TANGO MINING LIMITED (formerly Tango Gold Mines Incorporated)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended August 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Tango Mining Limited (formerly Tango Gold Mines Incorporated)

We have audited the accompanying consolidated financial statements of Tango Mining Limited (formerly Tango Gold Mines Incorporated) which comprise the consolidated statements of financial position as at August 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tango Mining Limited (formerly Tango Gold Mines Incorporated) as at August 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which indicates that the Company has not yet achieved profitable operations and as at August 31, 2014 has an accumulated deficit of $12,496,153. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

Restated Comparative Information

Without modifying our opinion, we draw attention to Note 22 to the consolidated financial statements, which explains that certain comparative information for the year ended August 31, 2013 has been restated.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, British Columbia
December 19, 2014

TANGO MINING LIMITED (formerly Tango Gold Mines Incorporated)
Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

As at,		August 31, 2014		(Restated – Note 22) August 31, 2013
ASSETS				
Current Assets				
Cash and cash equivalents	$	924,602	$	1,467,081
Other receivables (*Note 18*)		61,878		42,106
Prepaid expenses (*Note 13*)		1,223		15,156
		987,703		1,524,343
Non-current assets				
Property, plant and equipment (*Note 9*)		20,759		42,495
TOTAL ASSETS	$	1,008,462	$	1,566,838
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	$	200,084	$	317,353
Promissory notes payable (*Note 10*)		25,000		160,400
Due to related parties (*Note 15*)		23,448		-
		248,532		477,753
Shareholders' Equity				
Share capital (*Note 10*)		10,986,212		10,053,667
Shares to be issued (*Note 10*)		-		130,000
Reserve for warrants		297,590		297,590
Reserve for share based payments		1,927,947		1,705,750
Reserve for foreign exchange losses		44,334		42,070
Accumulated deficit		(12,496,153)		(11,139,992)
		759,930		1,089,085
TOTAL LIABILITIES AND EQUITY	$	1,008,462	$	1,566,838

Approved by the Board

Signed:

"*Marco Moller*"

Chief Executive Officer

Signed:

"*Kalyan Paul*"

Chief Financial Officer

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

TANGO MINING LIMITED (formerly Tango Gold Mines Incorporated)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		August 31, 2014		(Restated – Note 22) August 31, 2013
Expenses				
Professional fees	$	84,263	$	196,913
Amortization		17,680		17,092
Management and consulting (*Note 15*)		431,955		328,601
Travel and promotion		156,237		184,423
Exploration and evaluation expenses *(Note 16)*		94,116		933,148
Share based payments (*Note 11*)		222,197		500,736
Finance charge		21,470		147,943
Office and general		265,403		223,546
Shareholder information		30,304		62,726
Foreign exchange loss		28,480		127,205
Loss before the undernoted		1,352,105		2,722,333
Write-down of property, plant and equipment		4,056		7,855
Gain on debt settlement (*Note 10*)		-		(68,181)
Net loss for the year		1,356,161		2,662,007
Other comprehensive loss				
Exchange differences on translating foreign operations		(2,264)		46,789
Total comprehensive loss for the year	$	1,353,897	$	2,708,796
Basic and fully diluted loss per common share	$	0.01	$	0.05
Weighted average number of shares outstanding		95,328,900		59,121,196

