SECOND QUARTER REPORT

JUNE 30, 2012

NGEX Resources Inc.

Q2 2012 Highlights

The Company is focused on its copper-gold projects in South America. A major exploration program that totaled more than 45,000 metres of drilling was completed during the second quarter. The principal objectives of this year's exploration program, which was the largest in the Company's history, were to generate an initial resource at Los Helados and to upgrade the existing inferred resource at Josemaria. The resource estimates are currently underway and are expected to be completed in the fourth quarter 2012.

The Company reported encouraging results from all three projects (Josemaria, Los Helados and Filo del Sol) during the current quarter. Significant results include additional long intercepts of copper-gold at Los Helados which significantly expanded the mineralized area laterally and to depth; intercepts of high grade supergene enriched mineralization at the northeast margin of the Josemaria resource that open a new area of exploration potential. At Filo del Sol, diamond drilling helped us to develop a much better understanding of the geology and identified a sub-horizontal zone of high grade copper and silver. Taken together the results from Los Helados and the nearby Josemaria and Filo del Sol projects have significantly enhanced the potential of all three projects and give the Company exposure to a very significant emerging copper-gold district.

Highlights from the second quarter of 2012 include:

South America

- Results from the drill program at its 60% owned Los Helados copper-gold project located in Chile. The drill program which was completed during the quarter comprised 22,143 metres in 26 holes. The objective of this year's drill program was to extend the previously known mineralization laterally and to depth in order to better quantify the size and grade of the deposit and to permit calculation of an initial resource later this year. Highlights from results released this quarter include: LHDH17A with 1,090m of 0.51% Cu and 0.26 gpt Au (0.69% CuEq*); LHDH27 with 1,013m of 0.47% Cu and 0.16 gpt Au (0.58% CuEq*) including 268m of 0.60% Cu and 0.16 gpt Au (0.71% CuEq*). Subsequent to the quarter end, on July 26, 2012 the company released the final batch of results from Los Helados. The highlight from this release was LHDH19A with 1,014 metres of 0.43% Cu and 0.17 gpt Au (0.55% CuEq*), including 256 metres of 0.64% Cu and 0.15 gpt Au (0.74% CuEq*). This year's drilling was successful in extending the mineralized zone laterally and to depth. The Company expects to complete an initial resource estimate in the fourth quarter of 2012.

- Results from the infill drill program at its 60% owned Josemaria copper-gold project located in San Juan Province, Argentina. The drill program which was completed in the first quarter of 2012 comprised 19,220 metres of diamond drilling in 30 holes. The objective of the infill drill program was to collect sufficient data to allow for an updated resource estimate to be completed, which is expected to convert some of the current inferred resource to the indicated category. Highlights from results released during the current quarter include: JMDH49 with 172 metres of 1.33% Cu and 0.36 g/t Au (1.57 CuEq*); and JMDH50 with 182 metres of 1.06% Cu, and 0.31 g/t Au (1.27% CuEq*). These highlighted holes are from a newly identified zone of supergene enriched mineralization located at the northeastern edge of the current drill pattern and open the resource area for possible extension in this direction. The Company expects to complete an updated resource estimate in the fourth quarter of 2012.

- Results from the first 4 of 6 diamond drill holes completed this year at its 60% owned Filo del Sol project located in San Juan Province, Argentina. The drill program which was completed during the current quarter totaled 1,846 metres in 6 holes. Most previous drilling at Filo del Sol was Reverse Circulation (RC) drilling. The objective of the 2012 drill program was to improve the Company's understanding of this large, complex mineralized system with the additional geological information provided by drill core instead of RC chips.

The diamond drill holes successfully confirmed the results of the historic RC drilling, and extended previously-known mineralization to depth. Highlights from results released during the current quarter include: FSDH02 with 222.5m of 0.46% Cu, 0.50 g/t Au, and 73.7 g/t Ag; including 36.0m of 0.53% Cu, 0.38 g/t Au, and 393.7 g/t Ag; FSDH03D with 97.6m of 1.45% Cu, 0.27 g/t Au, and 16.3 g/t Ag; including 24m of 3.41% Cu, 0.29 g/t Au, and 9.3 g/t Ag.

***Drillholes were composited based on a 0.3% CuEq cutoff. CuEq - Copper Equivalent calculated using US$3.00/lb copper and US$ 1,400/oz gold, with no provision for metallurgical recoveries**

Canada

- Teck Resources Limited has notified the Company that it plans a follow-up exploration program at the GJ Project in 2012 in which it is planning approximately 684 line kilometres of ZTEM airborne geophysical surveying and approximately 4,000 metres of drilling. Field work at GJ began in the third quarter.

Corporate

- On July 4, 2012 the Company announced that it and Namibian Copper had mutually agreed to terminate the Share Purchase Agreement (the “Agreement”) signed January 17, 2012 with respect to Namibian’s acquisition of the Company’s Eritrean Projects. The Company paid Namibian $400,000 to cover the costs incurred by Namibian in connection with the Agreement.

- Subsequent to the quarter end the Company entered into an Agreement to sell the Mogoraib Exploration License which covers the Hambok copper-zinc deposit to Bisha Mining Share Company for consideration of US$5,000,000. Additional consideration of US$7,500,000 will be payable within 10 business days of the commencement of commercial production from the Mogoraib Exploration License. The Agreement is subject to closing conditions including the approval of the transaction by the Eritrean Ministry of Energy and Mines. It is expected to close in the fourth quarter of 2012. Bisha Mining Share Company is owned by Nevsun Resources Inc. (TSX: NSU; NYSE: NSU) and Enamco (Eritrean National Mining Company) and operates the Bisha gold-copper mine located approximately 15 kilometres from the Hambok Deposit.

