



THIRD QUARTER REPORT

SEPTEMBER 30, 2011

NGEx RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2011

This Management's discussion and analysis ("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 unaudited interim consolidated financial statements for the nine months ended September 30, 2011, three months ended March 31, 2011 and the December 31, 2010 year end audited consolidated financial statements 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 International Financial Reporting Standards ("IFRS"). All dollars amounts are expressed in Canadian dollars, unless otherwise indicated. The effective date of this MD&A is November 10, 2011.

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 Africa, North and South America.

THIRD QUARTER HIGHLIGHTS

During the third quarter ended September 30, 2011 there was exploration on the Company's GJ Project in Canada and on the Bada potash project in Eritrea. Exploration on the Company's South American projects was suspended for the Southern Hemisphere winter. During the third quarter:

- The Company's South American team made significant progress in upgrading camp and logistical infrastructure, hiring of personnel, and planning for the upcoming summer exploration season which will be very busy with up to 60,000 metres of drilling planned on four copper-gold projects in the Andes of Chile and Argentina. The proposed drilling listed below is the Company's best current estimate of the number of metres required to test targets and define resources. The actual number of metres drilled will vary depending on results and actual drilling rates. Los Helados, Josemaria, and Filo del Sol are all part of a joint venture in which the Company holds 60% and JOGMEC (Japan, Oil, Gas, and Metals National Corporation) holds 40%. Each party funds its pro-rata share of expenditures.
- The largest program comprising up to 40,000 metres will be at Los Helados in Chile, where previous drilling has identified a large copper-gold porphyry system. The upcoming drill program will focus on further expanding a higher grade zone within the larger system which is open in several directions and at depth. Highlights from drilling earlier this year include 701 metres of 0.67% copper and 0.3 grams/tonne gold. Many current drill holes bottomed in mineralization and the deepest hole drilled to date was still in mineralization at 900 metres depth.

Drilling at Los Helados is expected to start in late December, 2011 and will use drills with the capability of drilling to 1 kilometre depth. The exact start date will depend in part on the timing of receipt of government drilling permits. We are targeting an initial resource calculation for late in the third quarter of 2012.

- At Josemaria approximately 15,000 metres will be drilled to convert the existing inferred resource to measured and indicated. Drilling at Josemaria is expected to start in mid November, 2010.
- Teck Resources Limited ("Teck") completed an exploration program on the Company's GJ 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 geochemical sampling. The Company expects to receive drill results from Teck during the fourth quarter of 2011.
- The Company completed four drill holes totaling 200 meters on its Bada potash project in Eritrea. Drilling was slowed by extremely hot weather and deeper than anticipated overburden. The first four holes were not able to get through the overburden. After a break in September to upgrade the drill rig's capacity to drill overburden and to wait for slightly cooler temperatures drilling resumed in October and is ongoing.
- 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

No exploration was done on the Company's South American projects during the third quarter. The exploration season in South America is during the southern hemisphere summer and the Company's drill programs typically run from November to May. Interpretation of last season's results, as well as logistical planning and expansion of camp and drill core handling facilities were the principal activities on the South American Projects. Exploration will resume during the fourth quarter of 2011.

Jose Maria Project, Argentina

Jose Maria is a large copper/gold porphyry project located in San Juan Province, Argentina near the Vicuna group of properties described below. Jose Maria contains a NI 43-101 compliant inferred resource of 460 million tonnes at 0.39% tonnes 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 Jose Maria 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 100% owned Jose Maria and the adjacent 75% owned Batidero properties are subject to a joint exploration agreement ("Jose Maria JEA") dated March 16, 2009 with Japan Oil, Gas and Metals National Corporation ("Jogmec"). The Jose Maria JEA provides Jogmec the option to acquire 40% of the Company's interest in these properties. In consideration, Jogmec paid US\$1 million upon signing of the Jose Maria JEA and is required to make US\$6.13 million in exploration expenditures over three years in order to acquire the 40% interest.

Once Jogmec has earned its interest, the partners will fund ongoing expenditures pro-rata to their ownership interest. It is anticipated that Jogmec will earn its 40% interest in November 2011. Both parties have agreed to fund the 2011-2012 exploration program pro-rata to their ownership interest. The 2011-2012 program is intended to upgrade the existing inferred resource to the measured and indicated category.

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

The Vicuna properties comprise a large land package of approximately 18,300 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 Vicuna Properties are adjacent to Jose Maria and are subject to a separate Joint Venture Exploration Agreement (the "Vicuna 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 the 2010-2011 drill program at Los Helados in May, 2011. The holes completed during this field season confirm the presence of a large mineralized porphyry copper system at Los Helados and successfully confirmed and extended the higher grade zone which was also intercepted in holes reported in the first quarter of 2011 including LH-12 with 711 metres of 0.54% copper and 0.26 grams/tonne gold; and LH-13 with 562 metres of 0.54% copper and 0.25 grams/tonne gold. Results from the remaining 10 holes drilled this season were announced during the second quarter 2011 and included LH-16 with 701 metres of 0.67% copper and 0.30 grams/tonne gold and LH-17 with 700 metres of 0.58% copper and 0.33 grams/tonne gold, LH 20 with 312 meters of 0.73% copper and 0.35 grams/tonne gold, LH 23 with 216.7 metres of 0.70% copper and 0.44 grams/tonne gold and LH 24 with 728 meters of 0.55% copper and 0.24 grams/tonne gold.

