(544)	-	(16,467)	-	(17,011)
Effect of changes in foreign exchange rates	(18,188)	(11,422)	(781)	-	(30,391)
As at December 31, 2011	291,361	207,531	12,512	6,100	517,504
Net book amount					
As at January 1, 2010	80,081	180,444	29,654	-	290,179
As at December 31, 2010	31,851	144,060	21,536	-	197,447
As at December 31, 2011	11,961	208,276	26,587	176,900	423,724

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

8. MINERAL PROPERTIES

The carrying value of the Company's mineral properties, at acquisition costs, is as follows:

	Canada (Note (a))		South America (Note (b))					Africa (Note (c))	
	GJ/Kinaskan	Zymo	Josemaria	Los Helados	Lirio	Paramillos	Tamberias	Hambok	Total
Cost	$	$	$	$	$	$	$	$	$
At January 1, 2010	261,552	108,000	8,958,070	2,713,261	54,731	-	-	11,554,043	23,649,657
Additions	-	-	-	-	-	207,310	-	-	207,310
Disposals	(124,555)	-	-	-	-	-	-	-	(124,555)
Write-off	-	(108,000)	-	-	-	-	-		(108,000)
Effect of changes in foreign exchange rates	-	-	(736,537)	129,203	-	(1,272)	-	(541,511)	(1,150,117)
At December 31, 2010	136,997	-	8,221,533	2,842,464	54,731	206,038	-	11,012,532	22,474,295
Additions	-	-	-	-	-	244,650	395,180		639,830
Impairment charge (*)								(3,371,306)	(3,371,306)
Effect of changes in foreign exchange rates	-	-	(431,426)	(258,406)	3,826	14,265	12,780	358,774	(300,187)
At December 31 2011	136,997	-	7,790,107	2,584,058	58,557	464,953	407,960	8,000,000	19,442,632

*As at December 31, 2011, the Company determined that the recoverable amount determined to be fair value less costs to sell the Hambok property was less than its carrying value.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge; all of its properties are in good standing.

(a) CANADIAN PROPERTIES

(i) GJ and Kinaskan Lake Properties, B.C.

GJ Property – The Company owns a 100% interest, subject to an earn in option by Teck Resources Limited ("Teck") as described below, in the GJ Property, a porphyry copper-gold prospect located in the Liard Mining Division of northern British Columbia.

Kinaskan Lake Property – The Company owns a 100% interest, subject to an earn in option by Teck as described below in the Kinaskan Lake mineral claims located in the Liard Mining District, British Columbia. The claims are subject to a net smelter return royalty of 1%, one-half of which may be repurchased by the Company for $500,000 prior to January 21, 2030.

Teck's Earn-In Option - In August 2010, the Company entered into an earn-in option agreement with Teck whereby Teck can earn up to a 75% interest in the GJ and Kinaskan properties by paying the Company $100,000 (paid) on signing the Agreement and exercising the following options.

First Option: Teck will have the option to earn an initial 51% interest by making cumulative expenditures of $12 million on or before December 31, 2014 of which a minimum of $2.5 million in expenditures, including a firm commitment of 1,500 metres of drilling, must be spent on or before December 31, 2011. Teck has fulfilled the minimum expenditures of $2.5 million and the drilling commitment by December 31, 2011.

Second Option: Upon exercise of the First Option, Teck will have a one-time option to elect to earn an additional 9% interest for a total of 60% interest by sole funding another $12 million in expenditures prior to December 31, 2017 with minimum annual expenditure of $2 million per year.

Third Option: Upon exercising the Second Option Teck will have a one-time option to elect to earn an additional 15% interest for a total of 75% interest by sole funding another $20 million in expenditures prior to December 31, 2020.

After the formation of a joint venture at any of the earn-in periods, expenditures are to be funded by the Company and Teck in pro rata to the interest held. If any ownership interest falls below 10% it will convert to a 2% Net Smelter Return after payback of project expenditures.

