THIRD QUARTER REPORT

SEPTEMBER 30, 2012

NGEx Resources Inc.

Q3 2012 Letter to Shareholders

With the closing during this quarter of the agreement to sell the Company's Hambok project in Eritrea, the Company has completed its divestment of non-core projects and is fully focused on its copper-gold projects in South America. The initial resource estimate and metallurgical test results for our 60% owned Los Helados copper-gold project in Chile announced on October 15, 2012 represent a very significant milestone for the project and for the Company. We are very pleased with progress at Los Helados which has gone from a grass roots project to the resource stage in a little more than four years. The deposit is still open in several directions, we believe that there is excellent potential to add to the current resource, and we plan to test this potential over the next six months with an aggressive exploration drilling program. The initial resource estimate and encouraging metallurgical results confirm the potential of the Los Helados Deposit.

We are very excited about the results from Los Helados, and in particular what they mean in terms of the bigger picture which includes the Company's Josemaria and Filo del Sol projects. The Los Helados resource adds to the already significant copper-gold resource base on the Company's land package which includes the nearby Josemaria deposit. Taken together we feel that these projects offer our investors exposure to an emerging deposit cluster that continues to deliver outstanding exploration results and has the potential to rank among the most significant in this prolific copper-gold belt. Access and infrastructure near Los Helados is excellent, in part due to the development of the nearby Caserones copper project by Pan Pacific Copper Co., Ltd. who are the Company's 40% partner in Los Helados and we believe that this enhances the eventual development potential of Los Helados.

Taken together Los Helados and the nearby Josemaria and Filo del Sol projects give the Company exposure to what is potentially a very significant emerging copper-gold district.

Outlook

We anticipate an active fourth quarter for the Company as we resume our drill programs in South America. We continue to work on an updated resource estimate and updated NI 43-101 technical report for Josemaria and expect to complete them by end of the fourth quarter. The Company plans to start work on a Preliminary Economic Assessment (PEA) of the Los Helados Deposit early in 2013. Additional drilling is now underway at Los Helados and the Company expects to complete approximately 28,000 meters of drilling at Los Helados over the next four to six months. The objectives of this year's drill program are to convert the existing inferred resources to indicated, to extend previous drill holes that ended in mineralization to depth, and to continue try to expand the resource laterally through step out drilling. The Los Helados resource will be updated once this drilling is complete. The Company also plans drill programs at Josemaria and at Filo del Sol to follow-up encouraging results from drilling earlier this year. Drilling at both projects is expected to start early in the first quarter of 2013. Drilling at Josemaria will follow up high grade supergene enriched copper mineralization intersected at the northern edge of the current resource with the objective of adding shallow high grade material to the resource. Drilling at Filo del Sol will target extensions of the high-grade copper-silver zone intersected during the last drill campaign.

NGEx RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 three and nine months ended September 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 November 9, 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.

THIRD QUARTER HIGHLIGHTS

During the three months ended September 30, 2012 there was no active exploration on the Company's projects in Chile and Argentina due to the South American winter, however, the remaining drill results from the Josemaria and Filo del Sol Projects were received and announced. The Company completed the sale of its previously announced sale of the Hambok project in Eritrea. The 2011/2012 exploration program which was completed in the second quarter included more than 45,000 metres of drilling and was the largest in the Company's history. The drilling successfully extended known mineralization at Los Helados, Josemaria and Filo del Sol. The results of this year's drilling at Los Helados have been incorporated into an initial resource estimate which was released subsequent to the quarter end and is described below. The Company is currently working on an updated resource for Josemaria which is expected to be released during the fourth quarter 2012. Exploration drilling at Los Helados resumed in mid-October, 2012 and drilling is expected to resume at Josemaria and Filo del Sol in the first quarter of 2013. The Company plans to start working on a Preliminary Economic Assessment of the Los Helados Deposit early in 2013.

On September 10, 2012 the Company announced that Japan Oil, Gas and Metals National Corporation ("JOGMEC")'s 40% interest in the Los Helados and Filo del Sol projects had been transferred to Pan Pacific Copper Co., Ltd. ("PPC").

SOUTH AMERICAN PROJECTS

Field exploration programs on the Company's South American projects were dormant during the third quarter of 2012 due to winter conditions at the sites. Work was focused on data compilation and interpretation, including Mineral Resource estimation and metallurgical test work.

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 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.

