

## *Management's Discussion & Analysis*

The following Management's Discussion & Analysis ("**MD&A**") of the financial condition and results of the operations of Tango Mining Limited (the "**Company**" or "**Tango Mining**"), formerly known as Tango Gold Mines Incorporated, constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended August 31, 2014 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended August 31, 2014 and 2013, 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. 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 December 19, 2014.

### **Forward-Looking Information**

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 Mining 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 Mining 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 Mining. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Tango Mining 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, metallurgical and mineral processing and mining in the Republic of Nicaragua and Republic of South Africa.

### **Nicaragua – Topacio**

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 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 IMISA Agreement. Notwithstanding that, however, the Company plans to negotiate with the vendor for newly agreeable terms.

### **South Africa – African Star Minerals Group Acquisition**

Subsequent to year ended August 31, 2014, the Company acquired a 51% interest in four private South African companies, African Star Minerals (Pty) Limited ("**AS**"), Kwena Mining Projects CC. ("**KMP**"), Kwena Mining and Metallurgical Services CC. ("**KMMS**") and Kwena Springlake Projects (Pty) Ltd. ("**Springlake**") (together referred to as the African Star Minerals Group ("**ASM**") which have:

- a. four thermal coal, metallurgical coal and processing plant and engineering contracts ("**Projects**")
- b. 100% interest in the Oena Diamond Project ("**Oena**").

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

A finder's fee of USD \$100,000 was paid and 1,474,522 common shares (at a deemed price of CAD \$0.05 per share) were issued as consideration for consulting services rendered to an arm's length third party. These shares are restricted from trading until expiry of the regulatory hold period on February 17, 2015.

### **South Africa – Coal – Metallurgical and Mining Contracts**

Tango has four thermal coal, metallurgical and processing plant and engineering contracts ("**Projects**") that process 6.5 million tonnes per annum (19.5 million tonnes are contracted over next 3 years), with clientele that include Total (SA) and Glencor. The four projects are located within the Ogies and Highveld coalfields, Mpumalanga Province and Kliprivier coalfield, KwaZulu-Natal Province.

There is a continued business development plans in place to grow the business using the successful past 18 year business model, an established market presence and its proven successful operational reputation in the coal, base and precious metal and precious stone Southern African mining sector.

### **South Africa – Diamonds – Oena**

Oena, a past producing alluvial diamond property covering 8,800 hectares (ha) located in the Northern Cape Province, South Africa consists of a 4.8 kilometre (km) wide strip along a 15 km length of the Orange River in a well-established alluvial diamond-mining province that produces high quality and large sized diamonds. Located 50 km upstream of Namdeb's Auchas and Daberas alluvial diamond mines which are on the Namibian or north bank of the Orange River,

while Trans Hex's Reuning and Baken alluvial diamond mines are respectively 15 km and 60 km downstream of Oena on the South African or southern bank of the Orange River.

The Company announced on December 1, 2014, in conjunction with filing of a National Instrument (NI) 43-101 report (filed on SEDAR on December 1, 2014) that a bulk-sampling program at Oena would commence in Q2 2015 (December 2014 to February 2015). An infrastructure and operational readiness program of \$618,000 was completed prior to Tango Mining's acquisition in October 2014. There is a planned capital expenditure of CAD \$292,000 in Q1 and Q2 2015 on plant equipment, operational readiness and infrastructure development costs and implementation of a program that will maximize mining throughput and enhance the recovery potential of diamonds with the use of a Bourevestnik, Inc. manufactured high volume X-ray and recovery equipment ("BVX") that is reported to be very efficient, recovering better than 90% of diamonds. The Company has entered into a mining contract to sustain a 1,500,000 tonnes per annum extraction program and has secured BVX equipment that will be mobilized to site in the period noted.

#### Nicaragua – Gold – El Santo

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 last 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. Subsequent to August 31, 2014 the Company has received the necessary environmental permits and will consider conducting a trenching program to confirm the nature of the reported mineralization and its source.

At the year ending August 31, 2014, the Company has approximately \$925,000 in cash in its treasury, and continues to evaluate other opportunities that are available for acquisition.

#### Recent Financings

On October 30, 2013 the Company issued 19,000,000 common shares at \$0.05 per share 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.