Outlook

The first half of 2012 saw strong exploration results from the Company’s key South American copper-gold projects and the divestment of its Eritrean project. This year’s South American exploration program was 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. We will be working on the resource estimates and updated NI 43-101 technical reports for Los Helados and Josemaria over the next few months and expect them to be completed by the fourth quarter 2012. Planning is underway for next season’s exploration programs which are expected to focus on following up this year’s encouraging results from Los Helados, Josemaria, and Filo del Sol.

NGEx RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED JUNE 30, 2012

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. The MD&A should be read in conjunction with the unaudited condensed consolidated financial statements for the six months ended June 30, 2012 and the December 31, 2011 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 dollar amounts are expressed in Canadian dollars, unless otherwise indicated. The effective date of this MD&A is August 7, 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.

SECOND QUARTER HIGHLIGHTS

During the three months ended June 30, 2012 there was active exploration on the Company's projects in Chile and Argentina including significant drill programs at Los Helados in Chile; as well as at Josemaria and Filo del Sol in Argentina. The South American drill programs are now complete and exploration is currently suspended for the South American winter. This season's exploration program included more than 45,000 metres of drilling and was the largest in the Company's history. The drilling successfully extended known mineralization at all three projects and the results are expected to lead to an initial resource estimate at Los Helados and updated resource at Josemaria later this year. Exploration is expected to resume in the fourth quarter of 2012. During the current quarter:

- The Company released further results from the drill program at its 60% owned Los Helados copper-gold project located in Chile. The drill program which was completed during the quarter comprised of 22,143 metres in 26 holes. The objective of this year's drill program was to extend the previously known mineralization laterally and to depth in order to better quantify the size and grade of the deposit and to permit calculation of an initial resource later this year. Highlights from results released this quarter include: LHDH17A with 1,090m of 0.51% Cu and 0.26 gpt Au (0.69% CuEq*); LHDH27 with 1,013m of 0.47% Cu and 0.16 gpt Au (0.58% CuEq*) including 268m of 0.60% Cu and 0.16 gpt Au (0.71% CuEq*). Subsequent to the quarter end, on July 26, 2012 the Company released the final batch of results from Los Helados. The highlight from this release was LHDH19A with 1,014 metres of 0.43% Cu and 0.17 gpt Au (0.55% CuEq*), including 256 metres of 0.64% Cu and 0.15 gpt Au (0.74% CuEq*). This year's drilling was successful in extending the mineralized zone laterally and to depth. The Company expects to complete an initial resource estimate in the fourth quarter of 2012.

- The Company released further results from the infill drill program at its 60% owned Josemaria copper-gold project located in San Juan Province, Argentina. The drill program which was completed in the first quarter of 2012 comprised 19,220 metres of diamond drilling in 30 holes. The objective of the infill drill program was to collect sufficient data to allow for an updated resource estimate to be completed, which is expected to convert some of the current Inferred resource to the Indicated category. Highlights from results released during the current quarter include: JMDH49 with 172 metres of 1.33% Cu and 0.36 g/t Au (1.57 CuEq*); and JMDH50 with 182 metres of 1.06% Cu, and 0.31 g/t Au (1.27% CuEq*). These highlighted holes are from a newly identified zone of supergene enriched mineralization located at the northeastern edge of the current drill pattern and open the resource area for possible extension in this direction. The Company expects to complete an updated resource estimate in the fourth quarter of 2012.

- The Company released results from the first 4 of 6 diamond drill holes completed this year at its 60% owned Filo del Sol project located in San Juan Province, Argentina. The drill program which was completed during the current quarter totaled 1,846 metres in 6 holes. Most previous drilling at Filo del Sol was Reverse Circulation (RC) drilling. The objective of the 2012 drill program was to improve the Company's understanding of this large, complex mineralized system with the additional geological information provided by drill core instead of RC chips. The diamond drill holes successfully confirmed the results of the historic RC drilling, and extended previously-known mineralization to depth. Highlights from results released during the current quarter include: FSDH02 with 222.5m of 0.46% Cu, 0.50 g/t Au, and 73.7 g/t Ag; including 36.0m of 0.53% Cu, 0.38 g/t Au, and 393.7 g/t Ag; FSDH03D with 97.6m of 1.45% Cu, 0.27 g/t Au, and 16.3 g/t Ag; including 24m of 3.41% Cu, 0.29 g/t Au, and 9.3 g/t Ag.

- The Company reached an agreement with Goldgroup Mining Inc. whereby the Company agreed to terminate and extinguish the 1.5% Net Smelter Return Royalty that the Company held with respect to 70% of production from the Caballo Blanco Project in Mexico for consideration of $1 million cash and 2,200,000 common shares of Goldgroup. The transaction closed on April 11, 2012.

- The Company announced that it and Namibian Copper had mutually agreed to terminate the Share Purchase Agreement (the “Agreement”) signed January 17, 2012 with respect to Namibian’s acquisition of the Company’s Eritrean Projects. The Termination and Mutual Release Agreement was dated June 29, 2012. The Company paid Namibian $400,000 to cover the costs incurred by Namibian in connection with the Agreement.