Work at Josemaria during the third quarter was focused on interpretation of drill results, a metallurgical testing program and geological modelling and data review in support of the updated Mineral Resource estimate which is expected to be completed during the fourth quarter. The Josemaria deposit is open to the north where drilling during the first half of 2012 intersected a previously unknown zone of supergene enriched mineralization including 172 metres of 1.33% copper and 0.36 grams/tonne gold. Drilling at Josemaria is expected to resume in the first quarter of 2013.

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 (PPC) and El Morro-La Fortuna (Goldcorp/New Gold). The Vicuña Properties are adjacent to Josemaria and are subject to a Joint Exploration Agreement (the "Vicuña JEA"). During the quarter ended September 30, 2012 the Company's 40% partner Jogmec transferred its interest to Pan Pacific Copper Co. Ltd. ("PPC"). PPC is a major integrated copper mining and smelting company that is jointly owned by JX Nippon Mining & Metals Corporation and Mitsui Mining & Smelting Company Ltd, both of Tokyo, Japan. PPC owns 75% of the Caserones Copper and Molybdenum Project which is located approximately 20 kilometres north of Los Helados.

Los Helados Project, Chile

Los Helados is a large copper-gold porphyry system located in Region 3, Chile. On October 15, 2012, the Company announced both an initial Mineral Resource estimate and results from the initial metallurgical test work program at Los Helados.

The Mineral Resource estimate for Los Helados was prepared by Gino Zandonai, B.Sc., M.Sc. Mining, SME, MAusIMM, CRIRSCO, Senior Associate of Behre Dolbear International Ltd. in accordance with NI 43-101. Mr. Zandonai is the Qualified Person for the estimate and is independent of the Company.

The Mineral Resource was estimated at a base case 0.30% copper equivalent* cutoff as follows:

- **1,114 million tonnes at a grade of 0.42% copper and 0.19 g/t gold for a copper equivalent grade of 0.55%** (10.34 billion pounds of copper and 6.65 million ounces of gold) in the Indicated Resource category; and,
- **1,015 million tonnes at a grade of 0.38% copper and 0.14 g/t gold for a copper equivalent grade of 0.47%** (8.41 billion pounds of copper and 4.70 million ounces of gold) in the Inferred Resource category.

Metallurgical test work was completed by SGS Lakefield Research in Santiago, Chile. The test work indicates that the Los Helados mineralization is amenable to standard flotation concentration and two locked-cycle tests achieved copper recoveries of 84.2 and 90.2% and gold recoveries of 56.9 and 60.3%, with test concentrate grades of 22.9% copper and 12.2 g/t gold, and 28.5% copper and 15.5 g/t gold. The concentrate samples produced by this work were very clean, with all deleterious elements well below penalty levels and also had silver grades that would provide payment for part of the silver content under current general smelter contract terms.

RESOURCE ESTIMATE

The Mineral Resource estimate as of the effective date of October 15, 2012 is shown in the tables below:

LOS HELADOS INDICATED MINERAL RESOURCE								
		Resource Grade				**Contained Metal**		
Cutoff (CuEq*)	**Million Tonnes**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**CuEq* (%)**	**Cu (billion lbs)**	**Au (million oz)**	**Ag (million oz)**
0.50	571	0.53	0.24	1.77	0.69	6.66	4.37	32.44
0.45	690	0.50	0.22	1.69	0.65	7.62	4.95	37.57
0.40	833	0.47	0.21	1.61	0.61	8.68	5.58	43.07
0.35	973	0.45	0.20	1.53	0.58	9.56	6.14	48.00
0.30	**1,114**	**0.42**	**0.19**	**1.46**	**0.55**	**10.34**	**6.65**	**52.40**
0.25	1,230	0.40	0.18	1.40	0.52	10.87	7.05	55.53
0.20	1,320	0.38	0.17	1.36	0.50	11.18	7.33	57.71

LOS HELADOS INFERRED MINERAL RESOURCE								
		Resource Grade				**Contained Metal**		
Cutoff (CuEq*)	**Million Tonnes**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**CuEq* (%)**	**Cu (billion lbs)**	**Au (million oz)**	**Ag (million oz)**
0.50	319	0.51	0.21	1.72	0.66	3.61	2.18	17.72
0.45	469	0.47	0.18	1.60	0.60	4.88	2.78	24.18
0.40	624	0.44	0.17	1.50	0.56	6.04	3.38	30.17
0.35	793	0.41	0.16	1.41	0.52	7.15	4.00	35.95
0.30	**1,015**	**0.38**	**0.14**	**1.30**	**0.47**	**8.41**	**4.70**	**42.45**
0.25	1,222	0.35	0.13	1.21	0.44	9.41	5.25	47.73
0.20	1,398	0.33	0.13	1.14	0.41	10.09	5.68	51.43