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

TANGO MINING LIMITED (formerly Tango Gold Mines Incorporated)
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital		Reserves					
	Number of shares	Amount	Share based payments	Warrants	Foreign Exchange	Subscriptions	Deficit	Total
Balance, August 31, 2012	**44,283,675**	**$ 6,885,784**	**$ 1,214,202**	**$ 113,771**	**$ 88,859**	**$ -**	**$ (8,477,985)**	**$ (175,369)**
Share based payments	-	-	500,736	-	-	-	-	500,736
Shares issued, net of cost (*Note 10*)	33,758,453	2,969,987	-	183,819	-	-	-	3,153,806
Share subscriptions	-	-	-	-	-	130,000	-	130,000
Shares issued for property	420,000	63,000	-	-	-	-	-	63,000
Shares issued for fees on promissory note private placement	890,060	115,708	-	-	-	-	-	115,708
Currency translation adjustment	-	-	-	-	(46,789)	-	-	(46,789)
Exercise of options	100,000	19,188	(9,188)	-	-	-	-	10,000
Net loss for the year	-	-	-	-	-	-	(2,662,007)	(2,662,007)
Balance, August 31, 2013 (*Re-stated*)	**79,452,188**	**$ 10,053,667**	**$ 1,705,750**	**$ 297,590**	**$ 42,070**	**$ 130,000**	**$ (11,139,992)**	**$ 1,089,085**
Shares issued, net of cost (*Note 10*)	19,000,000	932,545	-	-	-	-	-	932,545
Share subscriptions	-	-	-	-	-	(130,000)	-	(130,000)
Share based payments (*Note 11*)	-	-	222,197	-	-	-	-	222,197
Currency translation adjustment	-	-	-	-	2,264	-	-	2,264
Net loss for the year	-	-	-	-	-	-	(1,356,161)	(1,356,161)
Balance, August 31, 2014	**98,452,188**	**$ 10,986,212**	**$ 1,927,947**	**$ 297,590**	**$ 44,334**	**$ -**	**$ (12,496,153)**	**$ 759,930**

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

TANGO MINING LIMITED (formerly Tango Gold Mines Incorporated)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years ended August 31,		2014		(Restated – Note 22) 2013
Operating Activities				
Net loss for the year	$	(1,356,161)	$	(2,662,007)
Adjustments to reconcile net loss to cash flow from operating activities:				
Share based payments (*Note 11*)		222,197		500,736
Property acquisition costs (*Note 8*)		-		63,000
Finance charges		9,600		122,853
Gain on settlement of debt		-		(68,181)
Write-down of property, plant and equipment		4,056		7,855
Amortization		17,680		17,092
Unrealized foreign exchange gain (loss)		2,264		(46,789)
Net change in non-cash working capital items:				
Other receivables		(19,772)		(26,781)
Prepaid expenses		13,933		(2,093)
Accounts payable and accrued liabilities		(117,269)		94,827
Due to related parties		23,448		(92,642)
Cash flow used in operating activities		(1,200,024)		(2,092,130)
Financing Activities				
Shares issued through private placement		820,000		3,055,000
Proceeds from exercise of stock options		-		10,000
Share issuance cost on private placement		(17,455)		(222,039)
Share subscriptions received		-		130,000
Promissory notes received		-		531,000
Promissory note interest prepaid		-		(63,720)
Promissory note repaid		(145,000)		-
Cash flow provided from financing activities		657,545		3,440,241
Investing Activities				
Purchase of property, plant and equipment		-		(20,362)
Cash flow used in investing activities		-		(20,362)
Effect of foreign exchange on cash		-		-
Net (decrease) increase in cash and cash equivalents		(542,479)		1,327,749
Cash and cash equivalents, beginning of the year		1,467,081		139,332
Cash and cash equivalents, end of the year	$	924,602	$	1,467,081

Non-cash transactions – Note 19

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

1. CORPORATE INFORMATION

Tango Mining Limited ("the Company" formerly known as Tango Gold Mines Incorporated) was incorporated under the British Columbia Business Corporations Act on April 10, 2007. The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties. On April 13, 2007, the Company acquired all of the issued and outstanding common shares of F.D.G. Mining Inc. ("FDG Nevada") a company incorporated under the laws of the State of Nevada on April 20, 2006 from a director of the Company. As a result of this transaction, the entity is considered to be a continuation of FDG Nevada. The Company is listed on the TSX Venture Exchange, having the symbol TGV, and is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is 5626 Larch Street, Suite 202, Vancouver, British Columbia, V6M 4E1, Canada.

2. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

As at August 31, 2014 the Company has not yet determined whether its mineral property contains reserves that are economically recoverable. The recoverability of amounts spent on mineral property acquisition and exploration is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral property in accordance with industry practice, the ability of the Company to obtain necessary financing to complete development of its mineral property and upon future profitable production.

At August 31, 2014, the Company had not yet achieved profitable operations, has accumulated losses of $12,496,153 since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt on the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

3.1 Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the years ended August 31, 2014 and 2013 were reviewed and authorized for issue by the Board of Directors on December 19, 2014.

3.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in Canadian dollars, which is also the parent Company's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3.3 Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, F.D.G Mining S.A., Incasur S.A., Corlasur S.A., Tango Gold S.A.. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Mineral Exploration and Evaluation Expenditures

Pre-exploration costs are expensed in the year in which they are incurred.