The length and grade of the intercepts announced this season are considered to be encouraging and indicative of a significant copper-gold system at Los Helados. An extensive infill and step out drill program for 2011-2012 has been agreed with JOGMEC and is expected to begin upon receipt of drilling permits expected in late 2011. The objective of the program is to do enough drilling to permit the calculation of an initial resource for Los Helados. Both parties have agreed to fund next year (2011-2012) exploration program pro-rata to their ownership interest.

The Vicuna project includes several copper gold targets that have been explored in the past including: Filo del Sol where previous drilling has identified 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 late 2011.

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 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 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 expected to include geophysics and drilling is planned to begin in the fourth quarter of 2011.

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 quarter. 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 March, 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 meters 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% working 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 expects to receive drill results from Teck during the fourth quarter of 2011. The exploration program was 100% funded by Teck.

AFRICAN PROJECTS

Mogoraib, Kerkebet, Shukula and Lelit, Eritrea

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

The Company's most advanced project is the Hambok deposit located in the Mogoraib License which has a NI 43-101 compliant 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.

This report is filed under the Company's profile on SEDAR. 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. The objective of the holes was to confirm the grade and thickness of mineralization in the northern part of the deposit where existing drill spacing is wide. Infill drilling on the Hambok deposit will restart in November, 2011 and is part of work required to keep the exploration license in good standing.

The Company's Kerkebet license hosts additional volcanogenic massive sulphide prospects the most significant of which is the Aradaib prospect discovered in 2010. Highlights from drilling at Aradaib, completed in 2010 include: ARD-10-001, which tested a gossan outcrop highly anomalous in gold, copper, zinc, silver and lead returning a 17 metre interval of massive and semi-massive sulphides including: 10 metres @ 1.22% Zn, 1.89% Cu, 0.92 g/t Au, 21 g/t Ag and a consecutive zinc rich interval of 7m 15.15% Zn, 0.99% Cu, 0.32 g/t Au, 33 g/t Ag. Two holes (ARD-10-03 and 04) confirmed the projected down plunge and down dip extensions of the massive sulfides intersected in ARD-10-01. ARD-10-03 tested 30 metres down plunge from the mineralization in ARD-10-01 and returned 13.0 metres grading 5.59% Zn, 3.31% Cu, 1.85g/t Au and 46g/t Ag from a 24.4 metre intersection of massive sulfide and stringer mineralization. ARD-10-04 drilled on the same section as ARD-10-01 but intersecting the zone 25 metres deeper, returned 4.0 metres grading 0.31% Zn, 3.49% Cu, 0.68 g/t Au and 38 g/t Ag from massive sulfides at 108 metres and 7.0 metres at 1.70% Zn, 2.70% Cu, 0.82 g/t Au and 26 g/t Ag from 118 metres.

A high resolution helicopter-borne electromagnetic, magnetic, and radiometric (VTEM) survey covering 700 square kilometres was completed in December 2010. The survey covered the Company's exploration licenses in Western Eritrea. The survey done by Geotech Airborne Surveys, South Africa and was designed to identify buried massive sulfide mineralization. Targets on the Kerkebet license will be tested once infill drilling on Hambok is complete.

Bada Potash License, Eritrea

The Company owns 100% of the Bada Potash Exploration License located in the Danakil Depression in Eritrea. This large license, encompassing over 431 square kilometres, is located 30 kilometres inland from the Red sea port of Mersa Fatma and 150 kilometres southeast of the capital city of Asmara.

The Bada license is situated within the northern portion of an evaporite basin extending southward into Ethiopia, where exploration in the 1960's resulted in the discovery of the large Crescent and Musley potash and sylvite deposits.

The Danakil Depression is known to continue northeast from Colluli and is believed to have potential for potash-bearing beds on the Bada license. However, only very limited historical exploration work has been done in the license area to date. Initial reconnaissance at Bada by NGEx found extensive shallow alluvium cover, young volcanic rocks or recent marine evaporites, with potential for potash-bearing rocks under much of the license area.

During the quarter the Company completed four drill holes totalling 200 meters on the Bada license. Drilling was slowed by extremely hot weather and deeper than anticipated overburden. The first four holes were not able to get through the overburden. After a break in September to upgrade the drill rig's capacity to drill overburden and to wait for slightly cooler temperatures drilling resumed in October and is ongoing. The objective of this initial phase of drilling is to test the shallower portions of the basin for potash mineralization.

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 QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09
	IFRS Basis							CDN GAAP Basis
A. Exploration Expenses, net of recoveries (\$000's)	1,591	2,589	3,483	1,735	1,143	1,741	1,853	1,181
B. Net income (loss) (\$000's)	(1,858)	(3,463)	(4,273)	522	(1,414)	(2,315)	(2,773)	7,395
C. Basic and diluted income (loss) per share (\$)	(0.01)	(0.02)	(0.03)	0.01	(0.01)	(0.02)	(0.02)	0.05

The quarter ending December 31, 2009 is stated under Canadian GAAP, whereas the remaining quarters are stated under IFRS.

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 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 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.