*CuEq - Copper Equivalent is calculated using US$3.00/lb copper and US$ 1,400/oz gold, with no provision for metallurgical recoveries. Silver is not included in the CuEq. The formula used is CuEq% = Cu% + 0.6806*Au (g/t). Small discrepancies may exist due to rounding errors.

It should be noted that the Mineral Resource estimate presented here is not a Mineral Reserve, and does not have demonstrated economic viability. While the Company strongly believes that the Mineral Resource warrants additional study to determine the development potential, there can be no guarantee that any or all of the Mineral Resource will ultimately be determined to be economically viable.

This resource remains open to expansion laterally and at depth and a drill program designed to expand the resource and begin to convert the Inferred resource to the Indicated category resumed in late mid-October. Approximately 28,000 meters of drilling is planned for Los Helados.

METALLURGICAL TESTWORK

The results of the two locked cycle tests are shown in the table below:

Test	**Cu Head Grade (%)**	**Cu Recovery (%)**	**Cu Concentrate Grade (%)**	**Au Head Grade (gpt)**	**Au Recovery (%)**	**Au Concentrate Grade (gpt)**
LCT 1	0.39	90.2	22.9	0.32	60.3	12.2
LCT 2	0.36	84.2	28.5	0.29	56.9	15.5

Flotation test work was carried out by SGS Lakefield Research at its facilities in Santiago, Chile on a composite sample constructed from 6 individual samples of drill core representing 600 metres of mineralization (totaling 1,200kg) from three different depths in two drill holes. SGS Lakefield completed a comprehensive initial test work program consisting of sample preparation, grind time estimation, grinding test work, rougher flotation kinetics, cleaner flotation tests and locked cycle flotation tests.

Grinding test work was done on three composite samples, each representing a different depth interval from three holes. Testing included Bond Ball Work Index (BWI), Bond Abrasion Index and Bond Rod Work Index (RWI) and results are shown below:

Sample	**BWI (kWh/mt)**	**Abrasion Index**	**RWI (kWh/mt)**
MC-1	14.8	0.182	Na
MC-2	15.5	0.209	17.5
MC-3	15.8	0.210	17.2

Rougher and cleaner flotation tests were done in order to establish the optimum grind size, pH and reagent use to produce a commercial grade concentrate. All flotation tests were done on a composite sample comprised of MC-2 and MC-3.

Locked cycle flotation tests were then carried out using the following parametres:

- Grind Size (p80) 160 microns
- Regrind Size (p80) 35 microns
- Rougher pH 9.5
- Cleaner pH 12.2
- Collector 20 g/t AP 3477
- Flotation Time Rougher 8 minutes
- Flotation Times cleaner 5,5,4,3 minutes (1st,Scav,2nd and 3rd)

Results from the locked cycle tests are shown in the table above. As expected, reducing the flotation times in the cleaner stages resulted in higher concentrate grade at lower recovery. Additional test work will be performed on a much larger suite of samples to obtain more extensive metallurgical response data across the mineralization. This work will focus on further optimizing the balance between recovery and concentrate grade and continuing to refine the optimum flotation conditions for the Los Helados mineralization.

Filo del Sol Property, Argentina

The Vicuña Property covers several copper-gold targets in addition to Los Helados including Filo del Sol where previous drilling has identified near-surface copper oxides and gold. Drilling during early 2012 was focused on testing this high-sulphidation epithermal style of mineralization near surface and also testing for porphyry style mineralization at depth. During the third quarter the Company announced the final batch of results from drilling completed earlier in the year at Filo del Sol. Highlights from the results reported during the third quarter include: FSDH06 with 384.9m of 0.68% CuEq (0.41% copper and 0.39 g/t gold), including 224 metres of 0.85% CuEq (0.50% copper and 0.52 g/t gold) and FSDH07 with 42.5 metres 1.03% CuEq (0.98% Cu and 0.19 g/t Au) including 18 metres of 1.94% CuEq (1.78% Cu and 0.23 g/t Au). Drilling is expected to resume at Filo del Sol in early 2013.