The Company's property is currently in the Exploration and Evaluation ("E&E") stage.

Acquisition and E&E expenditures incurred prior to the date of a positive economic analysis on the property are expensed as incurred. Direct costs incurred for the development of mineral properties, net of cost recoveries, are capitalized once the technical feasibility and commercial viability of extracting the mineral resource has been determined.

On the commencement of commercial production, the net capitalized costs are charged to operations on a unit-of-production basis, by property, using the estimated proven and probable reserves as the depletion base.

4.2 Foreign Currency Transactions

The functional currency of Tango Mining Limited, the parent, is the Canadian Dollar and FDG Mining S.A. and Tango Gold S.A., the Nicaragua subsidiaries, are Nicaraguan Cordoba Oro ("NIO") (collectively "the Functional Currency"). The Presentation currency of the consolidated financial statements is the Canadian Dollar. Foreign currency accounts are translated into the Presentation Currency as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the Functional Currency by the use of the exchange rate in effect at that date. At the period end date, unsettled monetary assets and liabilities are translated into the Functional Currency by using the exchange rate in effect at the period end and the related translation differences are recognized in the Company's profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange gains and losses arising on the retranslation of held-for-trading financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in the Company's profit or loss. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into the Functional Currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the Functional Currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive loss, consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

The assets and liabilities of each subsidiary are translated into Canadian dollars using the exchange rate at the reporting date and the income statement is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive income (loss).

4.3 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with maturities of 12 months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

4.4 Property, plant and equipment

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in the Company's profit or loss as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Company's profit or loss during the financial period in which they are incurred.

Derecognition

Upon sale or abandonment, the cost of the property and equipment and related accumulated depreciation or depletion, are removed from the accounts and any gains or losses thereon are included in operations.

Amortization

Amortization in profit or loss is provided on a straight-line basis over the estimated useful life of the assets as follows:

- Office computers and software 33%
- Office furniture 20%
- Field equipment 33%
- Vehicles 12.5%

4.5 Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Loss per share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period. At August 31, 2014, the Company had stock options and share purchase warrants outstanding that could result in the issuance of up to 41,094,000 (2013 – 40,319,000) additional common shares which were not included in the calculation of diluted loss per share as their affect would be anti-dilutive.

4.7 Share based payments

Where equity-settled share options are awarded to employees or non-employees, the fair value of the options at the date of grant is charged to the Company's profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date, are taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the Company's profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share based payments are reflected in equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of accounts payable and accrued liabilities, promissory notes payable and amounts due to related parties. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured.

The Company has made the following designations of its financial instruments:

Cash and cash equivalents	Loans and receivables
Other receivables (excluding taxes recoverable)	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Promissory notes payable	Other financial liabilities
Due to related parties	Other financial liabilities

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Standards and amendments effective in the current year

The IASB issued new standards and amendments effective for, and adopted in the current year. The adoption of the following accounting policies had no impact on the Company's financial statements:

IFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

IFRS 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

4.10 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments, Recognition and Measurement

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is assessing the impact of IFRS 9 on its results of operations.

IFRS 2, Share-based Payment

In December 2013, the IASB amended IFRS 2 – Share-based Payment. The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition. The amendment is effective for share based payment transactions for which the grant date is on or after July 1, 2014. The Corporation is in the process of determining the impact of the amendment of IFRS 2 on its consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 32, Financial instruments, Presentation.

IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The amendments apply to annual periods beginning on or after January 1, 2014. The change in accounting standard will not have a significant impact on the Company's consolidated financial statements.

IAS 24 - Related Party Disclosures.

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRIC 21 - Levies.

The IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("Obligating Event"). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

None of the other new standards, interpretations and amendments, which have not been adopted early, are expected to have a material effect on the Company's future consolidated financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

There are no initial estimates which significantly impact these financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Judgments:

5.1. Title to mineral property interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do no guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

5.2. Functional Currency

The functional currency for the Company and the Company's active subsidiaries are the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency of the parent is the CAD and the functional currency of the subsidiaries is the NIO. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

6. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended August 31, 2014.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserves, and deficit, which as at August 31, 2014 totaled $759,930 (August 31, 2013 - $1,089,085). There are no external restrictions on the Company's capital.