The net income for the fourth quarter ended December 2009 is primarily due to the gain realised from the sale of the Company's subsidiaries which held the option on the Caballo Blanco property.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$1.9 million or (\$0.01) per share for the quarter ended September 30, 2011 compared to a loss of \$1.4 million or (\$0.01) per share for 2010. The net loss for the nine months ended September 30, 2011 was \$9.6 million or (\$0.06) per share compared to a net loss of \$6.5 million or (\$0.04) per share for the nine months ended September 30, 2010. The large increase in loss for the quarter and the nine months ended September 30, 2011 is primarily due to increased exploration expenditures. This 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. For the nine months ended September 30, 2011 promotion and public relations increased over last year due to an analyst trip to South America in the second quarter of 2011.

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 September 30, 2011, the Company had cash of \$11.8 million and working capital of \$11.7 million as compared to cash and working capital of \$23.3 million and \$19.7 million, respectively, at December 31, 2010.

Net cash used in operating activities was \$12.5 million for the nine months ended September 30, 2011 and consisted primarily of the loss from operations of \$9.6 million, which included exploration expenditures of \$7.7 million and adjusted for the impact of non-cash items and changes in non-cash working capital items.

Cash used in investing activities was \$0.7 million, which included the option payments for the Tamberias and Paramillos properties and equipment purchases.

Cash flow from financing activities was \$1.7 million, which comprised of proceeds from the exercise of stock options.

Based on the Company's financial position at September 30, 2011 and the completion of the private placement for gross proceeds of \$27 million subsequent to September 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 budget is focused on large scale copper, gold, and potash targets that demonstrate the potential for world class discoveries. The Company's 2010-2011 exploration program was very successful, and resulted in a potentially significant copper-gold discovery at Los Helados. Exploration in South America was suspended for the third quarter due to the onset of the southern hemisphere winter and will resume in the fourth quarter of 2011.

In Eritrea drilling on the potash projects is ongoing, with any significant results to be released as they become available. A \$4.5 million exploration program funded by Teck was completed during the third quarter on the Company's GJ/Kinaskan project in northern BC. Final results are expected to be received during the fourth quarter 2011.

Preparations are underway for an extensive infill and step out drilling program at Los Helados and Jose Maria as well as exploration drilling at Filo del Sol. These drill programs are expected to start in the fourth quarter of 2011 and are expected to total up to 60,000 metres of drilling-note that this is the Company's current best estimate of the number of metres required to test targets and define resources. 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")

The Company has prepared its September 30, 2011 interim consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants, which changed to IFRS with an effective transition date of January 1, 2010, including IFRS 1, *First-time adoption of international financial reporting standards*, and IAS 34, *Interim financial reporting*. 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 unaudited interim 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 period presented, as if these policies had always been in effect. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The Company's IFRS accounting policies are disclosed in Note 2 to the unaudited interim consolidated financial statements. 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 interim 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 has started the process of 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. The Company is currently evaluating the impact of IFRS 7 amendment.

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 application of certain accounting policies requires the Company to make estimates based on assumptions that may be undertaken at the time the accounting estimate is made. For a complete discussion of accounting estimates deemed most critical by the Company, refer to the Company's annual 2010 Management's Discussion and Analysis.

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2011, the Company incurred:

(a) management fees of \$405,000 (2010 - \$405,000) 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 September 30, 2011, \$2,794 (December 31, 2010 - \$11,005) was due to this company and included in amounts due to related parties.

(b) \$3,376 (2010 - \$11,894) for technical services to Lundin Mining Corporation, a company related by directors in common. At September 30, 2011, \$nil (December 31, 2010, \$23,829) was due to this company in respect of technical services incurred.

(c) \$91,800 (2010 -\$nil) of aircraft chartered service from Mile High Holdings Ltd, a company associated with the Chairman of the Company.

OUTSTANDING SHARE DATA

As at November 10, 2011, the Company had 148,969,460 common shares outstanding and 3,419,123 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 from the Banco Central de la Republica 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.

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 internal control over financial reporting.

There have been no changes in the Company's disclosure controls and procedures during the nine months ended September 30, 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 in accordance with generally accepted accounting principles. 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 errors and frauds.

There have been no changes in the Company's internal control over financial reporting during the nine months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

There have been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's 2010 annual MD&A filed on June 30, 2011.

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, 2010 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.

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

	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>	<u>January 1,</u> <u>2010</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 11,799,859	\$ 23,265,174	\$ 14,240,947
Investments	-	-	6,308,223
Receivables	65,255	44,667	5,114,646
Prepaid expenses	625,348	197,949	388,612
Due from joint venture partners	484,440	10,660	15,513
	<u>12,974,902</u>	<u>23,518,450</u>	<u>26,067,941</u>
Equipment, net (Note 5)	360,437	197,447	290,179
Mineral properties (Note 4(b),6)	22,874,446	22,474,295	23,649,657
Other non-current assets	8,000	43,500	43,500
	<u>\$ 36,217,785</u>	<u>\$ 46,233,692</u>	<u>\$ 50,051,277</u>
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	\$ 1,153,181	\$ 2,048,306	\$ 973,568
Due to related parties (Note 10)	2,794	34,833	147,155
Due to joint venture partners	70,933	1,782,273	613,339
	<u>1,226,908</u>	<u>3,865,412</u>	<u>1,734,062</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share Capital (Note 7)	154,022,412	151,762,620	151,480,754
Reserved for issuance	1,290	1,290	1,290
Contributed surplus	3,869,527	3,866,395	2,986,094
Cumulative deficit (Note 4 (b))	(121,730,673)	(112,136,981)	(106,158,921)
Accumulated other comprehensive income (Note 4(b))	(1,171,679)	(1,125,044)	7,998
	<u>34,990,877</u>	<u>42,368,280</u>	<u>48,317,215</u>
	<u>\$ 36,217,785</u>	<u>\$ 46,233,692</u>	<u>\$ 50,051,277</u>
Subsequent event (Note 13)			