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 which is discussed above and located just across the international border in Argentina. 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 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 2012 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 2012.

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.

During the quarter Teck advised the Company that it had completed its 2012 exploration program at the Company's GJ copper-gold project in BC. Teck's exploration program included:

- 730 line km of ZTEM airborne geophysical survey covering the north half of the property
- Collection of 1300 AH soil samples
- Geologic mapping programs at QC, Wolf, Seestor and GJ and the collection of 247 rock samples.
- 10.4 line km of IP and mag geophysical surveys northeast of Seestor
- 4000 m of diamond drilling in eight holes testing geological, geochemical and geophysical targets at Wolf (5), Seestor (1) and on the plateau near camp (2).
- Historic core re-logging and re-interpretation from GJ, Donnelly and North Donnelly.

The program was 100% funded by Teck as part of it's earn-in under the option agreement.

AFRICAN PROJECTS

Mogoraib (Hambok) Eritrea

Subsequent to the quarter ended September 30, 2012, the Company completed the previously announced 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.

SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	**Sep-12**	**Jun-12**	**Mar-12**	**Dec-11**	**Sep-11**	**Jun-11**	**Mar-11**	**Dec-10**
Exploration Expenses, net of recoveries ($000's)	1,140	7,757	11,618	4,490	1,591	2,589	3,483	1,735
Net income (loss) ($000's)	(3,327)	(9,324)	(12,597)	(9,479)	(1,858)	(3,463)	(4,273)	522
Basic and diluted income (loss) per share ($) (i)	(0.02)	(0.06)	(0.08)	(0.07)	(0.01)	(0.02)	(0.03)	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 share-based payments in each quarter which will depend on options granted and vested. Exploration expenditures are affected to some extent by seasonal factors, exploration results, share-based payments and availability of funds.

As a result of encouraging drill results, exploration expenditures have been increasing in prior quarters due to increased level of activities on the Company's projects in South America. However, exploration expenditures were lower for the quarter ended September 2012 compared to the same quarter in 2011 primarily due to decreased expenditures in Africa resulting from the Company's divestment there.

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.

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 ("Namibian").

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 September 30, 2012 was $3.3 million or $(0.02) per share as compared to a loss of $1.9 million or $(0.01) per share for the three months ended September 30, 2011. The increase in loss of $1.4 million was primarily due to increased share-based payments resulting from stock options granted during the quarter and the recognition of an unrealized loss on investments in the income statement, offset by lower exploration expenditures. Exploration expenditures were lower due primarily to decreased exploration expenditures in Africa resulting from the Company's divestment there.

The net loss for the nine months ended September 30, 2012 was $25.2 million or $(0.16) per share as compared to a loss of $9.6 million or $(0.06) share for the nine months ended September 30, 2011. The increase in loss of $15.6 million was primarily due to increased exploration expenditures of $12.8 million resulting from the Company's increased level of exploration activities on its projects in South America. Professional fees were higher for the nine months ended September 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 on the sale of Hambok. Share-based payments were also higher at $1.2 million for the nine months ended September 30, 2012 resulting from stock options granted during the third quarter of 2012. During the nine months period ended September 30, 2012, an unrealized loss of $792,000 was recorded in the income statement in respect of investments at fair value based upon quoted market prices.

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, 2012, the Company had cash and working capital of $11.0 million and $11.5 million, respectively, 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 $30.3 million for the nine months ended September 30, 2012 and consisted primarily of the loss from operations of $25.2 million, which included exploration expenditures of $20.5 million and was adjusted for the impact of non-cash items and changes in non-cash working capital items.

Cash used in investing activities was $1.1 million primarily relating to mineral property option payments and equipment purchases offset by $1 million cash received on disposition of royalty interest.

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

The Company anticipates that its current financial position, including the receipt of US$5 million from the sale of Hambok in October 2012, will not provide sufficient working capital to fund its share of planned exploration expenditures and corporate expenses for the next twelve months. Additional funding from equity financing, joint ventures or disposition of mineral properties and investments will be required. 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. Based on the amount of financing raised the Company's exploration program may be adjusted accordingly.

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 project in Chile. The 2011-2012 exploration program in South America was the largest in the Company's history and resulted in an initial resource estimate for Los Helados as announced on October 15, 2012 and an updated resource estimate for Josemaria which is expected in the fourth quarter of 2012.

