tangomining

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TSX Venture: TGV

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**"), constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended August 31, 2016 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended August 31, 2016, 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.

Date

This MD&A is dated as of December 21, 2016.

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 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 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. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Tango 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 principally in the processing of coal and in the acquisition and exploration of exploration and evaluation assets. During the year ended August 31, 2015, the Company acquired or entered into an agreement to acquire:

- 4 thermal coal, metallurgical and processing contracts in South Africa, from which it gets substantially all of its revenues;
- a diamond project;

The Company is listed on the TSX Venture Exchange ("**TSX.V**"), having the symbol TGV.

Assets

On September 30, 2014, the Company entered into an agreement to acquire a 51% interest in four South African companies which included: African Star Minerals (Pty) Limited ("**ASM**"), Kwena Mining Projects CC. ("**KMP**"), Kwena Mining and Metallurgical Services CC. ("**KMMS**") and Kwena Springlake Projects (Pty) Ltd. ("**Springlake**").

ASM owns 100% of the "Oena Project" located in the Northern Cape, South Africa which consists of an 8,800 hectares (ha) mining right along the Orange River.

KMP, KMMS, and Springlake (collectively, the "**Kwena Group**"), have four thermal coal, metallurgical and processing plant and engineering contracts ("**Service Contracts**").

The Company acquired the 51% interest in the Kwena Group and ASM by issuing a total of 49,000,000 shares with a fair value of $1,298,500. In connection with the acquisition of Kwena Group and ASM, the Company issued 1,474,522 common shares with a fair value of $44,236 and paid USD $100,000 ($113,418) in finder fees. The Company also issued 500,000 common shares with a fair value of $20,000 to a director of the Company. As a result, the total acquisition cost was $1,476,154 and $177,654 of this was expensed during the year ended December 31, 2015.

South Africa – Kwena Group Acquisition

On October 16, 2014, the Company acquired a 51% in the Kwena Group by issuing 31,850,000 shares with a fair value of $955,500.

On August 16, 2016, Tango closed the acquisition of an additional 23% interest in the issued and outstanding shares of the Kwena Group, increasing Tango's total interest to 74%. Tango issued 14,200,000 shares at a deemed price of $0.06 ("**Payment Shares**"), for a total of $852,000, The 14,200,000 shares were distributed to four individuals. Kevin Gallagher, a director of Tango, received 1,300,000 shares of the 14,200,000 common shares, which increased his total shareholdings in Tango to 15,210,000 common shares, representing 9.72% of the total issued and outstanding shares upon completion of the acquisition.

The Company determined that the Kwena Group constitutes a business as defined by IFRS 3, Business Combinations. The Company has applied business combination of accounting to this transaction effective the date that control was acquired.

The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values. Non-controlling interest on acquisition was determined based on the non-controlling interest share of the identifiable assets and liabilities. The excess of the net identifiable assets less non-controlling interest over the fair value of the consideration paid was recognized as a bargain purchase gain.

Please see Note 6 in the audited consolidated financial statements for the year ended August 31, 2016 for the calculation of the purchase price of the acquisition.

South Africa – African Star Minerals Acquisition

On June 18, 2015, the Company acquired a 51% interest in ASM by issuing 17,150,000 shares with a fair value of $343,000. ASM does not currently have the inputs and processes in place to generate outputs to constitute a business and therefore this acquisition has accounted for as an acquisition of an exploration and evaluation asset.

ASM holds a 100% interest in the Oena Diamond Project ("**Oena Project**"), a past producing alluvial diamond property located in the Northern Cape Province, South Africa.

Please see Note 6 in the audited consolidated financial statements for the year ended August 31, 2016 for the calculation of the purchase price of the acquisition.

South Africa – Coal – Metallurgical and Mining Contracts

The Company's acquisition of the four private companies in South Africa resulted in Tango having a majority interest in four thermal coal, metallurgical and processing plant and engineering contracts that process 6.5 Mt per annum, with clientele that include Exxaro and Glencore. The four projects are located within the Ogies and Highveld coalfields, Mpumalanga Province and Kliprivier coalfield, KwaZulu-Natal Province, South Africa.

One of Tango's 74% owned companies, KMP, holds three Operation and Maintenance of Coal Processing Plant Contracts in respect of three mutually exclusive coal operating and production collieries located within the Ogies and Highveld coalfields, Mpumalanga. The three contracts for services are among KMP and Exxarro, owner of the (i) Dorstfontein East colliery, (ii) Dorstfontein West colliery and (iii) Forzando colliery. The three contracts were renewed until December 31, 2016.

