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TANGO GOLD MINES INCORPORATED

Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the nine month period ended May 31, 2013 and 2012

NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an auditor.

The Company's external auditors have not performed a review of these interim financial statements.

Signed
“Antonio Ponte”
CEO

TANGO GOLD MINES INCORPORATED
Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

As at,		**May 31, 2013**		August 31, 2012
Assets				
Current Assets				
Cash and cash equivalents	$	**1,979,498**	$	139,332
Trade and other receivables		**30,367**		15,325
Prepaid expenses (Note 10)		**97,225**		13,063
		2,107,090		167,720
Property, plant and equipment (Note 6)		**38,951**		47,079
	$	**2,146,041**	$	214,799
Liabilities				
Current Liabilities				
Trade and other payables	$	**178,622**	$	222,526
Promissory notes payable (Note 7)		**531,000**		75,000
Due to related parties (Note 12)		**148,345**		92,642
		857,967		390,168
Shareholders' Equity				
Share subscriptions (Note 7)		**(37,600)**		-
Share capital (Note 7)		**9,656,529**		6,885,784
Reserve for warrants		**297,590**		113,771
Reserve for share based payments		**1,442,320**		1,214,202
Reserve for foreign exchange losses		**88,859**		88,859
Accumulated deficit		**(10,159,624)**		(8,477,985)
		1,288,074		(175,369)
	$	**2,146,041**	$	214,799

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 15)

TANGO GOLD MINES INCORPORATED

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	Three months ended May 31, 2013	Three months ended May 31, 2012	**Nine months ended May 31, 2013**	Nine months ended May 31, 2012
Expenses				
Professional fees	$ **47,365**	$ 12,243	$ **172,447**	$ 141,607
Management and consulting	**54,318**	107,352	**272,759**	482,167
Travel and promotion	**52,601**	18,559	**83,846**	83,253
Exploration and evaluation expenses	**225,539**	813,873	**575,166**	1,401,733
Share based payments	**182,718**	138,000	**228,118**	433,000
Finance charge	**-**	-	**125,083**	-
Office and general	**12,754**	107,019	**184,359**	321,648
Shareholder information	**11,043**	8,102	**51,384**	28,123
Foreign exchange (gain) loss	**22,729**	99,846	**5,478**	94,017
Loss before the undernoted	**609,067**	1,304,994	**1,698,640**	2,985,548
Loss on disposal of property, plant and equipment	**-**	-	**-**	10,898
Net loss	**609,067**	1,304,994	**1,698,640**	2,996,446
Comprehensive loss				
Net loss	**609,067**	1,304,994	**1,698,640**	2,996,446
Exchange differences on translating foreign operations	**(17,000)**	42,596	**(17,000)**	72,264
	592,067	1,347,590	**1,681,640**	3,068,710
Loss per share-basic and diluted	$ **0.01**	$ 0.03	$ **0.03**	$ 0.07
Weighted average number of shares outstanding	**69,120,909**	44,034,778	**52,242,983**	44,015,875

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

TANGO GOLD MINES INCORPORATED

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital		Reserves					
	Number of shares	Amount	Share based payments	Warrants	Foreign Exchange	Subscriptions	Deficit	Total
Balance at September 1, 2011	**43,996,971**	**$ 6,773,179**	**$ 738,202**	**$ 154,700**	**$ (13,398)**	**$ -**	**$ (4,943,156)**	**$ 2,709,527**
Share based payments	-	-	433,000	-	-	-	-	433,000
Exercise of warrants	286,704	71,676	-	-	-	-	-	71,676
Reserve transferred on exercise of warrants	-	40,929	-	(40,929)	-	-	-	-
Currency translation adjustment	-	-	-	-	72,264	-	-	72,264
Net loss for the period	-	-	-	-	-	-	(2,996,446)	(2,996,446)
Balance at May 31, 2012	**44,283,675**	**$ 6,885,784**	**$ 1,171,202**	**$ 113,771**	**$ 58,866**	**$ -**	**$ (7,939,602)**	**$ 290,021**
Share based payments	-	-	43,000	-	-	-	-	43,000
Currency translation adjustment	-	-	-	-	29,993	-	-	29,993
Net loss for the period	-	-	-	-	-	-	(538,383)	(538,383)
Balance at August 31, 2012	**44,283,675**	**$ 6,885,784**	**$ 1,214,202**	**$ 113,771**	**$ 88,859**	**$ -**	**$ (8,477,985)**	**$ (175,369)**
Shares issued in private placement	**30,550,000**	**3,055,000**	**-**	**-**	**-**	**-**	**-**	**3,055,000**
Shares issue costs	**-**	**(462,961)**	**-**	**183,819**	**-**	**-**	**-**	**(279,142)**
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**
Share subscriptions	**-**	**-**	**-**	**-**	**-**	**(37,600)**	**-**	**(37,600)**
Share based payments	**-**	**-**	**228,118**	**-**	**-**	**-**	**-**	**228,118**
Currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,681,640)**	**(1,681,640)**
Balance at May 31, 2013	**76,143,735**	**$ 9,656,531**	**$ 1,442,320**	**$ 297,590**	**$ 88,859**	**$ (37,600)**	**$ (10,159,625)**	**$ 1,288,075**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