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

6. CAPITAL RISK MANAGEMENT (continued)

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

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

The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions.

7. FINANCIAL INSTRUMENTS

Fair Value

Cash and cash equivalents and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables, promissory notes payable, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair value of other receivables (excluding tax recoverable) and trade and other payables, promissory notes payable, and due to related parties are determined from transaction values, which were derived from observable market inputs. As at August 31, 2014, all financial instruments measured at fair value are considered level 1.

The carrying amount of cash and cash equivalents, other receivables, trade and other payables and promissory notes payables and due to related parties approximate fair value due to the relatively short term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exists.

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, and other receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with reputable Canadian and Nicaraguan chartered banks which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents and other receivables (excluding tax recoverable) is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if the Company’s access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2014, the Company had current assets of $987,703 (August 31, 2013 - $1,524,343) to settle current liabilities of $248,532 (August 31, 2013 - $477,753) resulting in working capital of $739,171 (August 31, 2013 – working capital $1,046,590). All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

7. FINANCIAL INSTRUMENTS (continued)

Market Risks

a) Interest Rate Risk
The Company has cash balances and no variable interest bearing debt. The Company has fixed rates on its debt, changes in interest rates could result in fair value risk on the Company's fixed rate debt.

b) Foreign Currency Risk
The Company's functional currency is the Canadian dollar. The Company operates in Canada and Nicaragua, giving rise to market risks from changes in foreign exchange rates. The Company believes that the results of the operations and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its Nicaraguan Cordoba Oro denominated obligations.

8. MINERAL PROPERTIES

Topacio

Pursuant to a Definitive Agreement ("Topacio Agreement") dated April 30, 2010, and as amended, the Company had agreed to acquire the Topacio property located in the South Atlantic Autonomous Region, Republic of Nicaragua. The Company had the right to earn a 100% undivided interest, subject to a 3% Net Smelter Royalty, in Topacio following the payment of US$3,000,000 on or before October 31, 2012 and making advance bi-annual payments in the amount of US$60,000 (October 30, 2012: US$60,000 paid).

On October 9, 2012, the Company modified the terms of the Topacio Agreement, whereby a three year extension of the Topacio Agreement was granted in consideration for increasing its bi-annual payments from US$60,000 to US$90,000, effective May 1, 2013, (May 1, 2013: US$90,000 paid) and issuing 420,000 common shares (issued). The final balloon option payment of US$3,000,000 is due on or before April 30, 2016.

Given the challenging market conditions in the resource sector, the Company re-evaluated the economics of its proposed acquisition of the Topacio Concession and terminated the original agreement in December 2013.

El Santo

Subsequent to the year ended August, 31, 2014, the Company acquired an environmental permit to carry out exploration work on the El Santo mining concession located in central Nicaragua.

(Expressed in Canadian Dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment & Software	Furnishings	Vehicles	Construction in process	Total
Cost					
As at August 31, 2012	**17,255**	**22,263**	**22,979**	**4,056**	**66,553**
Additions	-	20,362	-	-	20,362
Disposals	(12,956)	(7,058)	-	-	(20,014)
Effect of foreign exchange	-	-	-	-	-
As at August 31, 2013	**4,299**	**35,567**	**22,979**	**4,056**	**66,901**
Disposals				(4,056)	(4,056)
As at August 31, 2014	**4,299**	**35,567**	**22,979**	**-**	**62,845**
Accumulated Amortization					
As at August 31, 2012	**7,814**	**7,591**	**4,069**	**-**	**19,474**
Additions	5,694	8,526	2,872	-	17,092
Removed on disposal	(9,209)	(2,950)	-	-	(12,159)
Effect of foreign exchange	-	(1)	-	-	(1)
As at August 31, 2013	**4,299**	**13,166**	**6,941**	**-**	**24,406**
Additions	-	13,940	3,740	-	17,680
As at August 31, 2014	**4,299**	**27,106**	**10,681**	**-**	**42,086**
Net Book Value					
As at August 31, 2012	**9,441**	**14,672**	**18,910**	**4,056**	**47,079**
As at August 31, 2013	**-**	**22,401**	**16,038**	**4,056**	**42,495**
As at August 31, 2014	**-**	**8,461**	**12,298**	**-**	**20,759**

