



Tango Gold Mines Incorporated  
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TSX Venture: TGV

### *Management's Discussion and Analysis*

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Tango Gold Mines Incorporated (the "Company" or "Tango Gold"), formerly known as F.D.G. Mining Inc., constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months period ended February 28, 2014 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three and six months period ended February 28, 2014 and 2013, and our audited consolidated financial statements for the years ended August 31, 2013 and 2012 and notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board (IASB). All figures are in Canadian dollars unless otherwise stated. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to the Company's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward looking statements. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history and properties of the Company are available on SEDAR and may be accessed at [www.sedar.com](http://www.sedar.com).

#### **Date**

This MD&A is dated as of April 30, 2014.

#### **Disclaimer**

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of resource and reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of Tango Gold to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Tango Gold to fund the capital and operating expenses necessary to achieve its business objectives, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by Tango Gold. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Tango Gold should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

### Overall Performance

The Company is engaged in the acquisition, exploration and, if warranted, development of mineral resource properties in the Republic of Nicaragua, Central America.

Since 2009, the Company's primary focus was the acquisition, subject to a 3% net smelter return royalty, of a 100% undivided interest in the Topacio Concession (the "**Topacio Concession**"), a 9,300 hectare (ha) gold exploration project located in the South Atlantic Autonomous Region of the Republic of Nicaragua, Central America.

Pursuant to the terms of a definitive option agreement dated April 30, 2010 (the "**IMISA Agreement**") with Inversiones Mineras, S.A. ("**IMISA**"), as amended, the Company held the exclusive right and option to acquire the Topacio Concession by paying the purchase price of US\$3,000,000 at any time on or before April 30, 2016 (the "**Option Period**") and with additional US\$60,000 bi-annual payments commencing on October 30, 2009 and every years thereafter until April 30, 2013 then rising to US \$90,000 until the purchase price is paid. 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. Notwithstanding that, however, the Company continues to negotiate with the vendor for newly agreeable terms.

As of February 28, 2014, the Company had incurred a total of \$3,660,558 (August 31, 2013 - \$3,560,723) in exploration and evaluation expenditures on the Topacio Concession.

Currently, the Company has approximately CAD \$1.36 million in cash in its treasury, no debt, and is evaluating other opportunities that are available for acquisition.

### *Recent Financings*

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 \$17,500 have been recorded as owing in connection with the private placement.

On March 22, 2013, the Company completed a non-brokered private placement where 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 (the "Financing"). 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 closing price of the Company's shares on the TSX-V 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.

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 common shares of the Company at a deemed price of \$0.105 per share were issued as a bonus in connection with the private placement. The Notes are for a term of one year maturing 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. The Notes are also secured, on a pro rata basis, by a general security agreement over all present and after-acquired personal property of the Company. A cash finder's fee of \$6,000 (10%) was paid on a portion of the gross proceeds raised under the private placement. Subsequent to the quarter ended August 31, 2013, the Company settled \$361,000 of the outstanding promissory notes by issuing an aggregate of 2,776,923 common shares at a deemed price of \$0.13 per share.

### *Operations*

The Company has ceased all activities on the Topacio Concession.

Subsequent to the end of the reported quarter, on March 26, 2014 the Company announced the discovery of several high grade low-sulphidation epithermal quartz veins, with gold and silver, on its 100% owned 2088.8 ha El Santo concession, Republic of Nicaragua. These were the results of two preliminary geological reconnaissance and surface sampling programs (46 samples) that were conducted prior to the end of the quarter. The Company has since engaged two independent geologists to assess the results of the geological reconnaissance work that was completed by a Nicaraguan geologist and prospector. The analytical results of the program were verified by assessment of the QA/QC program, which was put in place as per standard procedure,

but all the samples were reported as chip samples with a sample width is inaccurate. All the samples results reported were surface grab samples that may or may not be in place and the sample widths reported need field verification with trenching and additional sampling. The Company, upon receipt of the necessary environmental permits, will conduct a surface-trenching program to confirm the nature of the reported mineralization and its source.