Approximately 28,000 metres of drilling is planned for Los Helados for the 2012/2013 season with drilling resuming in mid-October 2012. Drilling at the Company's Josemaria and Filo del Sol copper-gold projects is expected to commence in the first quarter of 2013.

The Company views the Mineral Resource estimate and the metallurgical test work results at Los Helados to be significant enough to warrant the preparation of a Preliminary Economic Assessment ("PEA") in order to begin to design a conceptual development plan. This study is scheduled to get underway early in 2013.

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 nine months ended September 30, 2012, the Company incurred:

(a) management fees of $405,000 (2011 - $405,000) in respect of office facilities and administrative services from Namdo Management Services Ltd. ("Namdo"), a company controlled by a director. At September 30, 2012, $nil (December 31, 2011 - $13,754) was due to this company and included in amounts due to related parties.

(b) $65,896 (2011 -$91,800) of aircraft chartered service from Mile High Holdings Ltd, a company associated with the Chairman of the Company.

(c) $50,250 (2011 - $nil) of director fees at September 30, 2012. At September 30, 2012, $16,750 (2011-$nil) was payable to the directors.

(d) $1,942 (2011-$nil) of legal services from Cassels Brock & Blackwell LLP, a company in which a director is the Senior Business Advisor. At September 30, 2012, $1,942 (2011-$nil) was due to this company.

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 November 9, 2012, the Company had 158,497,393 common shares outstanding and 5,751,750 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 nine months ended September 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 nine months ended September 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	September 30 2012	December 31, 2011
ASSETS			
Current:			
Cash and cash equivalents		$ 11,021,963	$ 41,337,097
Investments	3	990,000	-
Receivables and other		308,261	758,917
Due from joint venture partners	5(b)(i)(ii)	165,134	-
		12,485,358	42,096,014
Non-current:			
Equipment, net	4	299,803	423,724
Mineral properties	5	16,520,621	19,442,632
Other assets		8,000	8,000
		$ 29,313,782	$ 61,970,370
LIABILITIES AND EQUITY			
Current:			
Trade payables and accrued liabilities		$ 968,352	$ 4,841,244
Due to related parties	10	18,692	13,754
Due to joint venture partners		-	4,240,082
		987,044	9,095,080
Share Capital	6, 7	181,295,858	180,786,894
Reserved for issuance		1,284	1,284
Contributed surplus		6,091,104	4,732,202
Cumulative deficit		(156,458,604)	(131,209,781)
Accumulated other comprehensive (loss) income		(2,602,904)	(1,435,309)
		28,326,738	52,875,290
		$ 29,313,782	$ 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 September 30,		Nine months ended September 30,	
	Note	**2012**	**2011**	**2012**	**2011**
Expenses					
Exploration and project investigation	8	$ 1,140,173	$ 1,591,173	$ 20,515,367	$ 7,663,574
General and Administration:					
Management fees		135,000	135,000	405,000	405,000
Office and general		13,730	7,696	103,330	64,822
Professional fees		85,122	66,349	771,692	181,511
Promotion and public relations		20,479	24,768	133,730	223,801
Donation		-	-	119,000	106,000
Stock exchange and filing fees		1,018	1,112	77,441	70,375
Transfer agent and shareholder information		11,167	12,656	34,006	30,643
Travel		40,169	1,595	152,403	33,272
Employee benefits	10	185,163	114,884	785,233	311,300
Share-based payments		654,594	139,294	1,157,593	452,630
Operating loss		2,286,615	2,094,527	24,254,795	9,542,928
Other (income) expenses					
Interest income		(13,065)	(97,227)	(107,581)	(119,593)
Foreign exchange		261,999	(134,092)	134,813	29,585
Other expenses		(442)	32,238	94,880	179,934
Gain on sale of subsidiaries		-	(39,162)	-	(39,162)
Gain on disposition of royalty interest	9	-	-	(2,782,000)	-
Unrealized loss on investments		792,000	-	792,000	-
Write-down of mineral property interests		-	-	2,861,916	-
Net loss		3,327,107	1,856,284	25,248,823	9,593,692
Other comprehensive loss					
Recognition of unrealized loss on investments to income statement		(858,000)	-	-	-
Cumulative foreign currency translation adjustment		914,952	(786,716)	1,167,595	46,634
Comprehensive loss		$ 3,384,059	$ 1,069,568	$ 26,416,418	$ 9,640,326
Net loss per common share attributed to NGEx shareholders:					
Basic and Diluted		$ 0.02	$ 0.01	$ 0.16	$ 0.06
Total weighted average number of shares outstanding					
Basic and Diluted		158,467,747	148,679,577	158,336,723	148,094,248