(b) SOUTH AMERICAN PROPERTIES

(i) Vicuña Joint Exploration Agreement ("Vicuña JEA"), Argentina and Chile

The Vicuña JEA covers a large land package located in Argentina and Chile (the "Vicuña Properties") that is subject to a Joint Exploration Agreement with Japan Oil, Gas and Metals National Corporation ("Jogmec") under which the Company holds a 60% participating interest and Jogmec holds a 40% participating interest. A portion of the Vicuña Properties is subject to underlying agreements:

a) The Lirio Property: The 100% owned Lirio Property is divided between two separate agreements with Jogmec. The Lirio Property- Vicuña Portion is that part of the Lirio Property which forms part of the Vicuña JEA whereby the Company and Jogmec holds a 60% and 40% interest, respectively. The Lirio Property-Jose Maria Portion is that part of the Lirio Property which is held 60% by the Company and 40% by Jogmec under the Jose Maria Joint Exploration Agreement as described below. The Lirio Property is subject to a 0.5% Net Smelter Return royalty and a further US$2 million payment due within 6 months following the second complete year of mine operations both payable to the original owner.

b) Vicuña Property: The Company holds a 45% participating interest and Jogmec holds a 30% participating interest and the underlying land owner holds a 25% participating interest subject to a dilution clause in the case of non-contribution. There is a payment of US$1.1 million due to the underlying owner within 30 months after a mine goes into production on the Vicuña Property.

c) La Chola Property: The La Chola Property is subject to an agreement whereby the Company and Jogmec can earn a 100% interest through payments in stages totaling US$375,000 over 8 years subject to a 1 % NSR. As at December 31, 2011, the Company has paid an accumulated amount of US$282,500. A remaining payment of US$92,500 is payable in September 2012 to acquire a 100% interest.

The remainder of the property, including the Los Helados project in Chile, subject to the Vicuña JEA was acquired by staking. The amount due to Jogmec at December 31, 2011 in respect of advance cash calls to fund ongoing exploration on the Vicuña JEA was $2,691,402 (2010-$1,190,132).

(ii) Josemaria Joint Exploration Agreement ("Josemaria JEA"), Argentina

The Josemaria JEA is an agreement dated March 16, 2009 with Jogmec under which the Company holds a 60% interest and Jogmec a 40% interest in two properties (Lirio Property-Jose Maria Portion and Batidero) that jointly comprise Josemaria.

The Lirio Property-Jose Maria Portion is subject to a 0.5% Net Smelter Return royalty and US$2 million payment to the underlying owner within 6 months following the second complete year of any mine operation on the property. The Batidero Property is owned 75% by the Company and 25% by TNR Gold. The amount due to Jogmec at December 31, 2010 in respect of advance cash calls to fund ongoing exploration on the Josemaria JEA was $1,548,681 (2010-$592,141).

(iii) Paramillos Project: copper and gold explorations property in Argentina (Mendoza Province)

On August 23, 2010, the Company signed an amended earn in agreement with Minera del Oeste ("MIDO") whereby the Company can earn an 80% interest in the Paramillos copper/gold properties ("Paramillos") in Mendoza province, Argentina by the payment in stages of a total of US$2.7 million to December 28, 2013 (US$250,000 paid in 2011, US$200,000 paid in 2010).

The Company has the right to purchase the remaining 20% interest in the property for US$14.3 million by March 2015 to own 100% of Paramillos.

(iv) Tamberias property in Chile

On March 25, 2011 the Company entered into an option agreement (the "Agreement") with Compania Minera Tamberias SCM ("Tamberias SCM") whereby the Company can earn a 100% interest in the Tamberias property by making optional payments totaling US$ 20,000,000 on or before June 30, 2020. Tamberias SCM will retain a 1.5% NSR royalty that will be paid only after the Company has recovered all of its exploration and development costs. The initial payment of US$200,000 was made upon signature of the Agreement. The Tamberias property is located in Region 3, Chile and is adjacent to the Filo del Sol Project.

(c) AFRICAN PROPERTIES

(i) Eritrean properties:

As at December 31, 2011 the Company holds two exploration licenses, Mogoraib and Kerkebet ("Property") in western Eritrea. The Mogoraib and Kerkebet licenses are subject to yearly renewal at the discretion of the Eritrean Government. The Hambok Deposit is on the Mogoraib license. The two Eritrean licenses were sold subsequent to December 31, 2011. (See Note 20).