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

	Number of Shares		Stated Value
COMMON SHARES			
Balance, August 31, 2012	**44,283,675**	**$**	**6,885,784**
Shares issued for property	420,000		63,000
Shares issued for bonus shares for promissory note private placement	890,060		115,708
Shares issued to settle debt	3,208,453		320,845
Shares issued on private placement	30,550,000		3,055,000
Shares issued costs	-		(222,039)
Fair market value of finder's warrants issued	-		(183,819)
Exercise of options (note 11)	100,000		19,188
Balance, August 31, 2013	**79,452,188**		**10,053,667**
Shares issued on private placement	19,000,000		950,000
Shares issued costs	-		(17,455)
Balance, August 31, 2014	**98,452,188**	**$**	**10,986,212**

Period ended August 31, 2013

On October 9, 2012, the Company issued 420,000 common shares, with a grant date fair value of $63,000 in respect of the modification to the Topacio Agreement.

On October 31, 2012, the Company completed a non-brokered private placement of 531 units (“Units”) at a price of $1,000 per Unit for gross proceeds of $531,000. Promissory notes in the aggregate principal amount of $531,000 (the “Notes”) and a total of 890,060 “bonus” common shares of the Company were issued in connection with the private placement, all subject to a four month and one day hold period expiring March 1, 2013. The cash proceeds received were allocated between the debt and equity components of the financial instruments issued. The 890,060 bonus shares had a grant date fair value based on trading price of $115,708 ($0.13 per share) . The Notes are for a term of one year matured October 31, 2013 and bear interest at the rate of 12% per annum, with the first year’s full interest of $120 per note payable up front upon closing. A market discount rate of 51% was used to value the promissory notes. The Notes were collateralized by a general security agreement over all present and after-acquired personal property of the Company, and were settled in part in the amount of $361,000 on August 8, 2013 through share for debt agreements. $25,000 (August 31, 2013 - $170,000) in promissory notes remain owing at August 31, 2014.

10. SHARE CAPITAL (continued)

A cash finder's fee of $6,000 was paid on the gross proceeds raised under the promissory note private placement.

On March 22, 2013, the Company completed a non-brokered private placement whereby the Company sold a total of 30,550,000 units ("Units") at a price of $0.10 per Unit for gross proceeds of $3,055,000. Each Unit consisted of one common share (a "Share") and one transferable share purchase warrant (a "Warrant") to purchase an additional Share at a price of $0.12 for a period of 24 months, subject to acceleration by the Company upon 30 days notice if the closing price of the Company's shares on the TSX Venture Exchange equals or exceeds $0.25 for 20 consecutive trading days at any time after 4 months from closing. A finder's fees of 8% cash and 8% finder's warrants was payable in connection with the financing, each finder's warrant entitling the holder to purchase one Share of the Company at a price of $0.12 for a period of 24 months after closing, subject to acceleration on the same terms as the Warrants. The fair value of the finders warrants was calculated as $183,819, using a black-scholes option pricing model using the assumptions in note 11. Other share issue costs totaled $222,039.

On August 8, 2013 the Company issued shares for certain creditors in the face amount of $417,099 for 3,208,453 common shares which were valued at $0.10, the share price of the Company's stock on the date of issuance. The Company recorded a gain on debt settlement of $68,181 in connection with the issuance of the shares.

As at August 31, 2013, the Company received $130,000 in subscriptions and is included in shares to be issued. The shares were issued in the year ended August 31, 2014.

Period ended August 31, 2014

On October 30, 2013 the Company issued 19,000,000 common shares at $0.05 for gross proceeds of $950,000 in connection with a private placement. Finder's fees in the amount of $17,455 have been recorded as owing in connection with the private placement.

11. SHARE BASED PAYMENTS

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Stock options vest on grant date, except for certain investor relations consultants.