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 Nine Months Ended September 30, 2012	2011
Cash flows used in operating activities		
Net loss for the period	$ (25,248,823)	$ (9,593,692)
Items not affecting cash		
Depreciation	141,080	28,644
Share-based payments	1,479,414	596,455
Gain on disposition of royalty interest	(2,782,000)	(39,162)
Unrealized loss on investment	792,000	-
Write-down of mineral property interests	2,861,916	-
Trade receivable and other	450,656	(357,388)
Trade payable and other	(3,624,891)	(895,125)
Due to related parties	4,938	(32,039)
Advances to joint venture partners	(4,335,970)	(2,185,120)
	(30,261,680)	(12,477,427)
Cash flows from financing activities		
Exercise of stock options	388,452	1,666,469
	388,452	1,666,469
Cash flows from (used in) investing activities		
Net cash on sale of subsidiaries	-	39,162
Mineral properties and related expenditures	(1,079,554)	(441,970)
Gain on disposition of royalty interest	1,000,000	-
Purchase of equipment	(30,886)	(287,049)
Other assets	-	35,500
	(110,440)	(654,357)
Effect of foreign exchange rate change on cash and cash equivalents	(331,466)	-
Decrease in cash and cash equivalents	(30,315,134)	(11,465,315)
Cash and cash equivalents, beginning of the period	41,337,097	23,265,174
Cash and cash equivalents, end of the period	$ 11,021,963	$ 11,799,859

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	20,248	$ 180,786,894	$ 1,284	$ 4,732,202	$ (1,435,309)	$ (131,209,781)	52,875,290
Exercise of shares options	355,125	-	508,964	-	(120,512)	-	-	388,452
Stock-based compensation	-	-	-	-	1,479,414	-	-	1,479,414
Effects of foreign currency translation	-	-	-	-	-	(1,167,595)	-	(1,167,595)
Exchange of reserved shares	8	(8)						
Loss for the period	-	-	-	-	-	-	(25,248,823)	(25,248,823)
Balance September 30, 2012	158,476,143	20,240	$ 181,295,858	$ 1,284	$ 6,091,104	$ (2,602,904)	$ (156,458,604)	$ 28,326,738
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 currency 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

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

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.

Liquidity risk is the risk that the Company will be unable to meet its obligations as they become due. As the Company is in the exploration stage, no mineral producing revenue has been generated to date. The ability of the Company to meet its obligations and continue the exploration and development of its mineral properties is dependent upon its ability to continue to raise adequate financing. Historically, operating, capital and exploration requirements have been funded primarily from equity financing, joint ventures, disposition of mineral properties and investments. 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. Based on the amount of funding raised, the Company's exploration program may be tailored accordingly.

The Company is governed by the Canada Business Corporations Act and its registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, 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 November 9, 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 except for other than temporary impairments which are recognized in the income statement.

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

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 nine months ended September 30, 2012, an unrealized loss of $792,000 was recorded in the income statement and the investment at fair value of $990,000 based upon quoted market prices. (See Note 9)

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	-	30,886	-	-	30,886
Disposals and other				-	-
Effect of changes in foreign exchange rates	(35,181)	(31,298)	(4,535)	-	(71,014)
As at September 30, 2012	268,141	415,395	34,564	183,000	901,100
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	7,296	114,874	5,185	13,725	141,080
Effect of changes in foreign exchange rates	(35,120)	(20,715)	(1,452)	-	(57,287)
As at September 30, 2012	263,537	301,690	16,245	19,825	601,297
Net book amount					
As at December 31, 2011	11,961	208,276	26,587	176,900	423,724
As at September 30, 2012	4,604	113,705	18,319	163,175	299,803