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

(ii) Congo-Brazzaville properties:

During the quarter ended September 30, 2011, the Company divested its exploration licenses in Congo-Brazzaville. Accordingly, a gain of $39,162 was realized in the statements of loss and comprehensive loss for the year ended December 31, 2011.

9. ACCOUNTS PAYABLE

	December 31,	
	2011	**2010**
	$	**$**
Accounts payable	4,184,812	1,253,032
Accrued liabilities	396,767	607,652
Other	259,665	187,622
Total accounts payable and accrued liabilities	4,841,244	2,048,306

10. SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares without par value. All issued shares are fully paid.

11. STOCK OPTIONS

a) Stock Option Plan

The Company has a rolling stock option plan, approved by shareholders on September 15, 2008 and recently ratified, reserving an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. Vesting and terms of the option agreement are at the discretion of the Board of Directors.

During the year ended December 31, 2011, the Company granted a total of 2,215,000 (2010 – nil) share options to officers, employees, directors and other eligible persons at exercise prices of $1.52 to $3.42 per share expiring November 14, 2014.

The weighted average fair value of the options granted during the year was estimated at $2.42 (2010 - $nil) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

	December 31, 2011	2010
Dividend yield	0%	0%
Risk free interest rate	1.28%	2.12%
Expected life	3 years	5 years
Expected volatility (i)	77.95%	74.46%

(i) A share-based compensation cost of $2,690,391 for the options granted for the year ended December 31, 2011 (2010 - $nil) will be amortized over the vesting period of which $1,528,806 was recognized in the year ended December 31, 2011 (2010 - $nil).

The total share-based compensation for the year ended December 31, 2011 was $1,528,806 (2010 - $979,635) of which $1,220,111 (2010 - $723,230) has been allocated to Administration expenses and $308,695 (2010 - $256,405) to Project investigation and exploration expenses.

b) Stock Options Outstanding

The following is a summary of the movements in the number of share options outstanding and their related weighted average exercise prices:

	Number of Shares	Weighted average exercise price $
Outstanding at January 1, 2010	7,321,289	1.12
Granted	225,000	0.72
Exercised	(229,187)	0.80
Forfeited/Expired	(2,828,918)	1.36
Outstanding at December 31, 2010	4,488,184	0.91
Granted	2,215,000	2.42
Exercised	(2,033,011)	0.87
Forfeited/Expired	(92,500)	0.70
Outstanding at December 31, 2011	4,577,673	1.67
Exercisable at December 31, 2011	2,988,081	1.26

The following summarized information about the stock options outstanding and exercisable at December 31, 2011:

	Outstanding Options			Exercisable Options		
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price $	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price $
$0.53 - $1.30	2,005,000	2.95	0.71	2,005,000	2.95	0.71
$1.31 - $3.42	2,572,673	2.29	2.41	983,081	1.83	2.41
	4,577,673	2.58	1.67	2,988,081	2.59	1.26