### **Selected Annual Information**

The following is a summary of selected financial information for the Company for the periods indicated and has been prepared in accordance with International Financial Reporting Standards, unless otherwise stated. This summary should be read in conjunction with the audited financial statements of the Company for the fiscal year ended August 31, 2012, 2011 and 2010.

	Year ended August 31, 2013	Year ended August 31, 2012	Year ended August 31, 2011
<b>Revenues</b>	N/A	N/A	N/A
<b>Net Loss</b>	(2,784,427)	(3,534,829)	(2,214,831)
<b>Basic and Diluted Loss per share</b>	(0.05)	(0.08)	(0.07)
<b>Working Capital (Deficiency)</b>	1,078,729	(222,448)	2,647,676
<b>Total Assets</b>	1,576,768	214,799	2,905,302
<b>Total Long-Term Financial Liabilities</b>	N/A	N/A	N/A
<b>Retained Earnings (Deficit)</b>	(11,262,412)	(8,477,985)	(4,943,156)
<b>Number of shares outstanding at period end</b>	79,452,188	44,283,675	43,996,971

### **Results of Operations**

The Company has not generated any revenue since its inception from its planned operations and has, to date, incurred annual net losses resulting primarily from the write-down of deferred exploration and acquisition costs associated with its interest in the Exminicsa Properties, and general and administrative expenses.

### **Summary of Quarterly Results**

The following table sets forth selected financial information for the Company for the eight most recently completed fiscal quarters for which Company prepared quarterly financial statements and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for such periods.

The following information has been prepared in accordance with IFRS and is expressed in Canadian dollars.

	Feb. 28, 2014	Nov. 30, 2013	Aug. 31, 2013	May. 31, 2013	Feb. 28, 2013	Nov. 30, 2012	Aug. 31, 2012	May 31, 2012
<b>Revenues</b>	Nil	Nil						
<b>Loss Before other items</b>	(843,438)	(585,659)	(1,090,843)	(609,067)	(267,137)	(817,380)	(538,383)	(1,304,994)
<b>Loss per share before other items – basic and diluted <sup>(1)</sup></b>	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.03)
<b>Shares Outstanding</b>	92,153,845	98,452,188	79,452,188	76,143,735	45,593,735	45,593,735	44,283,675	44,283,675

(1) Based on the weighted average number of shares outstanding during the period.

The Company's level of activity and expenditures during a specific quarter are influenced by the availability of working capital, the availability of additional external financing, the time required to gather, analyze and report on geological data related to mineral properties, the results of the Company's prior exploration activities on its properties and the amount of expenditure required to advance its projects.

**Results of Operations for the quarter ended February 2014:**

The Company incurred a net loss of \$257,779 and \$843,438 for the three and six months period ended February 28, 2014, compared to a net loss of \$385,733 and \$1,106,762 for the period ended February 28, 2013. Net loss remained declined between the periods as the Company reduced operations in the exploration of its Topacio property between the two periods.

The Company has not generated any revenue since its inception from its planned operations and has, to date, incurred net losses resulting primarily from the write-down of deferred exploration and acquisition costs associated with its interest in the Exminics Properties and general and administrative expenses.

**Non-Exploration Expense Summary**

A summary of the non-exploration activity for the three and six months ended February 2014 and 2013 is as follows:

<b>Expenses</b>	<b>Three months ended February 28,</b>		<b>Six months ended February 28,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Professional fees	\$ 35,421	\$ 64,194	\$ 49,244	\$ 125,082
Amortization	7,084	-	11,048	-
Management and consulting	113,000	127,270	232,602	218,441
Travel and promotion	21,272	2,205	78,311	31,245
Share based payments	55,699	3,400	163,303	45,400
Finance charge	(36)	-	10,084	125,083
Office and general	18,738	74,122	157,073	170,804
Shareholder information	18,742	26,620	25,721	40,342
Foreign exchange (gain) loss	(2,836)	671	16,217	796
<b>Net loss for the period</b>	<b>\$ 267,084</b>	<b>\$ 298,482</b>	<b>\$ 743,603</b>	<b>\$ 757,193</b>

Professional fees for the three and six months period ended February 28, 2014 went down to \$35,421 and \$ 49,244, compared to \$64,194 and \$125,082 in the same period in 2013, because of reduction in legal and accounting fees in the current year.