Another 74% owned company, Springlake, holds a Service and Supply Agreement with a subsidiary of Glencore, which owns the Springlake coal colliery located in the Kliprivier coalfield, KwaZulu-Natal Province, South Africa. The agreement was renewed until May 18, 2017 and it is uncertain if this contract will be extended.

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

South Africa – Diamonds – Oena Alluvial Diamond Mine

The Oena Project, 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. Oena is 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 March 23, 2016 that it had received a binding offer from Bothma Diamonte CC ("**Bothma**"), an unrelated third party company registered in South Africa, to acquire ASM that owns 100% of the Oena Project, of which Tango has a 51% interest in, in consideration for US$3,000,000, payable in tranches.

Due to nonperformance in terms of the agreement, Tango terminated both the sale and contracting agreements, as announced on March 23, 2016, with Bothma Diamonte CC and appointed African Mineral Recovery Solutions CC ("**AMRS**") as contractor to immediately recommence bulk sampling of the Oena diamond mine.

AMRS specializes in the processing of alluvial gold and diamond deposits and will utilize Bourevestnik X-ray machine ("**BVX**") technology for diamond recovery. The Oena Project consists of an 8,800-hectare mining right and corresponding infrastructure and all associated processing equipment located along the Orange River in a well-established alluvial diamond-mining province known to produce high quality and large sized diamonds.

The Company's Kwena Group operational team, and in particular Mr. Theodor Boshoff, will continue as Tango representatives during the bulk-sampling program. Tango will receive a minimum of 15% and a maximum of 20% of the proceeds of all diamond sales value for a term of the 24 month agreement.

Botswana, Africa - BK11 Kimberlite Diamond Mine

In July 2015, the Company entered into a sale of shares and claims agreement ("**Firestone Agreement**") with Firestone Diamonds Limited ("**Firestone**") whereby the Company agreed to acquire 100% of Firestone's right in the processing facility, and interest and title in the mineral rights comprising its Botswana diamond operations (the "**BK11 Mine**"), held directly or indirectly, through Firestone's 100% owned subsidiary, Firestone Diamonds Botswana (Pty) Limited ("**Firestone Botswana**"), and Firestone's 90% owned subsidiary, Monak Ventures (Pty) Limited ("**Monak**") for total consideration of US$8,000,000. The Company also entered into a sale of shares of claims agreement to acquire the remaining 10% interest in Monak from Tema Thuo (Pty) Ltd. ("**Tema Thuo Agreement**") for total consideration of US$800,000.

Pursuant to the Firestone Agreement, the Company agreed to pay a purchase price of US$8,000,000, of which US$350,000 ($445,270) was paid and recorded as a deposit during the financial year ended August 31, 2015. The Company agreed to pay the care and maintenance fees in respect of the BK11 Mine to a maximum of US$40,000 per month (the "**Maintenance Fees**").

On September 12, 2016, the Company announced that the Firestone Agreement as announced on July 9, 2015, did not close by the September 9, 2016 deadline (the "**Revised Drop Dead Date**").

Although Firestone had agreed to extend the Revised Drop Dead Date, as announced on August 29, 2016, by when all conditions for the acquisition of BK11 must have been satisfied, namely consideration of US$8.0 million and repayment of the care and maintenance fees to a maximum of US$40,000 per month, the Company did not close the US$10 million Loan Financing announced on August 29, 2016 or the US$30 million loan commitment with Vanderbilt Commercial Lending, Inc., as announced on March 24, 2016 on or before the Revised Drop Dead Date.

As a result of the above, all expenditures capitalized under the pursuit of BK11 were expensed. To date, the Company has incurred expenditures of $738,559, of which $509,997 was incurred in the current financial period (August 31, 2015: $228,562) in connection with this agreement, which consists primarily of preparing a preliminary economic assessment. These amounts have been expensed as project investigation costs.

Nicaragua – Topacio

Previously, 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, a 9,300 hectare (ha) gold exploration project located in the South Atlantic Autonomous Region of the Republic of Nicaragua, Central America.

Nicaragua – Gold – El Santo

Tango received notification from the Nicaraguan Ministry of Energy and Mines that the El Santo mining concession, granted under Ministerial Agreement 114-2008-DM-44 to FDG Mining, SA on November 20, 2008, was to be revoked as the property was inactive during the four years from its effective date of November 20, 2008 as there was no investment made by FDG Mining. Tango completed and reported work on the property on the March 26, 2015, after this period.

Given the challenging market conditions in the resource sector, the Company re-evaluated the economics of its proposed activities of both the projects in Nicaragua and terminated all agreements.