TANGO GOLD MINES INCORPORATED
Unaudited Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Nine month period ended		**May 31, 2013**		May 31, 2012
Operating Activities				
Net loss	$	**(1,681,640)**	$	(2,996,446)
Adjustments to reconcile net loss to cash flow from operating activities:				
Share based payments (Note 8)		**228,118**		433,000
Shares issued for property (Note 7)		**63,000**		-
Shares issued on issuance of promissory notes (Note 7)		**115,708**		-
Loss on disposal of property, plant and equipment		**-**		10,898
Amortization		**6,350**		12,472
Unrealized foreign exchange gain (loss)		**(147,258)**		69,006
Net change in non-cash working capital items:				
Trade and other receivables		**(15,042)**		40,886
Prepaid expenses		**(21,390)**		22,952
Due to related parties		**148,345**		(9,051)
Trade and other payables		**(51,322)**		101,383
Cash flow used in operating activities		**(1,355,131)**		(2,314,900)
Financing Activities				
Issue of common shares, net of issue costs		**2,775,858**		71,676
Promissory notes issued		**456,000**		-
Share subscriptions		**(37,600)**		-
Cash flow provided from financing activities		**3,194,258**		71,676
Investing Activities				
Purchase of property, plant and equipment		**1,132**		(31,717)
Cash flow used in investing activities		**1,132**		(31,717)
Foreign exchange on holding foreign currency		**(93)**		4,782
Net decrease in cash and cash equivalents		**1,840,166**		(2,270,159)
Cash, and cash equivalents, beginning of period		**139,332**		2,754,140
Cash, and cash equivalents, end of period	$	**1,979,498**	$	483,981

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Tango Gold Mines Incorporated ("the Company" formerly known as F.D.G. Mining Inc.) 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.

As at May 31, 2013 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.

These financial statements have been prepared using accounting policies applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these 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.

At May 31, 2013, the Company had not yet achieved profitable operations, has accumulated losses of $10,159,625 (August 31, 2012 - $8,477,985) since inception and expects to incur further losses in the development of its business, all of which cast substantial 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 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 financial statements.

The Company's primary office is located at 5626 Larch Street, Suite 202, Vancouver, BC, V6M 4E1.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited interim condensed consolidated financial statements for the nine month periods ended May 31, 2013 and 2012 were reviewed and authorized for issue by the Board of Directors on July 29, 2013.

2.2 Basis of presentation

These unaudited interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's August 31, 2012 annual financial statements.

2.3 Adoption of new and revised standards and interpretations

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.

At the date of authorization of these Financial Statements, the IASB and IFRIC has also issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 7 '*Financial Instruments, Disclosures*' - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements.
- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

2. BASIS OF PRESENTATION, (continued)

2.3 Adoption of new and revised standards and interpretations, (continued)

- IFRS 13 '*Fair Value Measurement'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements'* - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 12 '*Income Taxes*' – In December 2010, effective for annual periods beginning on or after January 1, 2012, IAS 12 Income Taxes was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, *Income Taxes – recovery of revalued non-depreciable assets*, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.
- IAS 32 '*Financial instruments, Presentation'* – In December 2011, effective for annual periods beginning on or after January 1, 2014, 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 Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. As at May 31, 2013 the Company does not anticipate any impact from the adoption of the above standards, amendments and interpretations.

3. 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 nine month period ended May 31, 2013.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserves, and deficit, which as at May 31, 2013 totaled $1,288,074 (August 31, 2012 - $175,369 deficiency).

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.

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.

4. FINANCIAL RISK FACTORS

Fair Value

The Company has designated its cash and cash equivalents as FVTPL, which is measured at fair value. Trade 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 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 trade and other receivables and trade and other payables, and due to related parties are determined from transaction values which were derived from observable market inputs. Fair values of the remaining financial instruments are based on level 2 measurements. As at May 31, 2013, all financial instruments measured at fair value are considered level 1.