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 one 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, with 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 promissory note units ("Promissory Note Units") at a price of \$1,000 per Promissory Note 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 were for a term of one year maturing October 31, 2013 and bearing 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 were 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 year 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. In the current year ending August 31, 2014, the Company has settled \$145,000 out of the remaining balance of promissory notes by paying cash thus leaving the balance of \$25,000 payable as of August 31, 2014.

## 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 IFRS, 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, 2014, 2013 and 2012.

|   | <b>Year ended August 31,<br/>2014</b> | <b>Year ended August 31,<br/>2013</b> | <b>Year ended August 31,<br/>2012</b> |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>Revenues</b>                                   | N/A                                   | N/A                                   | N/A                                   |
| <b>Net Loss</b>                                   | (1,356,161)                           | (2,662,007)                           | (3,534,829)                           |
| <b>Basic and Diluted Loss per share</b>           | (0.01)                                | (0.05)                                | (0.08)                                |
| <b>Working Capital (Deficiency)</b>               | 739,171                               | 1,046,590                             | (222,448)                             |
| <b>Total Assets</b>                               | 1,008,462                             | 1,566,838                             | 214,799                               |
| <b>Total Long-Term Financial Liabilities</b>      | N/A                                   | N/A                                   | N/A                                   |
| <b>Retained Earnings (Deficit)</b>                | (12,496,153)                          | (11,139,992)                          | (8,477,985)                           |
| <b>Number of shares outstanding at period end</b> | 98,452,188                            | 79,452,188                            | 44,283,675                            |

## 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.

|  | <b>Aug 31,<br/>2014</b> | <b>May 31,<br/>2014</b> | <b>Feb. 28,<br/>2014</b> | <b>Nov. 30,<br/>2013</b> | <b>Aug. 31,<br/>2013</b> | <b>May. 31,<br/>2013</b> | <b>Feb. 28,<br/>2013</b> | <b>Nov. 30,<br/>2012</b> |
|--|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Revenues</b>  | <i>Nil</i>              | <i>Nil</i>              | <i>Nil</i>               | <i>Nil</i>               | <i>Nil</i>               | <i>Nil</i>               | <i>Nil</i>               | <i>Nil</i>               |
| <b>Loss Before other items</b>   | (239,480)               | (273,243)               | (257,779)                | (585,659)                | (844,827)                | (609,067)                | (385,733)                | (822,380)                |
| <b>Loss per share before other items – basic and diluted<sup>(1)</sup></b> | (0.00)                  | (0.00)                  | (0.00)                   | (0.01)                   | (0.01)                   | (0.01)                   | (0.01)                   | (0.02)                   |
| <b>Shares Outstanding</b>  | 98,452,188              | 98,452,188              | 98,452,188               | 98,452,188               | 79,452,188               | 76,143,735               | 45,593,735               | 45,593,735               |

<sup>(1)</sup> 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

The Company incurred a net loss of \$1,356,161 for the year ended August 31, 2014, compared to a net loss of \$2,662,007 for the year ended August 31, 2013. Net loss declined between the two periods as the Company reduced exploration operations at the Topacio property in fiscal 2014.

### **Non-Exploration Expense Summary**

A summary of the non-exploration activity is as follows:

| <b>Expenses</b>                | <b>Years ended August 31,</b> |                     |
|--------------------------------|-------------------------------|---------------------|
|                                | <b>2014</b>                   | <b>2013</b>         |
| Professional fees              | \$ 84,263                     | \$ 196,913          |
| Amortization                   | 17,680                        | 17,092              |
| Management and consulting      | 431,955                       | 328,601             |
| Travel and promotion           | 156,237                       | 184,423             |
| Share based payments           | 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 (gain) loss   | 28,480                        | 127,205             |
| <b>Net loss for the period</b> | <b>\$ 1,257,989</b>           | <b>\$ 1,789,185</b> |

Professional fees for the year ended August 31, 2014 went down to \$84,263 compared to \$196,913 in the same period in 2013, because of reduction in legal and accounting fees in the current year.

During the year ended August 31, 2014, management and consulting expenses increased to \$431,955 compared to \$328,601 ending August 31, 2013. The increase is due to the restructuring of management's fees and is partially due to the Company's efforts to raise funds.

During the year ended August 31, 2014, travel and promotion expenses decreased by \$28,186 as compared to the year ended August 31, 2013 because of Company's effort to utilize cash more effectively.

Share based payments expense for the year ended August 31, 2014 was \$222,197 compared to \$500,736 during fiscal 2013. The expense is booked based on the vesting schedule of the options issued to officers and directors during 2014, and 2013-2012. The Company uses the Black-Scholes valuation model to determine the stock-based compensation.