At the year ending August 31, 2016, the Company has approximately $970,048 (August 31, 2015: $833,373) in cash in its treasury, and continues to evaluate other opportunities that are available for acquisition.

Selected Annual Information

The following is a summary of the results of the financial operations of the Company for the year ended August 31, 2016, and for the years ended August 31, 2015 and August 31, 2014. The annual results for August 31, 2016 were derived from financial statements prepared using IFRS.

	Year ended August 31, 2016	Year ended August 31, 2015	Year ended August 31, 2014
Revenues	12,977,754	13,827,983	Nil
Net Loss	(3,524,024)	(3,216,760)	(1,356,161)
Basic and Diluted Loss per share	(0.02)	(0.02)	(0.01)
Working Capital (Deficiency)	(2,105,850)	(866,656)	739,171
Total Assets	4,190,475	5,401,282	1,008,462
Total Long-Term Financial Liabilities	135,631	398,405	Nil
Retained Earnings (Deficit)	(18,371,062)	(14, 742,946)	(12,496,153)
Number of shares outstanding at period end	168,934,960	153,426,710	98,452,188

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.

	Aug 31, 2016	May31, 2016	Feb 28, 2016	Nov 30, 2015	Aug 31, 2015	May 31, 2015	Feb 28, 2015	Nov. 30, 2014
CAD$	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*
Revenues	*3,293*	*2,970*	*3,234*	*3,481*	*3,542*	*3,445*	*3,463*	*3,378*
Loss for the quarter	*(2,035)*	*(2)*	*(1,298)*	*(189)*	*(1,476)*	*(1,665)*	*185*	*(261)*
Loss per share before other items – basic and diluted (1)	*0.01*	*0.00*	*0.01*	*0.00*	*0.01*	*0.01*	*0.00*	*0.00*
Shares Outstanding	*168,935*	*140,916*	*153,426*	*153,426*	*151,513*	*153,427*	*153,427*	*148,181*

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

Results of Operations – Year Ended August 31, 2016

The Company incurred a net loss of $3,524,024 for the year ended August 31, 2016, compared to a net loss of $3,216,760 for the year ended August 31, 2015. Net loss increased marginally between the two periods due to reduced overhead and exploration operations at the Oena properties, offset by losses incurred due to the non-closure of the BK11 acquisition and fair value changes in the derivative liability.

Non-Exploration Expense Summary

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

	Years ended August 31, 2016	2015
Expenses		
Amortization	$ (31,242)	$ (66,341)
Amortization of service contracts	(77,154)	(218,863)
Employee benefits expense	(7,290,028)	(8,847,918)
Exploration and evaluation expenses	(221,635)	(1,277,092)
Foreign exchange loss	(92,599)	(106,667)
Habitation expense	(57,450)	-
Management and consulting	(686,071)	(800,189)
Office and general	(420,968)	(617,215)
Professional fees	(242,828)	(138,817)
Project investigation costs	(509,997)	(228,562)
Raw material and engineering cost	(4,491,614)	(4,626,110)
Share based payments	(43,840)	(99,101)
Shareholder information	(38,321)	(91,556)
Travel and promotion	(109,014)	(152,164)
Net loss for the period	**$ (14,312,761)**	**$ (17,270,595)**

Employee benefits expenses was $7,290,082 during the year ended August 31, 2016, as compared to $8,847,918 for the same period in 2015, as a result of a reduced staff compliment and reduced overtime in the South African operations during fiscal 2015.

Exploration and evaluation expenditures decreased due to the temporary termination of exploration at the Oena mineral property and termination of all exploration activities in Nicaragua.

The foreign exchange loss arises from transacting with third parties denominated in other currencies. The foreign exchange loss declined due to the strengthening of the Canadian Dollar against the US Dollar and the weakening of the British Pound against the Canadian Dollar due to Brexit. The gains were offset by the weakening of the South African Rand against the other currencies.

Management and consulting decreased as a result of reduced senior management headcount for the current year.

General overheads such as office and general, shareholder information and travel and promotion decreased as a result of cost cutting initiatives.

Professional fees for the year ended August 31, 2016 increased to $242,828, compared to $138,817 in the same period in 2015, as a result of contracting in specialized skills when required, as opposed to full time employment.

Project investigation costs increased due to the impairment of any capitalized expenditures on the BK11 acquisition transaction.

The reduction in raw materials and engineering cost is consistent with the reduction in turnover due to lower tonnages processed in the coal segment.