- Subsequent to the quarter end, the Company entered into an Agreement to sell the Mogoraib Exploration License which covers the Hambok copper-zinc deposit to Bisha Mining Share Company for consideration of US$5 million. Additional consideration of US$7.5 million will be payable within 10 business days of the commencement of commercial production from the Mogoraib Exploration License. The Agreement is subject to closing conditions including the approval of the transaction by the Eritrean Ministry of Energy and Mines. It is expected to close in the fourth quarter of 2012.

***Drillholes were composited based on a 0.3% CuEq cutoff. CuEq - Copper Equivalent calculated using US$3.00/lb copper and US$ 1,400/oz gold, with no provision for metallurgical recoveries**.

SOUTH AMERICAN PROJECTS

Exploration on the Company’s South American projects resumed during the fourth quarter of 2011. Significant drill programs were underway during the first quarter of 2012 at Josemaria, Los Helados and Filo del Sol.

Josemaria Project, Argentina

Josemaria is a large copper/gold porphyry project located in San Juan Province, Argentina near the Vicuña group of properties described below. The project is being explored under a joint venture agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") and is owned 60% by the Company and 40% by JOGMEC. Each party funds its pro-rata share of expenditures. 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.

An infill drilling program was completed on March 8, 2012 with a total of 30 holes totaling 19,220 metres. Initial assay results were released during the first quarter of 2012 with additional results released during the current quarter. This program of infill drilling was planned in order to collect sufficient data to allow for an updated resource estimate to be completed, which is expected to convert some of the current Inferred resource to the Indicated category. Results released during the current quarter include JMDH49 with 172 metres of 1.33% Cu and 0.36 g/t Au (1.57 CuEq*); and JMDH50 with 182 metres of 1.06% Cu, and 0.31 g/t Au (1.27% CuEq*). These highlighted holes are from a newly identified zone of supergene enriched mineralization located at the northeastern edge of the current drill pattern and open the resource area for possible extension in this direction. The Company expects to complete an updated resource estimate in the fourth quarter of 2012. Preliminary metallurgical test work is also underway and results are expected to be available in the fourth quarter.

Vicuña Property (Los Helados and Filo del Sol Projects), 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. Los Helados and Filo del Sol are individual exploration projects within the overall Vicuña Property. 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 released further results from Los Helados and Filo del Sol during the current quarter.

At Los Helados, a drill program which included both infill and step-out drill holes was completed during the quarter with a total of 26 holes totaling 22,143 metres. The objective of this year's drill program was to extend the previously known mineralization laterally and to depth in order to better quantify the size and grade of the deposit and to permit calculation of an initial resource later this year. Highlights from results released this quarter include: LHDH17A with 1,090m of 0.51% Cu and 0.26 gpt Au (0.69% CuEq*); LHDH27 with 1,013m of 0.47% Cu and 0.16 gpt Au (0.58% CuEq*) including 268m of 0.60% Cu and 0.16 gpt Au (0.71% CuEq*). On July 26, 2012 the company released the final batch of results from Los Helados. The highlight from this release was LHDH19A with 1,014 metres of 0.43% Cu and 0.17 gpt Au (0.55% CuEq*), including 256 metres of 0.64% Cu and 0.15 gpt Au (0.74% CuEq*). This year's drilling was successful in extending the mineralized zone laterally and to depth. Copper-gold mineralization has now been intersected over an area of approximately 1000m east-west by 750 metres north-south and over a vertical interval of approximately 1000 metres. The Company expects to complete an initial resource estimate in the fourth quarter of 2012. Preliminary metallurgical test work is also underway and results are expected to be available in the fourth quarter.

The Vicuña Property covers several copper-gold targets in addition to Los Helados 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. Drilling during the first half of 2012 was focused on testing this high-sulphidation epithermal style of mineralization near surface and also testing for porphyry style mineralization at depth.

The drill program which was completed during the current quarter totaled 1,846 metres in 6 diamond drill holes. Most previous drilling at Filo del Sol was Reverse Circulation (RC) drilling. The objective of the 2012 drill program was to improve the Company's understanding of this large, complex mineralized system with the additional geological information provided by drill core instead of RC chips. The drill holes tested a 1.2 kilometres north-south section along the centre of the extensive alteration zone, and were completed to depths of between 120 and 500 metres. The diamond drill holes successfully confirmed the results of the historic RC drilling, and extended previously-known mineralization to depth. Highlights from results released during the current quarter include: FSDH02 with 222.5m of 0.46% Cu, 0.50 g/t Au, and 73.7 g/t Ag; including 36.0m of 0.53% Cu, 0.38 g/t Au, and 393.7 g/t Ag; FSDH03D with 97.6m of 1.45% Cu, 0.27 g/t Au, and 16.3 g/t Ag; including 24m of 3.41% Cu, 0.29 g/t Au, and 9.3 g/t Ag.

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 option payments totalling US$ 20,000,000 on or before September 30, 2020 of which US$2.8 million is payable on or before June 30, 2016, US$5 million on or before June 30, 2018 and US$10 million 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 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. No work was done at Tamberias during the quarter of 2012 due to the focus on the adjacent Filo del Sol property.

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 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.

Activities at Colmillos during the current quarter were concentrated on permitting and community relations. Drilling was deferred due to the focus on Los Helados and Filo del Sol.

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 metre 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. No work was done during the current quarter and follow-up work has been deferred while Company geologists focus on other projects.

NORTH AMERICAN PROJECTS

GJ/Kinaskan Project, Canada

The GJ/Kinaskan Property is located in northwest British Columbia, Canada, about 10 kilometres west of Highway 37 and 20 kilometres west of the Red Chris deposit, owned by Imperial Metals, which occurs in a similar geological setting.