During the year ended August 31, 2013, the Company incurred finance charges relating to accretion and interest of \$138,135 the issuance of promissory notes. During the year ended August 31, 2014 the Company incurred the remainder of the accrued interest on the promissory notes in the amounts of \$21,470.

During the year ended August 31, 2014, office and general expense was \$265,403 as compared to \$223,546 ending August 31, 2013. The increase in is a result of additional operating costs incurred during the year for the efforts to raise financing and exploring further business opportunities.

During the year ended August 31, 2014, shareholder information decreased to \$30,304 compared to \$62,726 in the same period during 2013. The decrease is due to decreased costs due to a greater number of news releases in fiscal 2013.

### **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 issuance of equity securities and short-term interest bearing loans from related and other parties to carry on its business.

As at August 31, 2014, the Company had working capital of \$739,171 compared to a working capital of \$1,046,590 as at the year ended August 31, 2013.

As at August 31, 2014, the Company had total assets of \$1,008,462 (August 31, 2013 - \$1,566,838) including cash and cash equivalents of \$924,602 (August 31, 2013 - \$1,467,081). The reduction in cash was due to meeting the continuous operational expenses in Nicaragua, management fees and other corporate expenses in Canada.

The total liabilities of the Company as of August 31, 2014 were \$248,532 (August 31, 2013 - \$477,753) and consisted of accounts payable and accrued liabilities of \$200,084 (August 31, 2013 - \$317,353), promissory notes payable of \$25,000 (August 31, 2013 - \$160,400), and an amount due to related parties of \$23,448 (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:

| <b>Transactions:</b>           | Years ended August 31, |                   |
|--------------------------------|------------------------|-------------------|
|                                | 2014                   | 2013              |
| Management fees                | \$ -                   | \$ 26,958         |
| Consulting fees <sup>(1)</sup> | 295,578                | 169,930           |
| Rent <sup>(2)</sup>            | 12,020                 | -                 |
| <b>Total</b>                   | <b>\$ 307,598</b>      | <b>\$ 196,888</b> |

| <b>Balance payable:</b>        | Years ended August 31, |             |
|--------------------------------|------------------------|-------------|
|                                | 2014                   | 2013        |
| Consulting fees <sup>(3)</sup> | 23,448                 | -           |
| <b>Total</b>                   | <b>\$ 23,448</b>       | <b>\$ -</b> |

<sup>(1)</sup> Included in consulting fees are salaries/fees paid to Raifin S.A., a company controlled by the former President & CEO (Antonio Ponte), Lardi & Partner Consulting GmbH, which has a common director (Terry L. Tucker), G4

- Consultant, a company controlled by the former CFO (Philip Hoch) and CAPEX Group Inc., a company controlled by the former CFO (Jennifer Boyle).
- (2) Represents the rent paid to Raifin S.A., a company controlled by the former President & CEO (Antonio Ponte).
- (3) These amounts represent fees payable to the Raifin S.A., a company controlled by the former President & CEO (Antonio Ponte), Lardi & Partner Consulting GmbH, which has a common director (Terry L. Tucker), Capex Group Inc., a company controlled by the former CFO (Jennifer Boyle) and Imperial Accounting and Management Services Inc., a company controlled by the current CFO (Kalyan Paul).

In addition to the consulting fees, the share-based payments of \$213,780 (August 31, 2013 - \$423,138) were granted to the former President & CEO (Antonio Ponte), CFO (Philip Hoch), former CFO (Jennifer Boyle), current directors (Terry L. Tucker, Ian Mann and Marc Bamber).

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 any planned exploration or other expenditures 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 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 two types of risk: foreign currency risk and interest rate risk.

#### *b.* Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company operates in Canada, Nicaragua and South Africa, 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 or South African Rand denominated obligations. A 1% increase/decrease in the Canadian/Nicaraguan Cordoba Oro and/or Canadian/South African Rand exchange rate would result in a \$Nil increase/decrease to the net loss for the period (August 31, 2013: \$Nil increase/decrease).

#### *c.* 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.

#### *d.* Credit Risk

Credit risk is the risk of loss associated with 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, Nicaraguan and South African 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.

#### *e.* 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.

### **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 year ended August 31, 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 Securities**

The authorized capital of the Company consists of an unlimited number of common shares without par value, of which there were 148,926,710 common shares are issued and outstanding as of the date hereof.