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

12. EXPLORATION AND PROJECT INVESTIGATION

	South America					Africa		Canada	Total
	Vicuna Joint Venture	Josemaria Joint Venture	Colmillo	Andrea	Other	Hambok	Other		
For the year ended December 31, 2011									
Assaying/geochemical	$ 139,895	$ 48,256	$ 2,237	$ -	$ 2,259	$ 15,201	$ 33,897	$ -	$ 241,746
Camp costs (recovery)	297,227	253,805	40,817	287	17,904	(41,863)	83,825	-	652,002
Drilling	1,212,822	690,169	-	-	-	232,826	464,184	-	2,600,001
Environmental & community relations	135,841	9,125	8,275	-	28,205	-		-	181,446
Field office admin salaries	47,815	67,353	13,386	2,960	66,269	186,493	154,945	-	539,220
Field supplies and equipment	268,837	111,161	70,557	7,752	9,422	58,488	78,582	-	604,798
Technical/field salaries & consultants	575,974	216,207	99,671	36,370	114,401	263,638	230,480	-	1,536,742
Geological & geophysical	138,966	12,086	129,006	110,593	-	137,866	15,919	5,130	549,566
Roadwork/Trenching	645,934	141,064	355,144	-	33,932	-	-	-	1,176,075
Office general	27,045	8,866	1,570	644	37,318	91,477	47,141	-	214,062
Licenses , fees and access rights	518,489	6,803	109,793	16,945	320,057	679,824	26,304	980	1,679,196
Professional	34,242	31,641	6,180	1,534	32,348	7,262	14,694	-	127,901
Stock based compensation	111,043	44,587	23,157	4,436	26,311	57,898	41,262	-	308,695
Transport and travel	228,750	97,187	92,877	1,484	26,574	68,503	55,369	-	570,744
Value added and other taxes	563,565	241,622	58,272	10,670	297,333	-	-	-	1,171,462
Total for the year	$ 4,946,446	$ 1,979,933	$ 1,010,942	$ 193,675	$ 1,012,335	$ 1,757,613	$ 1,246,601	$ 6,110	$ 12,153,656
For the year ended December 31, 2010									
Assaying/geochemical	$ -	$ -	$ -	$ -	$ -	$ 53,651	$ 39,685	$ -	$ 93,336
Camp costs	-	-	-	-	-	(58,234)	32,439	-	(25,795)
Drilling	913,357	23,431	-	-	-	207,386	1,271	-	1,145,445
Environmental & community relations	31,152	(7,868)	-	-	26,189	-	-	-	49,473
Expediting and project supervision	-	-	-	-	-	78,234	341,401	-	419,635
Field supplies and equipment	-	-	-	-	-	152,780	38,473	2,500	193,753
Technical/field salaries & consultants	196,673	(89,183)	1,703	809	(12,796)	406,667	169,638	-	673,511
Geological & geophysical	222,004	(162,375)	-	-	78,997	360,080	80,733	3,626	583,065
Roadwork/Trenching	388,891	63,976	-	-	3,760	-	1,576	-	458,203
Office general	181,903	95,184	5,482	2,470	181,847	79,130	59,239	-	605,255
Licenses , fees and access rights	53,504	8,490	17,715	4,307	165,678	8,177	18,338	38,063	314,272
Professional	374,974	48,621	23,826	20,042	215,351	3,092	46,759	-	732,665
Stock based compensation	110,198	4,405	-	-	25,719	42,577	73,507	-	256,406
Transport and travel	203,330	39,204	13,914	7,342	75,105	104,702	199,346	-	642,943
Value added and other taxes	376,559	(47,131)	-	-	223	-	-	-	329,651
Total for the year	$ 3,052,545	$ (23,246)	$ 62,640	$ 34,970	$ 760,073	$ 1,438,242	$ 1,102,405	$ 44,189	$ 6,471,818

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

13. RELATED PARTY TRANSACTIONS

(a) Related parties expenses

The Company incurred the following expenses with Namdo Management Services Limited ("Namdo") and Lundin Mining Corporation ("Lundin Mining"), companies related by way of certain directors and certain shareholders in common. In addition, the Company incurred air chartered services from Mile High Holdings Ltd ("Mile''), a company associated with the Chairman of the Company. The Company also made a donation to Lundin Foundation ("LF"), a charitable organization directed by certain directors of the Company.

		Year ended December 31,	
	Related party	2011 $	2010 $
Management fee	Namdo	540,000	540,000
Leasehold improvements	Namdo	183,000	-
Technical services	Lundin Mining	3,376	35,723
Aircraft charter	Mile	91,800	12,175
Donation	LF	270,000	-
Total related parties expenses		1,088,176	587,897

(b) Related parties liabilities

The liabilities of the Company include the following amounts due to related parties:

	Year ended December 31,	
	2011 $	2010 $
Namdo	13,754	11,004
Lundin Mining	-	23,829
Total related parties liabilities	13,754	34,833

(c) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company has identified its key management personnel to include the Company's executive officers, vice-presidents and members of its Board of Directors.