(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))**	
		Vicuna JEA			**Josemaria JEA**	**Non-JEA**				
	GJ/Kinaskan	Los Helados	La Chola	Lirio	Josemaria	Paramillos	Papagallos	Tamberias	Hambok	Total
Cost	$	$	$	$	$	$	$	$	$	$
At January 1, 2011	136,997	2,842,464	-	54,731	8,221,533	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	-	(258,406)		3,826	(431,426)	14,265	-	12,780	358,774	(300,187)
At December 31, 2011	136,997	2,584,058	-	58,557	7,790,107	464,953	-	407,960	8,000,000	19,442,632
Additions	-	60,222	134,303	-	-	594,660	90,144	200,225	-	1,079,554
Impairment charge	-	-		-	-	-	-	-	(2,861,916)	(2,861,916)
Effect of changes in foreign exchange rates	-	97,506	(9,030)	(6,792)	(903,534)	(90,986)	(6,042)	(1,187)	(219,584)	(1,139,649)
At September 30, 2012	136,997	2,741,786	125,273	51,765	6,886,573	968,627	84,102	606,998	4,918,500	16,520,621

Based on the expected recoverable amount to be received from Bisha Mining Share Company, the Company wrote down the value of the Hambok mineral property based on its fair value less costs to sell, of US$5 million. Accordingly, the Company has recorded a $2.8 million impairment loss on its African mineral property as at September 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.

Effective September 7, 2012, Jogmec has exercised its right under the Vicuna JEA to transfer its 40% interest in the Vicuna JEA to a nominated Japanese company Pan Pacific Copper Co., Ltd. ("PPC"). PPC will assume Jogmec's rights and responsibilities under the Vicuna JEA. NGEx will remain as the operator of the project with a 60% 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. 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 PPC 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 PPC can earn a 100% combined interest through payments in stages totaling US$375,000 over 8 years subject to a 1 % NSR. As at September 30, 2012, the Company has made the necessary payments to acquire a 100% combined interest.

The remainder of the property, including the Los Helados project in Chile, subject to the Vicuña JEA was acquired by staking. The amount due from PPC at September 30, 2012 in respect of advance cash calls to fund ongoing exploration on the Vicuña JEA was $186,369 (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 amount due to Jogmec at September 30, 2012 in respect of cash calls to fund ongoing exploration on the Josemaria JEA was $21,235 (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, S.R.L. ("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 September 30, 2012, the Company has cumulatively paid US$1,050,000 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$20 million 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.

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

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, which is located in Argentina. The Company has cumulatively paid US$600,000 as at September 30, 2012.

(c) AFRICAN PROPERTIES

The Company entered into an agreement with Bisha Mining Share Company to dispose of its Eritrean licenses. (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.

	Nine months ended September 30,	
	2012	**2011**
Dividend yield	0%	0%
Risk-free interest rate	0.99%	1.57%
Expected option life	3 years	3 years
Expected volatility (i)	65.06%	81.33%

(i) A share-based compensation cost of $1,331,928 for the options granted for the nine months ended September 30, 2012 (2011 - $880,995) will be amortized over the vesting period of which $572,304 was recognized in the nine months ended September 30, 2012 (September 30, 2011 - $394,727).

The total share-based compensation for the period ended September 30, 2012 was $1,479,414 (2011 - $596,455) of which $1,157,593 (2011 - $452,630) has been allocated to Administration Expenses and $321,821 (2011 - $143,825) 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:

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

	September 30, 2012		**September 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	1,815,000	1.69	905,000	1.83
Exercised	(355,125)	1.09	(1,881,561)	0.89
Forfeited/expired	(264,548)	2.79	(92,500)	0.70
Outstanding at end of period	5,773,000	1.66	3,419,123	1.18
Options exercisable at end of period	3,455,902	1.33	2,045,747	1.07
Weighted average fair value per option granted during the period		0.73		1.32