The Company has a 100% interest subject to an earn-in option with Teck Resources Limited ("Teck") whereby Teck can earn up to a 75% interest by making exploration expenditures totalling $44 million by December 31, 2020.

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.

No field work was done during the current quarter due to the regular winter shutdown of exploration, however the Company was notified by Teck that it is planning a significant work program for the 2012 field season which started in July. Teck has notified the Company that its budget for GJ is $ 4.7 million and that the planned exploration program will include 3000-4000 m of drilling focused on the Wolf target with some drilling on GJ/Donnelly and/or the Seestor target depending on results of ground work this year. In addition a ZTEM airborne geophysical survey is being flown over the property area. The program will be 100% funded by Teck as part of it's earn in under the option agreement.

AFRICAN PROJECTS

Mogoraib (Hambok) Eritrea

The Company holds one exploration license, Mogoraib, which covers the strike extension of the rocks hosting Nevsun Resources' ("Nevsun") Bisha copper-zinc-gold deposit. 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.

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 an infill drilling program completed at Hambok by the Company during late 2011/early 2012. Further to a Termination and Mutual Release Agreement signed June 29, 2012 the Company and Namibian mutually agreed to terminate the Agreement and to release each other from any and all claims regarding the Agreement. The Company paid Namibian $400,000 to cover the costs incurred by Namibian in connection with the Agreement.

Subsequent to the termination of the agreement between the Company and Namibian, the Company wrote down the value of the Hambok mineral property to its net recoverable amount based on its fair value less costs to sell of approximately US$5 million. Accordingly, the Company has recorded a $2.8 million impairment loss on the Hambok mineral property as at June 30, 2012.

Subsequent to the quarter end, the Company entered into an Agreement to sell the Mogoraib Exploration License which covers the Hambok copper-zinc deposit to Bisha Mining Share Company for consideration of US$5 million. Additional consideration of US$7.5 million will be payable within 10 business days of the commencement of commercial production from the Mogoraib Exploration License. The Agreement is subject to closing conditions including the approval of the transaction by the Eritrean Ministry of Energy and Mines. It is expected to close in the fourth quarter of 2012.

SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	**Jun-12**	**Mar-12**	**Dec-11**	**Sep-11**	**Jun-11**	**Mar-11**	**Dec-10**	**Sep-10**
Exploration Expenses, net of recoveries ($000's)	7,757	11,618	4,490	1,591	2,589	3,483	1,735	1,143
Net income (loss) ($000's)	(9,324)	(12,597)	(9,479)	(1,858)	(3,463)	(4,273)	522	(1,414)
Basic and diluted income (loss) per share ($) (i)	(0.06)	(0.08)	(0.07)	(0.01)	(0.02)	(0.03)	0.01	(0.01)

(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.

As a result of encouraging drill results, exploration expenditures have been increasing due to increased level of activities on the Company's projects in South America.

The net loss for the second quarter ended June 30, 2012 included a further write down of $2.9 million in the carrying value of the Hambok property to its estimated net recoverable amount, offset by a gain of $2.8 million from the termination of a 1.5% Net Smelter Return Royalty that the Company held with respect to 70% of production from the Caballo Blanco Project in Mexico. (See MD&A - African projects).

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

The Company's loss for the quarter ended June 30, 2012 was $9.3 million or $(0.06) per share as compared to a loss of $3.5 million or $(0.02) per share for the three months ended June 30, 2011. The increase in loss of $5.8 million was primarily due to increased exploration expenditures of $5.2 million resulting from the Company's increased level of exploration activities on projects in South America due to encouraging results. Included in the loss for the quarter ended June 30, 2012 was a write-down of $2.9 million on the Hambok property to net recoverable amount, offset by a gain of $2.8 million from the termination of a 1.5% Net Smelter Return Royalty that the Company held with respect to 70% of production from the Caballo Blanco Project in Mexico.

Professional fees were higher for the quarter ended June 30, 2012 as this included the $400,000 payment to Namibian to cover the costs incurred by Namibian in connection with Termination and Mutual Release Agreement. Employee benefits costs were also higher for the quarter ended June 30, 2012 reflecting bonus payments to key management personnel and directors fees.

The net loss for the six months ended June 30, 2012 was $22.0 million or $(0.14) per share as compared to a loss of $7.7 million or $(0.05) share for the six months ended June 30, 2011. The increase in loss of $14.2 million was primarily due to increased exploration expenditures of $13.4 million resulting from the Company's increased level of exploration activities on its projects in South America due to encouraging results.

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.

During the period ended June 30, 2012, an unrealized loss of $858,000 was recorded in other comprehensive income in respect of investments at fair value based upon quoted market prices.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2012, the Company had cash of $16.5 million and working capital of $13.9 million as compared to cash and working capital of $41.3 million and $33.0 million, respectively, at December 31, 2011. The decrease in cash and working capital is primarily a result of exploration expenditures incurred.

Net cash used in operating activities was $25.7 million for the six months ended June 30, 2012 and consisted primarily of the loss from operations of $22.0 million, which included exploration expenditures of $19.4 million and was adjusted for the impact of non-cash items and changes in non-cash working capital items.

Cash from investing activities was $0.4 million relating to $1 million cash received on disposition of royalty interest offset by mineral property option payments.

Cash flow from financing activities was $0.4 million, which comprised of proceeds from the exercise of stock options.