(Expressed in Canadian Dollars)

11. SHARE BASED PAYMENTS (continued)

A summary of stock options issued and outstanding is as follows:

	August 31, 2014			August 31, 2013		
		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price	Number of Options
Outstanding at beginning of period	$	0.13	7,325,000	$	0.19	3,725,000
Granted		-	-		0.13	5,225,000
Exercised		-	-		0.10	(100,000)
Expired		-	-		0.25	(1,525,000)
Cancelled/forfeited		0.13	(1,725,000)		-	-
Cancelled		0.10	(1,151,000)		-	-
Cancelled		0.25	(699,000)		-	-
Granted		0.05	4,350,000		-	-
Outstanding at end of the period	**$**	**0.08**	**8,100,000**	**$**	**0.13**	**7,325,000**
Exercisable at end of period	**$**	**0.10**	**5,925,000**	**$**	**0.14**	**4,587,500**

The following table provides additional information about outstanding stock options at August 31, 2014:

Exercise Price	No. of Options Outstanding	Weighted Average Remaining Life (Years)		Weighted Average Exercise Price	No. of Options Currently Exercisable		Weighted Average Exercise Price – Exercisable Options
$ 0.10	350,000	2.88			350,000		
$ 0.10	350,000	3.19			350,000		
$ 0.13	3,050,000	3.59			3,050,000		
$ 0.05	4,350,000	4.48			2,175,000		
$ 0.05 - $ 0.13	**8,100,000**	**4.02**	**$**	**0.08**	**5,925,000**	**$**	**0.10**

(Expressed in Canadian Dollars)

11. SHARE BASED PAYMENTS (continued)

Share based payments

The following table summarizes the weighted average assumptions used with the Black-Scholes valuation model for the determination of the share based payments for the stock options issued at the corresponding periods:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life (Years)	Volatility Factor	Dividend Yield
April 3, 2013	April 3, 2018	$0.14	$0.13	1.26%	5	155%	Nil
August 7, 2013	August 7, 2018	$0.10	$0.13	1.77%	5	160%	Nil
February 21, 2014	February 21, 2019	$0.035	$0.05	1.69%	5	156%	Nil

On April 3, 2013 the Company granted 3,775,000 stock options to directors, officers, employees and consultants to purchase up to 3,775,000 common shares of the Company for a period of five years at an exercise price of $0.13 per share. The options vest 50% on the date of grant and 50% one year from the grant date. For the year ended August 31, 2014, the Company recorded a charge of $112,230 (2013 - $343,923) in stock-based compensation. A weighted average fair value of $0.09 per share on the stock options granted was estimated using the Black-Scholes option pricing model with the assumptions listed in the table above.

On August 7, 2013 the Company granted 1,000,000 stock options to an officer to purchase up to 1,000,000 common shares of the Company for a period of five years at an exercise price of $0.13 per share. The options vest 50% on the date of grant and 50% one year from the grant date. .For the year ended August 31, 2013, the Company recorded a charge of $57,575 in stock-based compensation. For the year ended August 31, 2014, he Company recorded a recovery of $12,086 for prior year’s stock based compensation recognized related to unvested forfeitures. A weighted average fair value of $0.06 per share on the stock options granted was estimated using the Black-Scholes option pricing model with the assumptions listed in the table above.

On February 21, 2014 the Company granted 4,350,000 stock options to directors, officers and employees to purchase up to 4,350,000 common shares of the Company for a period of five years at an exercise price of $0.05 per share. The options vest 50% on the date of grant and 50% within 360 days from the grant date. For the year ended August 31, 2014, the Company recorded a charge of $122,053 in stock-based compensation. A weighted average fair value of $0.032 per share on the stock options granted was estimated using the Black-Scholes option pricing model with the assumptions listed in the table above.

Total expenses arising from share-based payment transactions recognized during the years ended August 31, 2014 as part of stock-based compensation were $222,197 (2013 - $500,736).

(Expressed in Canadian Dollars)

12. WARRANTS

	August 31, 2014			August 31, 2013		
		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price	Number of Warrants
Outstanding at beginning of year	$	0.12	32,994,000	$	0.25	770,416
Granted		0.12	-		0.12	32,994,000
Expired		0.25	-		0.25	(770,416)
Outstanding at end of the period	**$**	**0.12**	**32,994,000**	**$**	**0.12**	**32,994,000**

The following table summarizes the weighted average assumptions used with the Black-Scholes valuation model for the determination of the fair market value of the warrants issued at the corresponding periods:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life (Years)	Volatility Factor	Dividend Yield
21-Mar-13	21-Mar-15	$0.16	$0.12	0.98%	2	141%	Nil
22-Mar-13	22-Mar-15	$0.15	$0.12	0.99%	2	141%	Nil