The following summarized information about the stock options outstanding and exercisable at September 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	1,794,000	2.21	0.71	1,794,000	2.21	0.71
\$1.31 - \$3.42	3,979,000	2.30	2.08	1,661,902	2.11	2.00
	5,773,000	2.27	1.66	3,455,902	2.16	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 nine months ended September 30, 2012									
Gov't fees, licenses, permits, taxes, rights and land access	$ 308,150	$ 69,547	$ 34,746	$ 7,198	$ 114,031	$ 39,143	$ -	$ 980	$ 573,795
Professional fees & expenses	118,828	8,478	29,372	6,026	37,498	-	-	-	200,202
labour	885,913	389,006	3,623	2,324	81,867	194,972	-	-	1,557,705
Field supplies & equipment rental	56,939	42,264	-	-	8,988	114,099	-	-	222,290
Camp costs	1,062,514	298,007	1,667	2	9,672	106,784		-	1,478,646
Consultants	84,935	23,907	-	-	413	106,476	-		215,731
Fuel	360,243	166,037	-	-	-	191,409	-	-	717,689
Drilling	6,222,781	1,915,398	-	-	-	2,043,350	-	-	10,181,529
Geochemistry	428,446	294,616	126		-	130,419	-	-	853,607
Geophysics	52,986	-	-	-	-	-	-	5,130	58,116
Road work & trenching	941,284	120,320	-	-	-	-	-	-	1,061,604
Transport and travel	541,430	145,629	3,280	7	11,517	109,332	-	-	811,195
Environmental & community relations	210,717	65,765	81,223	-	2,237	-	-	-	359,942
Value added tax	1,285,262	390,055	10,093	20	-	-	-	-	1,685,430
Office & general expense (net of recovery)	42,526	29,191	-	-	-	144,348	-	-	216,065
Stock based compensation	195,843	67,597	1,172	65	13,654	43,490	-	-	321,821
Total for the period	$ 12,798,797	$ 4,025,817	$ 165,302	$ 15,642	$ 279,877	$ 3,223,822	$ -	$ 6,110	$ 20,515,367
For the nine months ended September 30, 2011									
Gov't fees, licenses, permits, taxes, rights and land access	$ 417,547	$ 11,442	$ 37,890	$ 11,948	$ 216,420	$ 678,523	$ 19,968	$ 980	$ 1,394,718
Professional fees & expenses	17,129		74,802	4,041	23,433	4,248	14,535	-	138,188
labour	66,113	99,167	33,348	30,042	26,335	326,942	129,527	-	711,474
Field supplies & equipment rental	89,366	4,414	58,285	8,030	74,579	93,062	89	-	327,825
Camp costs	81,832	23,414	44,301	316	7,870	(30,205)	8,502	-	136,030
Consultants	32,057	18,080	12,439	9,182		160,277	8,650		240,685
Fuel	124,928	2,248	16,723			-	-	-	143,899
Drilling	1,198,003	-	-	-	-	269,885	-	-	1,467,888
Geochemistry	96,334	3,686	2,388		965	14,231	39,171	-	156,775
Geophysics	15,646		134,833	115,609		152,122	-	5,130	423,340
Road work & trenching	401,995		333,902			-	-	-	735,897
Transport and travel	105,944		99,277	1,241	9,069	66,532	17,084	-	299,147
Environmental & community relations	74,706	1,390	2,687		8,412			-	87,195
Value added tax	567,403		117,075	21,463	1,002			-	706,943
Office & general expense (net of recovery)	111,240	158,062	24,582	5,672	121,122	99,844	29,223		549,745
Stock based compensation	59,961	5,676	17,502	3,660	8,627	43,072	5,327	-	143,825
Total for the period	$ 3,460,204	$ 327,579	$ 1,010,034	$ 211,204	$ 497,834	$ 1,878,533	$ 272,076	$ 6,110	$ 7,663,574

(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. The Company is related to Cassels Brock & Blackwell LLP in which a director is senior business advisor. 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 September 30,		Nine months ended September 30,	
	Related party	2012 $	2011 $	2012 $	2011 $
Management fee	Namdo	135,000	135,000	405,000	405,000
Leasehold improvements	Namdo	-	183,000	-	183,000
Aircraft charter and travel	Mile	11,040	-	65,896	91,800
Legal services	Cassels Brock & Blackwell LLP	1,942	-	1,942	-
Director fees	Directors	16,750	-	50,250	-
Technical services	Lundin Mining	-	-	-	3,376
Donation	LF	-	-	-	106,000
Total related parties expenses		164,732	318,000	523,088	789,176

(b) Related parties liabilities

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

	September 30 , 2012	December 31, 2011
	$	$
Namdo	-	13,754
Legal services	1,942	
Director fees	16,750	-
Total related parties liabilities	18,692	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 September 30		Nine months ended September 30	
	2012	2011	2012	2011
	$	$	$	$
Salaries	165,250	93,958	775,042	245,208
Employee benefits	6,948	8,849	27,964	23,557
Director fees	17,406	-	52,218	-
Share based compensation	581,269	128,779	1,057,986	409,938
Total compensation of key management	770,873	231,586	1,913,210	678,703

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:

September 30, 2012

	Plant and Equipment,net $	Mineral Properties $	Corporate $
Canada	163,175	136,997	8,000
South America	136,628	11,465,124	-
Africa	-	4,918,500	-
	299,803	16,520,621	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 completed the Agreement to sell its 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.