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other 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 exist.

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 trade 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 trade and other receivables 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 May 31, 2013, the Company had a cash balance of $1,979,498 (August 31, 2012 - $139,332) to settle current liabilities of $857,967 (August 31, 2012 - $390,168) resulting in working capital of $1,249,123 (August 31, 2012 - $(222,448)). All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

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.

5. MINERAL PROPERTIES

Topacio

Pursuant to a Definitive Agreement ("Topacio Agreement") dated April 30, 2010, the Company has agreed to acquire the Topacio property located in the South Atlantic Autonomous Region of southern Nicaragua. The Company has the right to earn a 100% undivided interest in Topacio following the payment of US$3,000,000 on or before April 30, 2013. The Company has also agreed to make best efforts to invest at least US$1,000,000 in exploration and development and other work over 3 years on the Topacio property.

Pursuant to the Topacio Agreement the Company is obligated to make advance bi-annual payments in the amount of US$60,000 (October 30, 2011: US$60,000 paid), (April 30, 2011 US$60,000 paid). As at May 31, 2013, the Company is current on its bi-annual payments having made the October 30th US$60,000 instalment in the year ended August 31, 2012.

This agreement is subject to a 3% Net Smelter Royalty.

On October 9, 2012, the Company modified the terms of the agreement whereby under the terms of the modified agreement, the Company has a three year extension of the Topacio Agreement in consideration for increasing its semi-annual option payments from US$60,000 to US$90,000 each, effective May 1, 2013, and issuing 420,000 common shares to IMISA. The final balloon option payment of US$3,000,000 is now due on or before April 16, 2016.

On January 25, 2012, the Company agreed to pay back taxes and penalties incurred for delinquent tax payments for the EXMINICSA joint venture properties in Nicaragua. These properties consist of the San Pedro I, Carro La Tronca, Rio Boca I and and Rio Boca II mining concessions which the Company currently holds a 50% interest. The back taxes and penalty were paid to the Ministry of Energy and Mines during the second quarter of fiscal 2012. In addition, the Company has agreed to obtain the remaining 50% in the EXMINICSA mining concessions by granting EXMINICSA 1,500,000 shares when solvency is granted by the Ministry of Energy and Mine. As at May 31, 2013, title to the concessions has not been transferred to the Company.

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment & Software	Furnishings	Vehicles	Construction in process	Total
Cost					
As at September 1, 2011	27,011	5,002	40,876	-	72,889
Additions	10,931	17,048	-	4,056	32,035
Disposals	(14,645)	(2,436)	(14,915)	-	(31,996)
Effect of foreign exchange	(6,042)	2,649	(2,982)	-	(6,375)
As at August 31, 2012	**17,255**	**22,263**	**22,979**	**4,056**	**66,553**
Additions	-	-	-	-	-
Effect of foreign exchange	(21)	(75)	(112)	(19)	(227)
As at May 31, 2013	**17,234**	**22,188**	**22,867**	**4,037**	**66,326**
Accumulated Amortization					
As at September 1, 2011	5,059	2,607	3,372	-	11,038
Additions	5,442	3,001	4,541	-	12,984
Removed on disposal	(2,966)	(111)	(2,797)	-	(5,874)
Effect of foreign exchange	279	2,094	(1,047)	-	1,326
As at August 31, 2012	**7,814**	**7,591**	**4,069**	**-**	**19,474**
Additions	1,952	2,259	2,139		6,350
Effect of foreign exchange	(61)	(135)	1,747		1,551
As at May 31, 2013	**9,705**	**9,715**	**7,955**	**-**	**27,375**
Net Book Value					
As at September 1, 2011	21,952	2,395	37,504	-	61,851
As at August 31, 2012	9,441	14,672	18,910	4,056	47,079
As at May 31, 2013	**7,529**	**12,473**	**14,912**	**4,037**	**38,951**

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

	Number of Shares	Stated Value
COMMON SHARES		
Balance, September 1, 2011	**43,996,971**	**6,773,179**
Exercise of warrants	286,704	71,676
Reserve transferred on exercise of warrants		40,929
Balance, August 31, 2012	**44,283,675**	**6,885,784**
Shares issued for property	420,000	63,000
Shares issued for fees on promissory note private placement	890,060	115,708
Shares issued on private placement	30,550,000	3,055,000
Shares issued costs	-	(279,144)
Fair market value of finder's warrants issued	-	(183,819)
Balance, May 31, 2013	**76,143,735**	**9,656,529**

Nine month period ended May 31, 2013

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 890,060 shares were valued at $115,708 and included in finance charges in the statement of operations for the nine month period ended May 31, 2013. 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.