Based on the Company's financial position at June 30, 2012 the Company believes that existing funds will be sufficient to meet existing obligations as they fall due 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. 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 was the largest in the Company's history and is expected to result in an initial resource estimate for Los Helados and an updated resource estimate for Josemaria.

Work on the resource estimates will continue during the third quarter and both are expected to be completed in the fourth quarter of 2012. Review of the results from this year as well a planning for follow-up drill programs at Los Helados, Josemaria, and Filo del Sol will continue during the third quarter. Drilling is expected to resume in the fourth quarter of 2012.

An extensive infill and step out drilling program at Josemaria was completed during the first quarter 2012 and data collection and interpretation is underway. This data will be used to complete a revised resource estimate for the Josemaria deposit which is scheduled to be completed during the fourth quarter 2012. Step out and infill drilling at Los Helados and exploration drilling at Filo del Sol were completed during the quarter. Teck has notified the Company that its exploration program at the GJ Project started in July 2012 and that approximately 684 line kilometres of ZTEM airborne geophysical surveying and approximately 4,000 metres of drilling is planned to be completed during the third quarter. The program will be 100% funded by Teck.

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. For a complete discussion of critical accounting estimates deemed most critical by the Company, refer to the Company's annual 2011 Management Discussion and Analysis.

RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2012, the Company incurred:

(a) management fees of $270,000 (2011 - $270,000) in respect of office facilities and administrative services from Namdo Management Services Ltd. ("Namdo"), a company controlled by a director. At June 30, 2012, $4,619 (December 31, 2011 - $13,754) was due to this company and included in amounts due to related parties.

(b) $54,856 (2011 -$nil) of aircraft chartered service from Mile High Holdings Ltd, a company associated with the Chairman of the Company.

(c) $33,500 (2011 - $nil) of director fees payable at June 30, 2012.

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 August 7, 2012, the Company had 158,463,643 common shares outstanding and 4,265,048 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, fair value through profit and loss, 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") 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 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. 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.

There have been no changes in the Company's disclosure controls and procedures during the six months ended June 30, 2012.

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. There have been no changes in the Company's internal control over financial reporting during the six months ended June 30, 2012 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 2011 annual MD&A filed March 22, 2012.

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.

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

	Note	June 30, 2012	December 31, 2011
ASSETS			
Current:			
Cash and cash equivalents		$ 16,471,643	$ 41,337,097
Investments	3	924,000	-
Receivables and other		342,737	758,917
		17,738,380	42,096,014
Non-current:			
Equipment, net	4	358,223	423,724
Mineral properties	5	16,658,390	19,442,632
Other assets		8,000	8,000
		$ 34,762,993	$ 61,970,370
LIABILITIES AND EQUITY			
Current:			
Trade payables and accrued liabilities		$ 2,982,610	$ 4,841,244
Due to related parties	10	36,808	13,754
Due to joint venture partners	5(b)(i)(ii)	849,481	4,240,082
		3,868,899	9,095,080
Share Capital	6, 7	181,281,132	180,786,894
Reserved for issuance		1,284	1,284
Contributed surplus		5,289,126	4,732,202
Cumulative deficit		(153,131,496)	(131,209,781)
Accumulated other comprehensive (loss) income		(2,545,952)	(1,435,309)
		30,894,094	52,875,290
		$ 34,762,993	$ 61,970,370
Subsequent event	13		

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.
Condensed Consolidated Statements of Comprehensive Loss
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	2012	2011	2012	2011
Expenses					
Exploration and project investigation	8	$ 7,757,205	$ 2,589,161	$ 19,375,194	$ 6,072,401
General and Administration:					
Management fees		135,000	135,000	270,000	270,000
Office and general		25,096	18,964	89,599	55,601
Professional fees	5	529,930	79,947	686,570	115,162
Promotion and public relations		33,747	132,692	113,251	199,033
Donation		-	-	119,000	106,000
Stock exchange and filing fees		45,267	24,887	76,423	69,263
Transfer agent and shareholder information		19,312	12,029	22,839	17,987
Travel		33,832	23,626	112,234	31,677
Employee benefits	10	469,075	96,938	600,070	196,416
Share-based payments		244,027	176,265	502,999	313,336
Operating loss		9,292,491	3,289,509	21,968,179	7,446,876
Other (income) expenses					
Interest income		16,114	(13,154)	(94,516)	(22,366)
Foreign exchange		(158,982)	62,068	(127,186)	163,677
Other expenses		94,777	124,466	95,322	147,696
Gain on disposition of royalty interest	9	(2,782,000)	-	(2,782,000)	-
Write-down of mineral property interests		2,861,916	-	2,861,916	-
Net loss		9,324,316	3,462,889	21,921,715	7,735,883
Other comprehensive loss					
Unrealized loss on investments		858,000	-	858,000	-
Cumulative foreign currency translation adjustment		(882,502)	(105,127)	252,643	833,350
Comprehensive loss		$ 9,299,814	$ 3,357,762	$ 23,032,358	$ 8,569,233
Net loss per common share attributed to NGEx shareholders:					
Basic		$ 0.06	$ 0.02	$ 0.14	$ 0.05
Diluted		$ 0.06	$ 0.02	$ 0.14	$ 0.05
Total weighted average number of shares outstanding					
Basic		158,386,653	148,185,935	158,270,493	147,796,732
Diluted		158,386,653	148,185,935	158,270,493	147,796,732