Approved by the Board of Directors

/s/William A. Rand
Director

/s/Wojtek A. Wodzicki
Director

The accompanying notes are an integral part of these financial statements

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Expenses				
Exploration and project investigation (Note 9)	\$ 1,591,173	\$ 1,143,244	\$ 7,663,574	\$ 4,737,257
General and Administration:				
Management fees	135,000	135,000	405,000	405,000
Office and general	7,696	8,586	64,822	93,760
Professional fees	66,349	26,977	181,511	137,117
Promotion and public relations	24,768	4,349	223,801	37,752
Donation	-	10,000	106,000	10,000
Stock exchange and filing fees	1,112	65	70,375	35,614
Transfer agent and shareholder information	12,656	13,098	30,643	33,171
Travel	1,595	7,040	33,272	28,694
Employee benefits (Note 10)	114,884	125,694	311,300	801,947
Share-based payments	139,294	34,361	452,630	631,528
Operating loss	2,094,527	1,508,414	9,542,928	6,951,840
Other (income) expenses				
Interest income	(97,227)	(50,965)	(119,593)	(151,662)
Foreign exchange loss (gain)	(134,092)	(109,308)	29,585	99,117
Other expenses	32,238	41,252	179,934	151,827
Gain on sale of subsidiaries	(39,162)	-	(39,162)	(682,332)
Write-off of mineral property interests	-	24,555	-	132,555
Net loss for the period	1,856,284	1,413,948	9,593,692	6,501,345
Other comprehensive loss				
Unrealized (gain) on investments	-	(945,000)	-	(486,779)
Cumulative foreign currency translation adjustment	(786,716)	314,017	46,634	691,430
Comprehensive loss for the period	\$ 1,069,568	\$ 782,965	\$ 9,640,326	\$ 6,705,996
Basic loss per common share	\$ 0.01	\$ 0.01	\$ 0.06	\$ 0.04
Diluted loss per common share	\$ 0.01	\$ 0.01	\$ 0.06	\$ 0.04
Weighted average number of shares outstanding	148,679,577	146,901,649	148,094,248	146,899,604
Diluted weighted average number of shares outstanding	148,679,577	146,901,649	148,094,248	146,899,604

The accompanying notes are an integral part of these financial statements

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

	For the nine Months Ended September 30, 2011	For the nine Months Ended September 30, 2010
Cash flows used in operating activities		
Net loss for the period	\$ (9,593,692)	\$ (6,501,345)
Items not affecting cash		
Depreciation	28,644	82,865
Share-based payments expense	596,455	775,992
Gain on sale of subsidiaries	(39,162)	(682,332)
Write-off of mineral property interests	-	132,555
	<u>(9,007,755)</u>	<u>(6,192,264)</u>
Changes in non-cash working capital items		
Trade receivable and other	(357,388)	67,911
Trade payable and other	(895,125)	192,329
Due to related parties	(32,039)	(144,874)
Advances from/(to) joint venture partners	(2,185,120)	(663,472)
	<u>(12,477,427)</u>	<u>(6,740,370)</u>
Cash flows from financing activities		
Common shares issued, net	1,666,469	22,757
	<u>1,666,469</u>	<u>22,757</u>
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	(441,970)	(207,310)
Collection of accounts receivable from sale of subsidiaries	-	5,077,004
Purchase of equipment	(287,049)	-
Other assets	35,500	-
	<u>(654,357)</u>	<u>5,082,026</u>
Decrease in cash	(11,465,315)	(1,635,587)
Cash and cash equivalents, beginning of the period	23,265,174	14,240,947
Cash and cash equivalents, end of the period	<u>\$ 11,799,859</u>	<u>\$ 12,605,360</u>

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

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

	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	1,881,561	-	2,259,792	-	(593,323)	-	-	1,666,469
Stock-based compensation	-	-	-	-	596,455	-	-	596,455
Effects of foreign translation	-	-	-	-	-	(843,662)	-	(843,662)
Loss for the period	-	-	-	-	-	-	(9,593,692)	(9,593,692)
Balance September 30, 2011	148,969,460	20,348	\$ 154,022,412	\$ 1,290	\$ 3,869,527	\$ (1,968,706)	\$ (121,730,673)	\$ 34,193,850
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	42,937	-	33,001	-	(10,244)	-	-	22,757
Stock-based compensation	-	-	-	-	775,992	-	-	775,992
Unrealized gain on investments	-	-	-	-	-	486,779	-	486,779
Effects of foreign translation	-	-	-	-	-	(691,430)	-	(691,430)
Loss for the period	-	-	-	-	-	-	(6,501,344)	(6,501,344)
Balance September 30, 2010	146,901,649	20,348	\$ 151,513,754	\$ 1,290	\$ 3,751,842	\$ (196,653)	\$ (112,660,266)	\$ 42,409,967

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

NGEx Resources Inc.
Notes to Unaudited Interim Consolidated Financial Statements
September 30, 2011
(All amounts expressed in Canadian Dollars, unless otherwise stated.)