Exercise price	Issue date	Expiry date	Balance August 31, 2013	Expired	Exercised	Balance August 31, 2014
$ 0.12	March 21, 2013	March 21, 2015	26,000,000	-	-	26,000,000
$ 0.12	March 22, 2013	March 22, 2015	6,994,000	-	-	6,994,000
Total			**32,994,000**	**-**	**-**	**32,994,000**

13. PREPAID EXPENSES

	August 31, 2014		August 31, 2013	
Prepaid insurance	$	-	$	8,499
Other		1,223		6,657
Total prepaid expenses	**$**	**1,223**	**$**	**15,156**

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. Geographic information comprising property, plant and equipment is as follows:

Geographic Segments

		August 31, 2014		August 31, 2013
Property, Plant and Equipment				
Canada	$	-	$	-
Nicaragua		20,759		42,495
Total	**$**	**20,759**	**$**	**42,495**

15. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

The Company incurred the following expenditures charged by companies controlled by current and former directors and officers of the Company:

		August 31, 2014		August 31, 2013
Management fees	**$**	-	$	26,958
Consulting fees		295,578		169,930
Rent		12,020		-
Total	**$**	**307,598**	**$**	**196,888**

During the year ended August 31, 2014, remuneration of $307,598 (August 31, 2013 - $196,888) was paid or payable to a company with a former common officer, a company with a common chief executive officer and a company with a common director, and a company with a common officer. During the year ended August 31, 2014 share-based payments of $213,780 (August 31, 2013 - $423,138) were granted to a former chief financial officer, current chief executive officer and chief financial officer and current directors.

As at August 31, 2014, $23,448 (August 31, 2013 - $Nil) is owed to present and former chief financial officer, former chief executive officer and certain directors of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

All transactions with related parties were in the normal course of operations and are recorded at the exchange amount as agreed to by the parties involved.

(Expressed in Canadian Dollars)

16. EXPLORATION AND EVALUATION EXPENDITURES

The evaluation and exploration expenses for the Company are broken down as follows:

		August 31, 2014		August 31, 2013		Cumulative to date
Topacio Property						
Acquisition expenditures	**$**	-	$	213,916	$	517,582
Exploration expenditures:						
Project Staff Salaries and Benefits		67,763		23,582		1,835,004
Project management		12,049		658,863		689,001
Travel expenses		1,917		667		51,912
Laboratory Analysis Costs -Minerals Sampling		213		31,883		263,480
Supplies Expense - Fuel		847		295		22,937
Authorizations, permits, licenses		11,327		3,942		306,732
Exploration and evaluation expenditures	**$**	94,116	$	933,148	$	3,686,648

17. COMMITMENTS

On-going commitments for capital resources relate largely to the maintenance of mineral permits. Under Nicaraguan law, the concessions remain in good standing as long as the annual registration payments ($12.00 per hectare) are received by June of each year. One grace year is added in the event of a delinquent payment. The Company will spend the funds available to it to further its stated business objectives.

18. OTHER RECEIVABLES

		August 31, 2014		August 31, 2013
GST/HST receivables	$	52,955	$	42,106
Miscellaneous receivables		8,923		-
Total other receivables	**$**	**61,878**	**$**	**42,106**

19. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the year ended August 31, 2014, and 2013, the following transactions were excluded from the consolidated statement of cash flows:

i) The Company issued Nil agent warrants (2013 – 2,444,000) valued at $Nil (2013 - $183,819) as a finder's and corporate financing fees.

(Expressed in Canadian Dollars)

20. INCOME TAXES

The difference between tax expense for the period and the expected income taxes based on the statutory rate are as follows:

	August 31, 2014	August 31, 2013
Loss before income taxes	$ (1,356,161)	$ (2,662,007)
Income taxed at local statutory rates	(353,000)	(679,000)
Difference between Canadian and foreign tax rates	(12,000)	(18,000)
Impact due to change in tax rates	-	(41,000)
Share issuance costs	(5,000)	(56,000)
Non-deductible expenses	82,000	327,000
Other	17,000	(37,000)
Change in unrecognized deferred tax assets	271,000	504,000
Income tax expense/(recovery)	-	$ -

Taxation in the Group's operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction. There is no deferred tax charge arising for the Group for the year.