The accompanying notes are an integral part of these financial statements

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

	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011
Cash flows used in operating activities		
Net loss for the period	$ (21,921,715)	$ (7,735,883)
Items not affecting cash		
Depreciation	90,766	18,085
Share-based payments	671,464	426,383
Gain on disposition of royalty interest	(2,782,000)	-
Write-down of mineral property interests	2,861,917	-
	(21,079,568)	(7,291,415)
Changes in non-cash working capital items		
Trade receivable and other	416,180	41,945
Trade payable and other	(1,707,883)	(351,584)
Due to related parties	23,054	(11,764)
Advances to joint venture partners	(3,345,821)	(1,723,889)
	(25,694,038)	(9,336,707)
Cash flows from financing activities		
Exercise of stock options	379,698	1,320,365
	379,698	1,320,365
Cash flows from (used in) investing activities		
Mineral properties and related expenditures	(538,137)	(197,320)
Gain on disposition of royalty interest	1,000,000	-
Purchase of equipment	(30,187)	-
	431,676	(197,320)
Effect of foreign exchange rate change on cash and cash equivalents	17,210	-
Decrease in cash	(24,865,454)	(8,213,662)
Cash and cash equivalents, beginning of the period	41,337,097	23,265,174
Cash and cash equivalents, end of the period	$ 16,471,643	$ 15,051,512

The accompanying notes are an integral part of these financial statements

NGEx Resources Inc.
Condensed Consolidated 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, 2012	158,121,010	20,348	$ 180,786,894	$ 1,284	$ 4,732,202	$ (1,435,309)	$ (131,209,781)	52,875,290
Exercise of shares options	342,625	-	494,238	-	(114,540)	-	-	379,698
Stock-based compensation	-	-	-	-	671,464	-	-	671,464
Unrealized loss on investments	-	-	-	-	-	(858,000)	-	(858,000)
Effects of foreign currency translation	-	-	-	-	-	(252,643)	-	(252,643)
Loss for the period	-	-	-	-	-	-	(21,921,715)	(21,921,715)
Balance June 30, 2012	158,463,635	20,348	$ 181,281,132	$ 1,284	$ 5,289,126	$ (2,545,952)	$ (153,131,496)	$ 30,894,094
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	1,358,761	-	1,745,213	-	(424,848)	-	-	1,320,365
Stock-based compensation	-	-	-	-	426,383	-	-	426,383
Effects of foreign currency translation	-	-	-	-	-	(36,112)	-	(36,112)
Loss for the period	-	-	-	-	-	-	(7,735,883)	(7,735,883)
Balance June 30, 2011	148,446,660	20,348	$ 153,507,833	$ 1,290	$ 3,867,930	$ (1,161,156)	$ (119,872,864)	$ 36,343,033

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 2600 – 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

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2011.

The interim financial statements should be read in conjunction with the most recently issued Annual Report of NGEx Resources Inc. which includes information necessary or useful to understanding the Company's businesses and financial statement presentation. In particular, the Company's significant accounting policies were presented as Note 3 to the Consolidated Financial Statements for the fiscal year ended December 31, 2011 included in that report, and have been consistently applied in the preparation of these interim financial statements.

The interim financial statements are unaudited. Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These financial statements were authorized for issuance by the Board of Directors of the Company on August 7, 2012.

3. INVESTMENTS

Investments are classified as available for sale financial assets and are measured at fair value. Subsequent changes in carrying amount are recognized in Other Comprehensive Income.

Investments comprised of the 2.2 million shares of Goldgroup Mining Inc. ("Goldgroup") received in April 2012 as consideration for the termination of the Net Smelter Return Royalty Agreement. During the period ended June 30, 2012, an unrealized loss of $898,000 was recorded in other comprehensive income and the investment at fair value of $924,000 based upon quoted market prices. (See Note 9)

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

4. EQUIPMENT

Cost	Furniture and office equipment $	Field equipment $	Vehicles $	Leasehold Improvements $	Total $
As at January 1, 2011	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
Additions	-	30,187	-	-	30,187
Disposals and other				-	-
Effect of changes in foreign exchange rates	(15,096)	(13,629)	(1,946)	-	(30,671)
As at June 30, 2012	288,226	432,365	37,153	183,000	940,744
Accumulated depreciation					
As at January 1, 2011	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
Depreciation for the period	5,385	72,516	3,715	9,150	90,766
Effect of changes in foreign exchange rates	(15,926)	(9,201)	(622)	-	(25,749)
As at June 30, 2012	280,820	270,846	15,605	15,250	582,521
Net book amount					
As at December 31, 2011	11,961	208,276	26,587	176,900	423,724
As at June 30, 2012	7,406	161,519	21,548	167,750	358,223

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

5. 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	Josemaria	Los Helados	Lirio	Paramillos	Papagollas	Tamberias	Hambok	Total
Cost	$	$	$	$	$	$	$	$	$
At January 1, 2011	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
Additions	-	-	-	-	303,175	34,737	200,225	-	538,137
Impairment charge	-	-	-	-	-	-	-	(2,861,917)	(2,861,917)
Effect of changes in foreign exchange rates	-	(387,698)	37,469	(2,914)	(48,996)	(592)	(14,929)	(42,802)	(460,462)
At June 30, 2012	136,997	7,402,409	2,621,527	55,643	719,132	34,145	593,256	5,095,281	16,658,390

*Subsequent to the termination of the agreement between the Company and Namibian to dispose of its African subsidiary which holds certain licenses in Eritrea, as described in Note 5(c) below, the Company wrote down the value of the Hambok mineral property to its net recoverable amount based on its fair value less costs to sell of approximately US$5 million. Accordingly, the Company has recorded a $2.8 million impairment loss on its African mineral property as at June 30, 2012. (See Note 13)

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

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% combined interest through payments in stages totaling US$375,000 over 8 years subject to a 1 % NSR. A remaining payment of US$92,500 is payable in September 2012 to acquire a 100% interest combined.