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 \$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.

The following tables summarizes the current outstanding incentive stock options and share purchase warrants acquiring or purchasing common shares of the Company:

| <b>Stock Options</b>       | <b>Number</b>     | <b>Exercise Price</b> | <b>Expiry Date</b> |
|----------------------------|-------------------|-----------------------|--------------------|
|                            | 350,000           | \$0.10                | November 6, 2017   |
|                            | 350,000           | \$0.10                | July 19, 2017      |
|                            | 3,050,000         | \$0.13                | April 3, 2018      |
|                            | 4,350,000         | \$0.05                | February 21, 2019  |
|                            | 2,050,000         | \$0.05                | October 27, 2019   |
| <b>Total Stock Options</b> | <b>10,150,000</b> |                       |                    |

| <b>Share Purchase Warrants</b> | <b>Number</b>     | <b>Exercise Price</b> | <b>Expiry Date</b> |
|--------------------------------|-------------------|-----------------------|--------------------|
|                                | 32,994,000        | \$0.12                | March 21, 2015     |
| <b>Total Warrants</b>          | <b>32,994,000</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 August 31, 2014 and 2013 and cumulative to date on the Company's properties:

|  | August 31,<br>2014 | August 31,<br>2013 | Cumulative to<br>date |
|--|--------------------|--------------------|-----------------------|
| <b>Topacio Property</b>                        |                    |                    |                       |
| 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               |
| <b>Exploration and evaluation expenditures</b> | <b>\$ 94,116</b>   | <b>\$ 933,148</b>  | <b>\$ 3,686,648</b>   |

During the year ended August 31, 2014, exploration and evaluation expenses were \$94,116, compared to \$933,148 during the year ended August 31, 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.

### **Subsequent Events**

- i) Subsequent to year ended August 31, 2014, the Company acquired a 51% interest in four private South African companies, African Star Minerals (Pty) Limited ("AS"), Kwena Mining Projects CC. ("KMP"), Kwena Mining and Metallurgical Services CC. ("KMMS") and Kwena Springlake Projects (Pty) Ltd. ("Springlake") (together referred to as the African Star Minerals Group ("ASM") which:
  - a. 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;
  - b. and has four thermal coal, metallurgical and processing plant and engineering contracts ("Projects") that process 6.5 million tonnes per annum (19.5 million tonnes are contracted over next 3 years), with clientele that include Total (SA) and Glencor. The four projects are located within the Ogies and Highveld coalfields, Mpumalanga Province and Kliprivier coalfield, KwaZulu-Natal Province.
- ii) In consideration for the interest in ASM, Tango Mining has issued 49,000,000 common shares ("Payment Shares"), that are subject to a four month regulatory hold period expiring on February 17, 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.
- iii) Both a finder's fee of USD \$100,000 was paid and 1,474,522 common shares (at a deemed price of CAD \$0.05 per share) were issued as consideration for consulting services rendered to an arm's length third party. These shares are restricted from trading until expiry of the regulatory hold period on February 17, 2015.
- iv) 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 CAD 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 ASM.

- v) The Company announced on December 1, 2014 that a bulk-sampling program at Oena would commence in Q2 2015 (December 2014 to February 2015). A NI 43-101 report was filed on SEDAR on December 1, 2014.

#### **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.

#### **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, 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 9 – 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 annual periods beginning 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.

##### *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.

#### **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 South Africa 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**

The successful acquisition of ASM has provided Tango Mining with the means to expand from a purely exploration focused organization to that of a mining concern with projects that currently generate free cash flow and have near term production. Some of the ASM entities have been operating in the precious metal, base metal, thermal coal and diamond industry for 18 years and the successful union of their existing operating know how and technical knowledge, with that of Tango Mining's understanding of the international finance markets, will allow us to grow the Company, adequately renamed Tango Mining Incorporated.

On December 1, 2014, the Company announced a decision to proceed with development of the Oena Mine following completion of a National Instrument (NI) 43-101 report that has also been filed on SEDAR.

Notwithstanding plans to re-negotiate terms of the Topacio Concession in Nicaragua, the Company has now received its environmental permit for the El Santo Concession and will make a decision for further exploration work in Q2.

Tango Mining is also evaluating other opportunities in the resource sector and its vision is to become a diversified junior mining company with interests in precious and base metals, coal, diamond and precious stone mining projects.

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).