The Canadian Federal corporate tax rate remained the same at 15.00%, and the British Columbia provincial tax rate remained at 11.00%. The Nicaraguan income tax rate is 30% (2013-30%).

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	August 31, 2014	August 31, 2013
Non-capital losses	$ 1,625,000	$ 1,308,000
Share issue costs	75,000	122,000
Exploration and evaluation assets	458,000	458,000
Other	10,000	10,000
	2,168,000	1,898,000
Unrecognized deferred tax assets	(2,168,000)	(1,898,000)
Net deferred tax assets	$ -	$ -

As at August 31, 2014, the Company has estimated non-capital losses totalling $5,299,000 in Canada that may be carried forward to reduce taxable income derived in future years, from 2015 to 2034.

21. SUBSEQUENT EVENTS

i) Subsequent to year ended August 31, 2014, the Company acquired a 51% interest in four private South African companies (together referred to as "African Star") which: (i) holds a 100% interest in the Oena Diamond Project ("Oena"), a past producing alluvial diamond property covering 8,800 hectares located in the Northern Cape Province, South Africa; and (ii) has four toll treatment contracts in respect of four mutually exclusive coal operating and production collieries located in the Witbank coal district, Mpumalanga and Natal Provinces, South Africa.

In consideration for the interest in African Star, Tango has issued 49,000,000 common shares ("Payment Shares"), that are subject to a four month regulatory hold period expiring on 17 February 2015 and escrow restrictions over a 30 month period. Contemporaneously, 17,150,000 of the Payment Shares will be held in escrow pending receipt of applicable approvals required under South African legislation.

Both a finder's fee of USD $100,000 was paid and 1,474,522 common shares were issued as consideration to an arm's length third party for consulting services rendered. These shares are restricted from trading until expiry of the regulatory hold period on 17 February 2015.

ii) Subsequent to year ended August 31, 2014, on October 27, 2014, pursuant to its stock option plan, the Company has granted stock options to certain directors and officers of the Company to purchase up to a total of 2,050,000 common shares in the capital stock of the Company. The options are exercisable at a price of $0.05 per share for a term of five years from the date of granting. The Company has issued 500,000 common shares to a director in recognition of his efforts to successfully complete the Company's acquisition of African Star Minerals.

(Expressed in Canadian Dollars)

22. PRIOR YEAR RESTATEMENTS

The gain on settlement of debt as at August 31, 2013 was retrospectively corrected to $68,181 from a loss on settlement of $58,308 previously reported, resulting in a decrease of $126,489 in the loss for the year ended August 31, 2013. The Company had previously incorrectly accounted for the settlement of debt as a loss instead of a gain for the year ended August 31, 2013 as a result of the usage of an incorrect share price.

The Company had previously incorrectly accounted for the bonus shares issued as finance charges instead of allocating the cash proceeds received on the promissory notes between the liability and equity portions for the year ended August 31, 2013. As a result of this error, finance charges were overstated by $27,740.

The Company had previously unrecorded exploration and evaluation expenses related to the year ended August 31, 2013. As a result of this error, trade payables and exploration and evaluation expenses were understated by $31,809.

These adjustments do not impact reported assets and liabilities as at August 31, 2012 and therefore a comparative statement of financial position at September 1, 2012 has not been reported.

Summarized below is the effect of these restatements on the consolidated financial statements for the year ended August 31, 2013:

	Previously Stated	Restated	Change
Assets			
Prepaid interest on promissory notes	$ 9,930	$ -	$ (9,930)
Liabilities			
Trade and other payables	285,544	317,353	31,809
Promissory note payable	170,000	160,400	(9,600)
Shareholder's Equity			
Share Capital	10,208,226	10,053,667	(154,559)
Accumulated deficit	(11,262,412)	(11,139,992)	(122,420)
Loss and Comprehensive Loss			
Exploration and evaluation expenses	901,339	933,148	31,809
Finance charge	175,683	147,943	(27,740)
Loss (gain) on settlement of debt	58,308	(68,181)	(126,489)
Net loss for the year	2,784,427	2,662,007	(122,420)
Total Comprehensive Loss	2,831,216	2,708,796	(122,420)

The consolidated statement of cash flow for the year ended August 31, 2013 has been restated to show the effect of the above adjustments.