During the three and six months period ended February 28, 2014, management and consulting expenses decreased and increased to \$113,000 and \$232,602 respectively, compared to \$127,270 and \$218,441 in the same period in 2013. The decrease in the current quarter is due to the restructuring of management's fees and increased during six months is partially due to the Company's efforts to raise funds.

During the year three and six months period ended February 28, 2014, travel and promotion expenses increased by \$19,067 to \$21,272 and by \$47,066 to \$78,311, compared to \$2,205 and \$31,245 during the same period in 2013 due to increased travel within the period in connection with the private placement in October and finalizing the plan of development on the Topacio project.

Share based payments expense for the three and six months period ended February 28, 2014 was \$55,699 and \$163,303, compared to \$3,400 and \$45,400 in the same period during 2013. The expense is booked based on the vesting schedule of the options issued to officers and directors during 2013 and 2012. During this quarter share based increased because of issuance of new stock options and vesting of 50% options in the same period. The Company uses the Black-Scholes valuation model.

During the period ended February 28, 2013, the Company incurred a one-time cost in association with the issuance of promissory notes of \$125,083, by the issuance of bonus shares totaling 890,060 common shares valued at \$115,708 and interest. During the three and six months period ended February 28, 2014 the Company incurred the remainder of the accrued interest on the promissory notes in the amounts of (\$36) and \$10,084.

During the three and six months period ended February 28, 2014, office and general expenses reduced by \$55,384 to \$18,738, and by \$13,731 to \$157,073 respectively compared to \$74,122 and \$170,804 during the same period in 2013. The significant

decrease in is a result of minimal operating costs overall due to the diminishing treasury, which led to a reduction in office and general and administrative costs.

During the three and six months period ended February 28, 2014, shareholder information decreased by \$7,878 to \$18,742, and by \$13,722 to \$40,342 respectively compared to \$26,620 and \$40,342 in the same period during 2013. The decrease is due to lesser filing fees for the news release in the current year.

#### **Dividend Report and Policy**

The Company has not paid any dividends to date. The Company intends to retain its future earnings, if any, for use in its business and does not expect to pay dividends on its shares in the foreseeable future.

#### **Liquidity**

The Company has not generated any revenue from operations and to date has relied entirely upon the sale, by way of private placement, of common shares and special warrants and short-term interest bearing loans from related and other parties to carry on its business.

As at February 28, 2014, the Company had working capital of \$1,221,757, compared to a working capital of \$1,078,729 as at the year ended August 31, 2013.

As at February 28, 2014, the Company had total assets of \$1,477,326 (August 31, 2013 - \$1,576,768) including cash and cash equivalents of \$1,363,281 (August 31, 2013 - \$1,467,081). The increase in cash was the result of \$886,797 raised through the issuance of common shares on the private placement completed October 30, 2013 in the amount of \$950,000 in gross proceeds.

The total liabilities of the Company as of February 28, 2014 were \$224,122 (August 31, 2013 - \$455,544) and consisted of accounts payable and accrued liabilities of \$156,381 (August 31, 2013 - \$285,544), promissory notes payable of \$25,000 (August 31, 2013 - \$170,000), and an amount due to related parties of \$42,741 (August 31, 2013 - \$Nil).

#### *Requirement of Additional Equity Financing*

The Company has relied entirely on equity financings and short-term interest bearing loans for all funds raised to date for its operations. If the Company is successful in negotiating a new agreement for the purchase of the Topacio Concession or other properties, the Company will need more funds to secure such acquisition(s) and to fund the exploration and development thereof. Until the Company starts generating profitable operations from exploration, development and sale of minerals, the Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions pursuant to private placements, the exercise of warrants and stock options, and short term or long-term loans. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity for the Company's shares, restricting access to some institutional investors. The Company's growth and success is dependent on external sources of financing which may not be available on acceptable terms or at all.

#### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

#### **Transactions with Related Parties**

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:

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	2014	2013
Management fees	\$ -	18,750	\$ -	58,150
Consulting fees	72,216	83,084	146,128	160,884
Rent	5,531	-	10,739	-
<b>Total</b>	<b>\$ 77,747</b>	<b>101,834</b>	<b>\$ 156,867</b>	<b>219,034</b>

During the three and six months period ended February 28, 2014, aggregate remuneration of \$72,216 and \$146,128 (2013 – \$101,834 and \$219,034) was paid or accrued to are payable to company with a former common officer, a company with a common chief executive officer and a company with a common director. During the three and six months period ended February 28, 2014 share-based payments of \$50,836 and \$158,440 (2013 – \$3,400 and \$45,400) were granted to former chief financial officer, current chief executive officer and chief financial officer and current directors.

As part of the promissory note private placement closed on October 31, 2012, the Company's former CFO, the VP of Corporate Development, and a director loaned the Company \$20,000, \$25,000 and \$50,000 respectively. As at February 28, 2014 nothing remains as promissory note payable to related parties.

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.

### **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 quarter ended February 28, 2014.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserves, and deficit, which as at February 28, 2014 totaled \$1,253,204 (August 31, 2013 - \$1,121,224). 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 or base metal deposits.

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.

## **Financial Instruments and Risk Management**

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This section describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the accompanying financial statements.

### **General Objectives, Policies and Processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

#### a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, and interest rate risk.

##### *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. A 1% increase/decrease in the Canadian/Nicaraguan Cordoba Oro exchange rate would result in a \$Nil increase/decrease to the net loss for the period (February 28, 2013: \$Nil increase/decrease)

##### *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) 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 other receivables is minimal.

#### c) 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 February 28, 2014, the Company had a current assets of \$1,445,879 (August 31, 2013 - \$1,534,273) to settle current liabilities of \$224,122 (August 31, 2013 - \$455,544) resulting in working capital of \$1,221,757 (August 31, 2013 – working capital \$1,078,729). All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

### **Determination of Fair value**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The Statement of Financial Position carrying amounts for cash and cash equivalents, due from related parties, advances and other receivables, deposits, accounts payables and accrued liabilities, and due to related parties approximates fair

value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

#### **Fair Value Hierarchy**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

During the three and six months period ended February 28, 2014, there were no significant transfers between level 1 and 2.

#### *Political / Social Risk*

Throughout the term of the IMISA Agreement for the acquisition of the Topacio Concession, illegal small miners were active within the Topacio Concession mining by hand gold-bearing rock material from various veins within the concession and extracting the gold by use of small diesel-powered rotating mills known as "rastras" to grind the ore, then using liquid mercury metal to capture the gold by the amalgamation process. This process contaminates the streams and soil with mercury, a known toxic metal.

#### **Disclosure of Outstanding Security Data**

The authorized capital of the Company consists of an unlimited number of common shares without par value, of which there were 98,452,188 common shares issued and outstanding as of February 28, 2014.

On February 21, 2014 the Company granted 4,350,000 stock options to directors, officers and employee 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. The Company recorded a charge of \$70,510 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.

The following table summarizes the current outstanding incentive stock options and share purchase warrants to acquire or purchase common shares of the Company:

Stock Options	Number	Exercise Price	Expiry Date
	350,000	\$0.10	November 6, 2017
	350,000	\$0.10	July 19, 2017
	3,400,000	\$0.13	April 3, 2018
	4,350,000	\$0.05	February 21, 2019
<b>Total Stock Options</b>	<b>8,450,000</b>		

Share Purchase Warrants	Number	Exercise Price	Expiry Date
	32,670,420	\$0.12	March 21, 2015
<b>Total Warrants</b>	<b>32,670,420</b>		

There are no assurances that the options, warrants or other rights described above will be exercised or issued in whole or in part.

Except as disclosed above, there are no options, warrants or other rights to acquire common shares of the Company outstanding.