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 June 30, 2012 in respect of advance cash calls to fund ongoing exploration on the Vicuña JEA was $556,277 (2011 - $2,691,401).

(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 June 30, 2012 in respect of advance cash calls to fund ongoing exploration on the Josemaria JEA was $293,204 (2011 - $1,548,681).

(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. As at June 30, 2012, the Company has cumulatively paid US$850,000 of option payments to this project.

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 option payments totaling US$20million on or before June 30, 2020 of which US$2.8 million is payable on or before June 30, 2016, US$5 million on or before June 30, 2018 and US$10 million 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.

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

(c) AFRICAN PROPERTIES

Eritrean properties:

As at June 30, 2012 the Company holds one exploration licence, Mogoraib in western Eritrea. The Mogoraib licence is subject to yearly renewal at the discretion of the Eritrean Government. The Hambok Deposit is on the Mogoraib licence.

Sale of Eritrean licences:

On January 17, 2012, the Company entered into a definitive agreement (the “Agreement”) with Namibian Copper NL (“Namibian”) to sell the Company’s wholly owned subsidiary, Sanu Resources Inc., which holds certain licences in Eritrea, (the “Transaction”).

On June 29, 2012, the Company and Namibian mutually agreed to terminate the share purchase agreement (the “Agreement”) previously signed and to release each other from any and all claims regarding the Agreement. Pursuant to the Termination and Mutual Release Agreement the Company paid Namibian $400,000 to cover the costs incurred by Namibian in connection with the Agreement. The Company has recorded the payment as professional fees on the statement of comprehensive loss for the three and six months ended June 30, 2012.

Subsequent to June 30, 2012, a new agreement was entered into relating to the disposal of the Eritrean licences. (See Note 13)

6. SHARE CAPITAL

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

7. STOCK OPTIONS

a) Stock Option Plan

The Company has a rolling stock option plan, 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.

The table below outlines the significant assumptions used during the period to estimate fair value of options.

	Six months ended June 30,	
	2012	**2011**
Dividend yield	0%	0%
Risk-free interest rate	1.12%	1.64%
Expected option life	3 years	3 years
Expected volatility (i)	66.26%	80.99%

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

(i) A share-based compensation cost of $83,132 for the options granted for the six months ended June 30, 2012 (2011 - $607,007) will be amortized over the vesting period of which $41,568 was recognized in the six months ended June 30, 2012 (June 30, 2011 - $243,443).

The total share-based compensation for the period ended June 30, 2012 was $310,149 (2011 - $426,384) of which $244,027 (2011 - $313,336) has been allocated to Administration Expenses and $66,122 (2011 - $113,048) 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:

	June 30, 2012		June 30, 2011	
	Number of shares options	Weighted average exercise price	Number of shares options	Weighted average exercise price
Outstanding at beginning of period	4,577,673	1.68	4,488,184	0.91
Granted	75,000	2.50	755,000	1.52
Exercised	(342,625)	1.11	(1,358,761)	0.97
Forfeited/expired	(45,000)	2.83	(92,500)	0.70
Outstanding at end of period	4,265,048	1.71	3,791,923	1.01
Options exercisable at end of period	2,881,707	1.33	2,342,297	0.96
Weighted average fair value per option granted during the period		1.11		0.80

The following summarized information about the stock options outstanding and exercisable at June 30, 2012:

	Options Outstanding			Options exercisable		
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life (yrs)	Weighted Average Exercise Price $	Number of Options Exercisable	Weighted Average Remaining Contractual Life (yrs)	Weighted Average Exercise Price $
$0.50 - $1.30	1,808,500	2.46	0.71	1,808,500	2.46	0.71
$1.31 - $3.42	2,456,548	1.93	2.45	1,073,207	1.64	2.38
	4,265,048	2.15	1.71	2,881,707	2.15	1.33