1. NATURE OF OPERATIONS

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

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

These consolidated 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.

2. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Company prepared its financial statements in accordance with Canadian Generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim consolidated financial statements. In these financial statements, the term 'Canadian GAAP' refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout the period presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, results of operations and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 10, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP financial statements for the year ended December 31, 2010.

The Companies IFRS accounting policies were disclosed in Note 2 of the condensed interim consolidated financial statements for the period ending March 31, 2011.

3. NEW IFRS 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 has started the process of 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. The Company is currently evaluating the impact of IFRS 7 amendment.

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*.

NGEx Resources Inc.
Notes to Unaudited Interim Consolidated Financial Statements
September 30, 2011
(All amounts expressed in Canadian Dollars, unless otherwise stated.)

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.

NGEx Resources Inc.
Notes to Unaudited Interim Consolidated Financial Statements
September 30, 2011
(All amounts expressed in Canadian Dollars, unless otherwise stated.)

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 nine months period ended September 30, 2010, the impact was a decrease in mineral properties of \$705,927 and an increase in plant and equipment of \$14,497. 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.

During the preparation of the interim consolidated financial statements for the nine months period ending September 30, 2011, the Company determined that the purchase price excess amounts relating to the acquisition of mineral properties in 2009 had been excluded from the foreign exchange adjustments on conversion to IFRS as presented in the Company's interim consolidated financial statements for the periods ended March 31 and June 30, 2011. In addition, the Company determined that the unrealized gain on investments of \$486,000 reported for the three months ended September 30, 2010 should have been \$945,000. The information presented in these interim consolidated financial statements reflects the adjustments required for these items. Mineral properties, comprehensive income/loss, cumulative deficit, cumulative foreign currency translation adjustments under IFRS after adjustment for these purchase price excess amounts, are as follows:

NGEx Resources Inc.
Notes to Unaudited Interim Consolidated Financial Statements
September 30, 2011
(All amounts expressed in Canadian Dollars, unless otherwise stated.)

	As previously reported IFRS	Foreign Exchange Adjustment	Adjusted amount IFRS
Consolidated balance sheets			
Mineral properties			
March 31, 2011	\$ 26,056,074	\$ (4,308,925)	\$ 21,747,149
June 30, 2011	\$ 26,058,584	\$ (4,210,492)	\$ 21,848,092
December 31, 2010	\$ 25,887,548	\$ (3,413,253)	\$ 22,474,295
January 1, 2010	\$ 25,961,365	\$ (2,311,708)	\$ 23,649,657
Cumulative deficit			
March 31, 2011	\$ (114,098,267)	\$ (2,311,708)	\$ (116,409,975)
June 30, 2011	\$ (117,561,156)	\$ (2,311,708)	\$ (119,872,864)
December 31, 2010	\$ (109,825,273)	\$ (2,311,708)	\$ (112,136,981)
January 1, 2010	\$ (103,847,213)	\$ (2,311,708)	\$ (106,158,921)
Accumulated other comprehensive income (loss)			
March 31, 2011	\$ (60,653)	\$ (1,997,217)	\$ (2,057,870)
June 30, 2011	\$ (59,611)	\$ (1,898,784)	\$ (1,958,395)
December 31, 2010	\$ (23,499)	\$ (1,101,545)	\$ (1,125,044)
Consolidated statements of comprehensive income (loss)			
Cumulative foreign currency translation adjustment for the			
Three months ended			
March 31, 2011	\$ 37,154	\$ 895,672	\$ 932,826
March 31, 2010	\$ 26,725	\$ 805,724	\$ 832,449
June 30, 2011	\$ (6,694)	\$ (98,433)	\$ (105,127)
June 30, 2010	\$ (37,548)	\$ (417,488)	\$ (455,036)
Six months ended			
June 30, 2011	\$ 36,111	\$ 797,239	\$ 833,350
June 30, 2010	\$ (10,823)	\$ 388,236	\$ 377,413
Comprehensive loss (income) for the			
Three months ended			
March 31, 2011	\$ 4,310,148	\$ 895,672	\$ 5,205,820
March 31, 2010	\$ 2,802,616	\$ 805,724	\$ 3,608,340
June 30, 2011	\$ 3,456,195	\$ (98,433)	\$ 3,357,762
June 30, 2010	\$ 2,732,178	\$ (417,488)	\$ 2,314,690
Six months ended			
June 30, 2011	\$ 7,771,994	\$ 797,239	\$ 8,569,233
June 30, 2010	\$ 5,534,793	\$ 388,236	\$ 5,923,029