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

The remuneration of key management personnel were as follows:

	Year ended December 31, 2011 $	2010 $
Salaries	588,909	615,566
Employee Benefits	28,689	12,537
Severance Payments	-	420,844
Share Based Compensation	409,938	348,550
Total Compensation of key management	1,027,536	1,397,497

14. INCOME TAXES

	December 31, 2011	2010
Combined basic federal and provincial income tax rates	26.50%	28.50%
Income/(loss) before taxes	$ (19,072,800)	$ (5,978,059)
Expected income provision (recovery)	$ (5,054,292)	$ (1,703,747)
Non-deductible stock based compensation	405,134	279,196
Other non-deductible expenses and permanent differences	(599,100)	501,447
Difference in foreign tax rates	(856,684)	(1,753,653)
Income tax benefits not recognized and other items	6,160,322	2,978,421
Income tax benefits not previously recognized	(55,380)	(301,666)
Future income tax expense/(recovery)	$ -	$ -

Unrecognized deferred tax assets	December 31, 2011 $	2010 $
Loss carryforwards	6,671,026	8,183,863
Capital losses	223,564	-
Mining properties and related expenditures	12,199,753	8,789,477
Other	260,035	261,718
	19,354,378	17,235,058

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

As at December 31, 2011, the Company has the following tax losses in Canada, Chile and Argentina which may be used to reduce future taxable income. The income tax benefit, if any, of these losses have not been recorded in these consolidated financial statements due to the uncertainty of their recovery. The future expiration of the losses is as follows:

	Year of Expiry	Canada	Chile	Argentina	2011 Total
		$	$	$	$
Operating tax losses for tax purposes					
	2012	-		362,575	362,575
	2013	-		3,817,251	3,817,251
	2014	59,132		731,644	790,776
	2015	7,642		4,820,827	4,828,469
	2016	-		1,235,908	1,235,908
	2024	300,252			300,252
	2025	1,374,249			1,374,249
	2026	1,531,716			1,531,716
	2027	1,488,538			1,488,538
	2028	1,811,344			1,811,344
	2029	1,579,121			1,579,121
	2030	105,174			105,174
	2031	1,571,056			1,571,056
No Expiry			2,206,464		2,206,464
Total operating tax losses		9,828,224	2,206,464	10,968,205	23,002,893

15. SEGMENTED INFORMATION

The Company's primary business activity is the exploration for and development of mineral properties in North and South America and Africa so there is only one reportable operating segment.

The geographic distribution of non-current assets is as follows:

	Plant and Equipment,net		Mineral Properties		Corporate	
	December 31,		December 31,		December 31,	
	2011	2010	2011	2010	2011	2010
	$	$	$	$	$	$
Canada	176,900	-	136,997	136,997	8,000	43,500
South America	246,824	197,447	11,305,635	11,324,766	-	-
Africa	-	-	8,000,000	11,012,532	-	-
	423,724	197,447	19,442,632	22,474,295	8,000	43,500

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

16. COMMITMENTS AND CONTINGENCY

a) The Company's Argentine subsidiary, Desarrollo de Prospectos Mineros SA "DPM", has received a claim in January 2009 from the Banco Central de la Republia Argentina ("BCRA") in connection with two foreign exchange transactions made in 2003. It has been alleged that DPM exceeded the maximum allowable limit by approximately US$63,000 for foreign exchange conversions on those days. DPM have filed a statement of defence to dismiss this claim. Provisions have not been made in the consolidated financial statements as the likelihood of the loss occurring cannot be determined and the amount of loss if it should occur cannot be reasonably estimated at this early stage. DPM will continue to defend its position.

b) The Company's Chilean subsidiary, Minera Frontera del Oro SCM ("MFDO") has entered into land access agreements with surface rights owners on the Los Helados property. Future payments under these agreements as at December 31, 2011 are as follows:

Year	In US$	Company's 60% portion In US$
2012	430,000	258,000
2013	430,000	258,000
2014	840,000	504,000
Total	1,700,000	1,020,000

*In the event the Los Helados property is sold by MFDO the remaining balance is payable in full. The Company's share of the above payments is 60% as the Los Helados property forms part of the Vicuña JEA with Jogmec.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of certain financial instruments maturing in the short-term approximates their fair value. These financial instruments include cash, accounts receivable, trade payables and accrued liabilities, due to/from joint venture partners, and due to related parties. The Company has estimated the fair values of its financial instruments based on appropriate valuation methodologies. These values are not materially different from their carrying value.