On October 9, 2012, the Company issued 420,000 common shares to IMISA pursuant to the modification of the Topacio property agreement, see note 5.

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 Venture Exchange (the "Exchange") equals or exceeds $0.25 for 20 consecutive trading days at any time after 4 month from closing. A finder's fees of 8% cash and 8% finder's warrants is 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. All securities issued in connection with the Financing are subject to a four month and one day hold period expiring on or about July 22, 2013.

(Expressed in Canadian Dollars)

8. 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 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. As at May 31, 2013, the Company has 1,289,374 (August 31, 2012 – 703,368) options available to be issued.

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

The following table provides additional information about outstanding stock options at May 31, 2013:

	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	**1,851,000**	**4.14**	**$**	**0.10**	**500,000**	**$**	**0.10**
$ 0.25	**699,000**	**3.15**	**$**	**0.25**	**699,000**	**$**	**0.25**
$ 0.13	**3,775,000**	**4.84**	**$**	**0.13**	**1,887,500**	**$**	**0.13**
$ 0.10 - $ 0.25	**6,325,000**	**4.45**	**$**	**0.13**	**3,086,500**	**$**	**0.09**

(Expressed in Canadian Dollars)

8. SHARE BASED PAYMENTS, (continued)

Share based payments

The following table summarizes the 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
May 12, 2011	May 12, 2016	$0.25	$0.25	1.60%	5	100%	Nil
January 23, 2012	January 23, 2017	$0.20	$0.25	1.42%	5	100%	Nil
May 1, 2012	May 1, 2017	$0.11	$0.10	1.37%	5	100%	Nil
July 19, 2012	July 19, 2017	$0.08	$0.10	1.18%	5	100%	Nil
November 6, 2012	November 6, 2017	$0.13	$0.10	1.37%	5	100%	Nil
April 3, 2013	April 3, 2018	$0.13	$0.13	1.26%	5	100%	Nil

9. WARRANTS

Month of Expiry	**No. of Warrants**	**Exercise Price**
March 21, 2015	26,000,000	0.12
March 22, 2015	4,055,000	0.12
March 22, 2015	2,120,420	0.12
April 26, 2013	523,200	0.25
May 12, 2013	247,216	0.25
Expired	(770,416)	
	32,175,420	

The Company holds no collateral for any receivable amounts outstanding as at May 31, 2013.

(Expressed in Canadian Dollars)

10. PREPAID EXPENSES

		May 31, 2013		August 31, 2012
Prepaid insurance	**$**	**14,166**	$	8,750
Prepaid interest on promissory notes		**58,410**		-
Other		**24,649**		4,313
Total prepaid expenses	**$**	**97,225**	$	13,063

11. SEGMENTED INFORMATION

Operating Segments

At May 31, 2013 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Nicaragua. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 *'Operating Segments'*. As the operations comprise a single reporting segment, amounts disclosed in the unaudited interim financial statements also represent operating segment amounts.

12. 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:

		May 31, 2013		May 31, 2012
Management fees	**$**	**58,150**	$	270,000
Consulting fees		**184,745**		109,000
Rent		-		6,000
	$	**242,895**	$	385,000

Due to related parties at May 31, 2013 of $148,345 (August 31, 2012 - $92,642) are payable to the Vice President of Exploration and a former director of the Company, a company with a former common officer and a company with a former common director and the current VP of corporate development, former chief financial officer and former chief executive officer. These amounts are unsecured, non-interest bearing and are payable on demand.

As part of the promissory note private placement closed subsequent to year end 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 $100,000 respectively.

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)

13. Exploration and evaluation expenditures (recoveries)

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

	Nine month period ended		
	May 31, 2013	May 31, 2012	Cumulative to date
	$	$	$
Topacio Property	**575,109**	1,401,733	3,496,803
Exploration and evaluation expenditures	**$ 575,109**	$ 1,401,733	$ 3,496,803

14. Commitments

On-going commitments for capital resources relate largely to the maintenance of the 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. Specifically, the available funds will be spent to explore and develop its Topacio property in Nicaragua and to make property payments on all of its properties in Nicaragua.

15. Subsequent events

(a) On June 28, 2013 the Company agreed to issue shares for certain creditors in the amount of $417,099 for 3,208,453 common shares at a price of $0.13 and is pending approval from the Exchange.