NGEx Resources Inc.
Notes to Unaudited Interim Consolidated Financial Statements
September 30, 2011
(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			September 30, 2010			January 1, 2010		
	Cdn		IFRS	Cdn		IFRS	Cdn		IFRS
	GAAP	Adjustment		GAAP	Adjustment		GAAP	Adjustment	
Assets									
Current assets									
Cash and cash equivalents	\$ 23,265,174	\$ -	\$ 23,265,174	\$ 12,605,360	\$ -	\$ 12,605,360	\$ 14,240,947	\$ -	\$ 14,240,947
Investments	-	-	-	7,365,000	-	7,365,000	6,308,223	-	6,308,223
Trade receivables	44,667	-	44,667	45,738	-	45,738	5,114,646	-	5,114,646
Prepaid expenses	197,949	-	197,949	312,605	-	312,605	388,612	-	388,612
Due from joint venture partners	10,660	-	10,660	65,646	-	65,646	15,513	-	15,513
	<u>23,518,450</u>	<u>-</u>	<u>23,518,450</u>	<u>20,394,349</u>	<u>-</u>	<u>20,394,349</u>	<u>26,067,942</u>	<u>-</u>	<u>26,067,942</u>
Equipment, net	344,850	(147,403)	197,447	379,790	(157,979)	221,811	462,655	(172,476)	290,179
Mineral properties	26,055,764	(3,581,469)	22,474,295	26,055,764	(3,137,279)	22,918,485	26,081,009	(2,431,352)	23,649,657
Other assets	43,500	-	43,500	43,500	-	43,500	43,500	-	43,500
Total Assets	<u>\$ 49,962,564</u>	<u>\$ (3,728,872)</u>	<u>\$ 46,233,692</u>	<u>\$ 46,873,403</u>	<u>\$ (3,295,258)</u>	<u>\$ 43,578,145</u>	<u>\$ 52,655,106</u>	<u>\$ (2,603,828)</u>	<u>\$ 50,051,278</u>
Liabilities									
Current liabilities									
Trade payables and accrued liabilities	\$ 2,048,306	\$ -	\$ 2,048,306	\$ 1,165,897	\$ -	\$ 1,165,897	\$ 973,568	\$ -	\$ 973,568
Due to related parties	34,833	-	34,833	2,281	-	2,281	147,155	-	147,155
Due to joint venture partners	1,782,273	-	1,782,273	-	-	-	613,339	-	613,339
	<u>3,865,412</u>	<u>-</u>	<u>3,865,412</u>	<u>1,168,178</u>	<u>-</u>	<u>1,168,178</u>	<u>1,734,063</u>	<u>-</u>	<u>1,734,063</u>
Equity attributable to shareholders									
Share Capital	151,762,620	-	151,762,620	151,513,754	-	151,513,754	151,480,754	-	151,480,754
Reserved for issuance	1,290	-	1,290	1,290	-	1,290	1,290	-	1,290
Contributed surplus	3,866,395	-	3,866,395	3,751,842	-	3,751,842	2,986,094	-	2,986,094
Cumulative deficit	(109,533,153)	(2,603,828)	(112,136,981)	(110,056,438)	(2,603,828)	(112,660,266)	(103,555,093)	(2,603,828)	(106,158,921)
Accumulated other comprehensive income (loss)	-	(1,125,044)	(1,125,044)	494,777	(691,430)	(196,653)	7,998	-	7,998
	<u>46,097,152</u>	<u>(3,728,872)</u>	<u>42,368,280</u>	<u>45,705,225</u>	<u>(3,295,258)</u>	<u>42,409,967</u>	<u>50,921,043</u>	<u>(2,603,828)</u>	<u>48,317,215</u>
Total Liabilities and equity	<u>\$ 49,962,564</u>	<u>\$ (3,728,872)</u>	<u>\$ 46,233,692</u>	<u>\$ 46,873,403</u>	<u>\$ (3,295,258)</u>	<u>\$ 43,578,145</u>	<u>\$ 52,655,106</u>	<u>\$ (2,603,828)</u>	<u>\$ 50,051,278</u>

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	Year ended			Three months ended			Nine months ended		
	December 31, 2010			September 30, 2010			September 30, 2010		
	Cdn GAAP	Adjustment	IFRS	Cdn GAAP	Adjustment	IFRS	Cdn GAAP	Adjustment	IFRS
Expenses									
Exploration and project investigation	\$ 6,471,818	\$ -	\$ 6,471,818	\$ 1,143,244	\$ -	\$ 1,143,244	\$ 4,737,257	\$ -	\$ 4,737,257
Management fees	540,000	-	540,000	135,000	-	135,000	405,000	-	405,000
Office and general	92,662	-	92,662	8,586	-	8,586	93,760	-	93,760
Professional fees	256,828	-	256,828	26,977	-	26,977	137,117	-	137,117
Promotion and public relations	60,793	-	60,793	4,349	-	4,349	37,752	-	37,752
Donation	35,000	-	35,000	10,000	-	10,000	10,000	-	10,000
Stock exchange and filing fees	35,724	-	35,724	65	-	65	35,614	-	35,614
Transfer agent and shareholder information	37,228	-	37,228	13,098	-	13,098	33,171	-	33,171
Travel	76,336	-	76,336	7,040	-	7,040	28,694	-	28,694
Wages and benefits	1,125,041	-	1,125,041	125,694	-	125,694	801,947	-	801,947
Stock based compensation	723,230	-	723,230	34,361	-	34,361	631,528	-	631,528
Operating loss	9,454,660	-	9,454,660	1,508,414	-	1,508,414	6,951,840	-	6,951,840
Other (income) expenses									
Interest income	(185,778)	-	(185,778)	(50,965)	-	(50,965)	(151,662)	-	(151,662)
Foreign exchange (gain) loss	109,762	-	109,762	(109,308)	-	(109,308)	99,117	-	99,117
Other expenses (income)	192,248	-	192,248	41,252	-	41,252	151,827	-	151,827
Gain on sale of subsidiaries	(682,332)	-	(682,332)	-	-	-	(682,332)	-	(682,332)
Write-off of mineral property interests	132,555	-	132,555	24,555	-	24,555	132,555	-	132,555
Net loss for the period	5,978,059	-	5,978,059	1,413,948	-	1,413,948	6,501,345	-	6,501,345
Other comprehensive loss (income)									
Unrealized (gain) on investments	-	-	-	(945,000)	-	(945,000)	(486,779)	-	(486,779)
Cumulative foreign currency translation adjustment	-	1,125,044	1,125,044	-	314,017	314,017	-	691,430	691,430
Comprehensive loss for the year	\$ 5,986,057	\$ 1,125,044	\$ 7,111,101	\$ 468,948	\$ 314,017	\$ 782,965	\$ 6,014,566	\$ 691,430	\$ 6,705,996