The Company classifies the fair values of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the investment:

Level 1 - Quoted market price in active markets for identical assets or liabilities
Level 2 - Inputs other quoted market prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3 – Inputs for the assets or liabilities that are not based on observable market data

(All amounts expressed in Canadian Dollars, unless otherwise stated.)

December 31, 2011

Financial Instruments	Category	Level	Carrying Value	Fair Value
Cash and cash equivalents	Loans and receivables		$ 41,337,097	$ -
Receivable and other	Loans and receivables		$ 758,917	$ -
Accounts payable and accrued liabilities	Other financial liabilities		$ 4,841,244	$ -
Due to related parties	Other financial liabilities		$ 13,754	$ -
Due to joint venture partners	Other financial liabilities		$ 4,240,082	$ -

December 31, 2010

Financial Instruments	Category	Level	Carrying Value	Fair Value
Cash and cash equivalents	Loans and receivables		$ 23,265,174	$ -
Receivable and other	Loans and receivables		$ 242,616	$ -
Due from Joint venture partners	Loans and receivables		$ 10,660	$ -
Accounts payable and accrued liabilities	Other financial liabilities		$ 2,048,306	$ -
Due to related parties	Other financial liabilities		$ 34,833	$ -
Due to joint venture partners	Other financial liabilities		$ 1,782,273	$ -

January 1, 2010

Financial Instruments	Category	Level	Carrying Value	Fair Value
Cash and cash equivalents	Loans and receivables		$ 14,240,947	$ -
Investments	Loans and receivables	3	$ -	$ 6,308,223
Receivable and other	Loans and receivables		$ 5,503,258	$ -
Due from Joint venture partners	Loans and receivables		$ 15,513	$ -
Accounts payable and accrued liabilities	Other financial liabilities		$ 973,568	$ -
Due to related parties	Other financial liabilities		$ 147,155	$ -
Due to joint venture partners	Other financial liabilities		$ 613,339	$ -

18. MANAGEMENT OF CAPITAL RISK

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers the items included in shareholders' equity to be capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditures budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operation period.

19. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including currency, credit, liquidity and price risk.

a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in South America and Africa and as such, a portion of its expenses are incurred in the local currencies and US dollars.

A significant change in the currency exchange rates 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 December 31, 2011, the Company is exposed to currency risk relating to funds held in US dollars of 7.8 million, Argentine pesos of 16.1 million and Chilean pesos of 901.2 million. Based on this exposure, a 10% change in the Canadian/US dollar and Canadian/Argentine pesos exchange rate would give rise to an increase/decrease of approximately $1.4 million in income/loss.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The majority of the Company's cash is held through a large Canadian financial institution with a high investment grade rating.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage. Accounts payable and accrued liabilities are due within the current operating period.

d) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any short-term investments included in cash due to the short term nature.

20. SUBSEQUENT EVENT

Subsequent to December 31, 2011, the Company entered into a definitive agreement (the "Agreement") whereby Namibian Copper NL ("Namibian Copper") will acquire Sanu Resources Inc., which holds certain licenses in Eritrea, (the "Transaction") for consideration of 50,000,000 ordinary shares of Namibian Copper (the "Shares"). Upon completion of the Transaction it is anticipated that the Company will be the largest single shareholder of Namibian Copper with approximately 40% of its share capital. The Shares will be subject to an escrow agreement in the form prescribed by Appendix 9A of the Australian Stock Exchange ("ASX") listing rules. A further Contingent Payment of $7,500,000 to the Company is due upon the commencement of commercial mining operations, however, if prior to the commencement of commercial mining operations, a third party acquires 50% or more of the outstanding voting or equity securities of Namibian Copper or any one or more of its subsidiaries (including Sanu), then 50% of the Contingent Payment will be immediately due and payable to the Company, with the balance of the Contingent Payment due upon the commencement of commercial mining operations. In addition the Company will be reimbursed for certain costs incurred from June 1, 2011 to the closing date under an ongoing work program on the Property. The Transaction is subject to certain conditions precedent including any shareholder approval under the Australian Corporations Act 2001 and any approvals under the ASX Listing Rules for the issue of the shares and will not close until all conditions are satisfied.