### **Mineral Properties Expenditures**

The following is a breakdown of the exploration and evaluation expenditures for the periods ended February 28, 2014 and 2013 and cumulative to date on the Company's properties:

	February 28, 2014	February 28, 2013	Cumulative to date
<b>Topacio Property</b>			
Acquisition expenditures	\$ -	\$ -	\$ 517,582
Exploration expenditures:			
Project Staff Salaries and Benefits	69,051	121,735	1,962,777
Project management	22,439	213,123	717,089
Travel expenses	1,954	3,445	55,543
Laboratory Analysis Costs -Minerals Sampling	217	383	232,071
Supplies Expense - Fuel	863	1,521	24,531
Authorizations, permits, licenses	5,311	9,363	150,965
<b>Exploration and evaluation expenditures</b>	<b>\$ 99,835</b>	<b>\$ 349,570</b>	<b>\$ 3,660,558</b>

During the period ended February 28, 2014, exploration and evaluation expenses decreased by \$249,735 to \$99,835, compared to \$349,570 during the same period in 2013. The decrease is due to the Company's focus on negotiations on the properties resulting in a decrease in exploration in order to preserve cash. Following the closing of the private placement in October 2013, the Company is now in a better position to carry out additional exploration work.

Andrew Neale stepped down as CEO of the Company effective December 13, 2013 and Mr. Antonio Ponte, Executive Chairman of the Company, has been appointed as Chief Executive Officer, effective December 13, 2013.

### **Subsequent Events**

Nil

#### **Standards and amendments effective in the current year**

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

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:

"Joint Arrangements" (IFRS 11) establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

"Disclosure of Interests in Other Entities" (IFRS 12) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

"Fair Value Measurements" (IFRS 13) defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based fair value or disclosures about those measurements), except in specified circumstances.

### **Adoption of new and revised standards and interpretations**

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, 2015. The Company is assessing the impact of IFRS 9 on its results of operations.

### **Risks and Uncertainties**

Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge and careful evaluation may fail to overcome. These risks may be even greater in the Company's case given its formative stage of development.

Exploration activities are expensive and seldom result in the discovery of a commercially viable resource. There is no assurance that the Company's exploration will result in the discovery of an economically viable mineral deposit. The Company has generated losses to date and while the Company anticipates that it will have sufficient financial resources to pay its general and administrative expenses for the ensuing year, there is likely not sufficient capital to undertake new exploration programs without the need for additional capital. There is no assurance such additional funding will be available to the Company on commercially reasonable terms or at all. Additional equity financing may result in substantial dilution thereby reducing the marketability of the Company's shares. The Company's activities are subject to the risks normally encountered in the mining exploration business. The economics of exploring, developing and operating resource properties are affected by many factors including the cost of exploration and development operations, variations of the grade of any ore mined and the rate of resource extraction and fluctuations in the price of resources produced, government regulations relating to royalties, taxes and environmental protection and title defects. The degree of risk increases substantially where property interests are in the exploration, as opposed to, the development stage and are located in a foreign jurisdiction. All of the Company's property interests are located in Nicaragua and are in the exploration or pre-exploration stage and without a known body of commercial ore. In addition, the Company's mineral resource properties have not been surveyed and may be subject to prior unregistered agreements, interests or land claims and title may be affected by undetected defects. The Company may also become subject to liability for hazards against which it is not insured. The mining industry is highly competitive in all its phases and the Company competes with other mining companies, many with greater financial and technical resources, in the search for, and the acquisition of, mineral resource properties and in the marketing of minerals. Additional risks include the current lack of any market for the Company's securities and the present intention of the Company not to pay dividends. Certain of the Company's directors and officers also serve as directors or officers of other public and private resource companies, and to the extent that such other companies may participate in ventures in which the Company may participate, such directors and officers of the Company may have a conflict of interest.

### **Outlook**

Notwithstanding that there are ongoing discussions to re-negotiate terms of the Topacio Concession, the Company is simultaneously evaluating other opportunities in the resource sector. In the event that the market pressures in the resource sector do not improve, the Company may consider opportunities in other sectors. There is no assurance that a new transaction will be concluded, however, the evaluation of new assets is an ongoing activity.

For a more detailed discussion of the risk factors affecting the Company and its exploration activities, please refer to the Prospectus which can be assessed on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).