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5. EQUIPMENT

	Furniture and office equipment	Field equipment	Vehicles	Leasehold Improvements	Total
Cost	\$	\$	\$	\$	\$
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	-	-	13,450	183,000	196,450
Disposals and other	(544)	-	(16,467)	-	(17,011)
Effect of changes in foreign exchange rates	(8,444)	(8,514)	(1,089)	-	(18,047)
As at September 30, 2011	313,812	316,456	40,451	183,000	853,719
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	14,639	7,819	4,662	1,525	28,645
Disposals and other	(544)	-	(16,467)	-	(17,011)
Effect of changes in foreign exchange rates	(7,993)	(4,945)	(294)	-	(13,232)
As at September 30, 2011	297,051	183,784	10,922	1,525	493,282
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 September 30, 2011	16,761	132,672	29,529	181,475	360,437

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6. MINERAL PROPERTIES

The carrying value of the Company's mineral properties is summarized as follows:

	Canada (Note (a))		South America (Note (b))					Africa (Note (c))	Total
	GJ/Kinaskan	Zymo	Josemaria	Los Helados	Lirio	Paramillos	Tamberias	Hambok	
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	197,320	-	441,970
Effect of changes in foreign exchange rates	-	-	(174,401)	(258,406)	1,706	20,115	9,260	359,907	(41,819)
At September 30, 2011	136,997	-	8,047,132	2,584,058	56,437	470,803	206,580	11,372,439	22,874,446

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 subject to an earn in.

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 for a term of 25 years.

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.

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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) Vicuna Joint Exploration Agreement (“Vicuna JEA”), Argentina and Chile

The Vicuna JEA covers a large land package located in Argentina and Chile (the “Vicuna 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 Vicuna 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-Vicuna Portion is that part of the Lirio Property which forms part of the Vicuna 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 subject to a 40% earn-in interest 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) Vicuna Property: The Company holds a 45% participating interest, 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 Vicuna 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, 2009, the Company has paid an accumulated amount of US\$150,000. All option payments are on hold since the property was put under force majeure in April 2007. If the interest is earned then the Company will hold a 60% interest and Jogmec will hold a 40% interest.

The remainder of the property, including the Los Helados project in Chile, subject to the Vicuna JEA was acquired by staking and is held directly by the partners.

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(ii) Jose Maria Joint Exploration Agreement (“Josemaria JEA”), Argentina

The Josemaria JEA is an agreement dated March 16, 2009 whereby Jogmec has the option to earn a 40% of the Company's interest in the two properties (Lirio Property-Jose Maria Portion and Batidero) that jointly comprise Jose Maria.

Jogmec can earn its interest by: paying the Company US\$1 million (paid) and making US\$6.13 million (US\$3.2 million spent to December 31, 2010; US\$1.7 million spent to December 31, 2009) in exploration expenditures over three years. If Jogmec earns its interest, the partners will fund ongoing expenditure pro-rata to their ownership interest.

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.

(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:

- (a) The Company holds four exploration licenses, Mogoraib, Kerkebet, Shukula and Lelit 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.
- (b) The Company also holds the Bada Potash exploration license located in the Danakil Depression in Eritrea. This license is located 30 kilometres inland from Red Sea port of Mersa Fatma and 150 kilometres southeast of the capital city of Asmara.

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(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 three and nine months period ended September 30, 2011.

7. SHARE CAPITAL

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

8. 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 nine months period ended September 30, 2011, the Company granted 905,000 (2010 – nil) share options to officers, employees, directors and other eligible persons at exercise prices of \$1.52 to \$3.42 per share expiring September 1, 2014.

The weighted average fair value of the options granted in the period was estimated at \$1.32 (2010 - \$nil) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	September 30, 2011	December 31, 2010
Dividend yield	0%	0%
Risk free interest rate	1.57%	2.12%
Expected life	3 years	5 years
Expected volatility (i)	81.33%	74.46%

(i) A share-based compensation cost of \$880,995 for the options granted in the nine months period ended September 30, 2011 (2010 - \$nil) will be amortized over the vesting period of which \$394,727 was recognized in the nine months ended September 30, 2011 (2010 - \$nil).

The total share-based compensation for the nine months period ended September 30, 2011 was \$596,455 (2010 - \$775,992) of which \$452,630 (2010 - \$631,528) has been allocated to Administration expenses and \$143,825 (2010 - \$144,464) to Project investigation and exploration expenses.