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

8. EXPLORATION AND PROJECT INVESTIGATION

	South America					Africa		Canada	Total
	Vicuna Joint Venture	Josemaria Joint Venture	Colmillo	Andrea	Other	Hambok	Other		
For the six months ended June 30, 2012									
Gov't fees, licenses, permits, taxes, rights and land access	$ 87,014	$ 3,841	$ 32,947	$ 3,351	$ 94,140	$ 38,912	$ -	$ 980	$ 261,185
Professional fees & expenses	64,662	2,739	14,718	2,406	37,675	-	-	-	122,200
Field salaries & contract labour	735,057	325,380	2,036	1,824	62,125	139,052	-	-	1,265,474
Field supplies & equipment rental	45,551	39,018	-	-	5,501	113,108	-	-	203,178
Camp costs	940,230	301,212	336	-	7,332	105,127	-	-	1,354,237
Consultants	54,946	21,089	-	-	410	104,380			180,825
Fuel	341,281	171,245	-	-	-	190,280	-	-	702,806
Drilling	6,202,189	1,975,459	-	-	-	2,031,289	-	-	10,208,937
Geochemistry	408,875	278,097	129	-	(683)	128,105	-	-	814,523
Geophysics	66,238	-	-	-	-	-	-	5,130	71,368
Road work & trenching	854,630	124,085	-	-	-	-	-	-	978,715
Transport and travel	464,370	143,089	2,148	-	9,062	69,327	-	-	687,996
Environmental & community relations	187,200	63,131	73,387	-	2,239	31,001	-	-	356,958
Value added tax	1,306,612	414,346	9,994	-	(2,974)	-	-	-	1,727,978
Office & general expense (net of recovery)	96,934	31,842	1,119	1,833	-	138,620			270,348
Stock based compensation	102,450	33,654	1,182	81	1,856	29,242	-	-	168,466
Total for the period	$ 11,958,239	$ 3,928,227	$ 137,996	$ 9,497	$ 216,682	$ 3,118,442	$ -	$ 6,110	$ 19,375,194
For the six months ended June 30, 2011									
Gov't fees, licenses, permits, taxes	$ 34,543	$ 95,199	$ 32,612	$ 10,108	$ -	$ 710,924	$ 16,284	$ 980	$ 900,650
Professional fees & expenses	143,026	47,568	20,479	2,141	-	3,265	11,438	-	227,917
Field salaries & contract labour	94,697	138,162	137,984	21,421	-	176,770	105,389	-	674,422
Field supplies & equipment rental	-	-	-	-	-	57,237	89	-	57,326
Camp costs	107,353	-	5,545	-	-	(46,075)	8,480	-	75,303
Consultants	38,843	-	-	-	-	126,086	8,639		173,568
Fuel	-	-	-	-	-	-	-	-	-
Drilling	1,238,462	-	-	-	-	71,726	-	-	1,310,188
Geochemistry	99,456	4,714	2,266		-	1,697	33,490	-	141,623
Geophysics	29,984	-	127,906	109,293	523	151,935	5,634	5,130	430,405
Road work & trenching	384,218	119,435	258,735		-	-	-	-	762,388
Transport and travel	180,390	74,023	-	1,194	-	48,243	17,034	-	320,885
Environmental & community relations	26,188	1,307	-	-	6,164	-	-	-	33,659
Value added tax	410,586	-	121,238	21,327	56,493	-	-	-	609,644
Office & general expense (net of recovery)	90,872	-	56,297	12,270	-	56,623	25,312		241,375
Stock based compensation	47,130	7,865	12,493	2,910	1,034	35,549	6,066	-	113,048
Total for the period	$ 2,925,748	$ 488,273	$ 775,554	$ 180,665	$ 64,214	$ 1,393,983	$ 237,854	$ 6,110	$ 6,072,401

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

9. DISPOSITION OF ROYALTY INTEREST

In April 2012 the Company entered into an agreement whereby the Company and Candymin S.A. De C.V., a wholly owned subsidiary of Goldgroup Mining Inc. ("Goldgroup"), agreed to terminate and extinguish the 1.5% Net Smelter Return Royalty that the Company held with respect to 70% of production from the Caballo Blanco Project in Mexico for total consideration of $2.78 million, comprising of $1 million cash and 2.2 million common shares of Goldgroup, which were valued at $1.782 million.

10. 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 common directors and shareholders. In addition, the Company incurred air chartered services from Mile High Holdings Ltd ("Mile''), a company associated with the Chairman of the Company. During fiscal year 2011 the Company made a donation to Lundin Foundation ("LF"), a charitable organization directed by certain directors of the Company.

		Three months ended June 30,		Six months ended June 30,	
	Related party	2012 $	2011 $	2012 $	2011 $
Management fee	Namdo	135,000	135,000	270,000	270,000
Aircraft charter and travel	Mile	-	-	54,856	-
Director fees	Directors	-	-	33,500	-
Technical services	Lundin Mining	-	-	-	3,376
Donation	LF	-	-	-	106,000
Total related parties expenses		135,000	135,000	358,356	379,376

(b) Related parties liabilities

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

	June 30 , 2012	December 31, 2011
	$	$
Namdo	4,619	13,754
Director fees	33,500	-
Total related parties liabilities	38,119	13,754

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

(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.

The remuneration of key management personnel were as follows:

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Salaries	481,282	75,625	611,907	151,250
Employee benefits	7,933	1,924	21,734	8,887
Director fees	33,500	-	33,500	-
Share based compensation	257,659	121,115	476,717	281,159
Total compensation of key management	780,374	198,664	1,143,858	441,296

11. 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:

June 30, 2012

	Plant and Equipment,net $	Mineral Properties $	Corporate $
Canada	167,750	136,997	8,000
South America	190,473	11,426,112	-
Africa	-	5,095,281	-
	358,223	16,658,390	8,000

December 31, 2011

	Plant and Equipment,net $	Mineral Properties $	Corporate $
Canada	176,900	136,997	8,000
South America	246,824	11,305,635	-
Africa	-	8,000,000	-
	423,724	19,442,632	8,000

12. CONTINGENCY

The Company's Argentine subsidiary, Desarrollo de Prospectos Mineros SA "DPM"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. DPM will continue to defend its position.

13. SUBSEQUENT EVENT

Subsequent to the quarter end, the Company entered into an Agreement to sell the Mogoraib Exploration License which covers the Hambok copper-zinc deposit to Bisha Mining Share Company for consideration of US$5 million. Additional consideration of US$7.5 million will be payable within 10 business days of the commencement of commercial production from the Mogoraib Exploration License. The Agreement is subject to closing conditions including the approval of the transaction by the Eritrean Ministry of Energy and Mines. It is expected to close in the fourth quarter of 2012.