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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:

	<u>Number of Shares</u>	<u>Weighted average exercise price \$</u>
Outstanding at January 1, 2010	7,321,289	1.12
Granted	225,000	0.72
Exercised	(229,187)	0.80
Forfeited/Expired	<u>(2,828,918)</u>	1.36
Outstanding at December 31, 2010	4,488,184	0.91
Granted	905,000	1.83
Exercised	(1,881,561)	0.89
Forfeited/Expired	<u>(92,500)</u>	0.70
Outstanding at September 30, 2011	<u>3,419,123</u>	1.18
Exercisable at September 30, 2011	<u>2,045,747</u>	1.07

The following summarized information about the stock options outstanding and exercisable at September 30, 2011:

Range of Exercise Prices (CDN\$)	Outstanding Options			Exercisable Options		
	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	2,156,450	3.19	0.70	1,499,324	3.17	0.70
\$1.31 - \$2.80	1,262,673	1.94	1.98	546,423	1.26	2.07
	<u>3,419,123</u>	2.73	1.18	<u>2,045,747</u>	2.66	1.07

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9. EXPLORATION AND PROJECT INVESTIGATION

	Canada	South America	Africa	Total
Exploration Expenditures for the nine months ended September 30, 2011				
Assaying/geochemical	\$ -	\$ 103,373	\$ 47,761	\$ 151,134
Camp costs (recovery)	-	157,733	(21,702)	136,031
Drilling	-	1,198,003	269,885	1,467,888
Environmental & community relations	-	87,195	-	87,195
Field office admin salaries	-	255,004	281,866	536,870
Field supplies and equipment	-	584,674	98,792	683,466
Technical/field salaries & consultants	-	577,132	343,529	920,661
Geological & geophysical	5,130	266,088	152,122	423,340
Roadwork/Trenching	-	735,897	-	735,897
Office general	-	59,204	129,067	188,271
Licenses , fees and access rights	980	345,247	698,491	1,044,718
Professional	-	119,405	18,783	138,188
Stock based compensation	-	95,426	48,399	143,825
Transport and travel	-	215,531	83,616	299,147
Value added taxes	-	706,943	-	706,943
Total for the period	\$ 6,110	\$ 5,506,855	\$ 2,150,609	\$ 7,663,574
Exploration Expenditures for the nine months ended September 30, 2010				
Assaying/geochemical	\$ -	\$ -	\$ 91,245	\$ 91,245
Camp costs	-	-	2,800	2,800
Drilling	-	699,096	209,831	908,927
Environmental & community relations	-	91,952	-	91,952
Expediting and project supervision	-	-	358,253	358,253
Field supplies and equipment	2,888	-	162,556	165,444
Technical/field salaries & consultants	-	87,659	406,198	493,857
Geological & geophysical	3,238	129,529	63,629	196,395
Roadwork/Trenching	-	319,090	1,585	320,675
Office general	-	314,101	107,027	421,128
Licenses , fees and access rights	38,063	220,264	18,862	277,188
Professional	-	491,644	45,592	537,236
Stock based compensation	-	90,394	54,070	144,464
Transport and travel	-	249,470	256,786	506,256
Value added taxes	-	221,437	-	221,437
Total for the period	\$ 44,188	\$ 2,914,636	\$ 1,778,432	\$ 4,737,257

10. RELATED PARTY TRANSACTIONS

(a) Related parties expenses

The Company incurred the following expenses with Namdo Management Services Limited ("Namdo") and Lundin Mining Corp ("Lundin"), companies related by way of directors and 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.

	Related Party	Three months ended September 30, 2011 \$	Three months ended September 30, 2010 \$	Nine months ended September 30, 2011 \$	Nine months ended September 30, 2010 \$
Management fee	Namdo	135,000	135,000	405,000	405,000
Leasehold Improvements	Namdo	183,000	-	183,000	-
Technical Services	Lundin	-	5,963	3,376	11,894
Aircraft charter	Mile	-	-	91,800	-
		318,000	140,963	683,176	416,894

(b) Related parties liabilities

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

Related Party	September 30, 2011 \$	December 31, 2010 \$
Namdo	2,794	11,005
Lundin	-	23,829
	2,794	34,834

(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. Key management personnel include the Company's executive officers, vice-presidents and members of its Board of Directors.

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The remuneration of key management personnel were as follows:

	Three months ended September 30, 2011 \$	Three months ended September 30, 2010 \$	Nine months ended September 30, 2011 \$	Nine months ended September 30, 2010 \$
Salaries	93,958	88,960	245,208	311,433
Short-term employee benefits	8,849	1,941	23,557	10,634
Severance payments	-	(1,578)	-	422,323
Share-based compensation	128,779	64,737	409,938	293,831
Total compensation of key management	231,586	154,060	678,703	1,038,221

11. SEGMENT 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	
	September 30, 2011 \$	December 31, 2010 \$	September 30, 2011 \$	December 31, 2010 \$	September 30, 2011 \$	December 31, 2010 \$
Canada	181,475	-	136,997	136,997	8,000	43,500
South America	178,962	197,446	11,365,010	11,324,766	-	-
Africa	-	-	11,372,439	11,012,532	-	-
	360,437	197,446	22,874,446	22,474,295	8,000	43,500

12. CONTINGENCIES

The Company's Argentine subsidiary, Desarrollo de Prospectos Mineros SA "DPM", has received a claim in January 2009 from the Banco Central de la Republica 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.

13. SUBSEQUENT EVENT

Subsequent to September 30, 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. Finders' fees totalling \$240,000 was paid in connection with the private placement. In addition, a donation of \$270,000 was made to Lundin Foundation, a charitable organization with directors in common, from the private placement proceeds.