The share based payment expense relates to the Company granting stock options to purchase up to an aggregate of 900,000 common shares, which options are exercisable for a term of five years at an exercise price of $0.05 per share, to certain officers. The expense is booked based on the vesting schedule of the options issued to officers and directors. The Company uses the Black-Scholes valuation model to determine the stock-based compensation.

Liquidity

Although the Company has commenced generating revenues from certain of its operations, it has relied upon the issuance of equity securities and working capital generated from operations to carry on business activities during the period under review.

As at August 31, 2016, the Company had a working capital deficiency of $2,105,850 compared to a working capital deficiency of $866,656 as at the year ended August 31, 2015. The biggest contributors to the increase in working capital relates to the amount due to related parties, being unpaid management fees, an increase in taxes payable and an increase in the derivative liability.

As at August 31, 2016, the Company had total assets of $4,190,475 (August 31, 2015 - $5,401,282) including cash and cash equivalents of $970,048 (August 31, 2015 - $833,373). The reduction in cash was due to meeting the continuous operational expenses for its properties, management fees and other corporate expenses in Canada.

The total liabilities of the Company as of August 31, 2016 were $5,297,252 (August 31, 2015 - $4,405,852) and consisted of accounts payable and accrued liabilities of $2,475,231 (August 31, 2015 - $2,363,217), promissory notes payable of $25,000 (August 31, 2015 - $25,000), convertible notes of $1,151,189 (August 31, 2015 – $1,150,067), derivative liability of $422,669 (August 31, 2015 – $257,270), vehicle lease of $23,697 (August 31, 2015 – $7,556), taxes due of $256,998 (August 31, 2015 – $Nil) and an amount due to related parties of $806,837 (August 31, 2015 - $204,337).

Recent Financings

During the year ended August 31, 2016, the Company completed the following financing:

On July 18, 2016, Tango announced that it has received loans totaling $304,171, pursuant to which the lenders have the option to convert the principal into units of Tango at the discretion of the lenders. Each unit shall consist of one common share at a price of $0.05 per share and one share purchase warrant to purchase one additional common share at a price of $0.10 per share, which warrants shall be for a term of two years. The loans bear interest at the rate of 12% per annum and are due on dates ranging from October 30, 2016 to December 31, 2016. Interest payable under the loans may be settled by the issuance of common shares at a price not below the trading market price at the time the interest is payable. In connection with the loans, Tango has agreed that on conversion, it may issue a maximum of 10,047,060 share purchase warrants for a term of two years at an exercise price of $0.10 per share. Subsequent to the fiscal year ended August 31, 2016, the Company issued 2,596,800 common shares and warrants relating the above loans.

The terms of the convertible notes have been approved by the TSX Venture Exchange.

In respect of the above financing, Tango agreed to pay a finder’s fee to Merlin Partners Inc. consisting of US$12,000 in finders’ fees and the issuance of 313,416 share purchase warrants for a term of two years at an exercise price of $0.05 per share. As at the date of the MD&A, no share purchase warrants were issued for the finders’ fees.

During the year ended August 31, 2015, the Company completed the following financing:

On June 19, 2015, the Company issued $525,000 of secured convertible notes bearing an interest rate of 12% per annum, with a one year term. At any time after issuance, the holder may elect, at their sole discretion, to be repaid all or a portion of the principal amount in common shares of the Company at a value of $0.05 per common share. The notes are secured against the Company's 51% interest in ASM. During the year ended August 31, 2016, the Company allocated $35,000 of the proceeds received to the conversion option and recorded in equity. During the year ended August 31, 2016, $275,000 of these convertible notes were converted to 5,500,000 common shares. At August 31, 2016, there remains $250,000 of these convertible notes outstanding and past due plus accrued interest of $80,575 (2015 - $12,694).

On June 17, 2015, the Company issued an unsecured convertible note in the amount of USD $500,000 ($666,500) bearing interest at a rate of 10% per annum maturing on June 22, 2016 which was subsequently extended to August 22, 2016. The note is convertible at the discretion of the holder into common shares at a price of $0.05 per share and the interest is convertible into common shares at the last closing price of the Company’s shares before the interest becomes payable. As the note is issued in a currency different from the Company’s functional currency, the conversion feature is treated as a derivative liability and recorded at fair value. During the year ended August 31, 2016, the holder elected to convert USD $250,000 ($325,413) of the convertible note into 6,508,250 common shares. At August 31, 2016, there remains USD $250,00 ($327,700) of this convertible note outstanding and past due plus accrued interest of USD $59,726 ($78,289). At August 31, 2015, the carrying amount of this loan was $602,033 plus accrued interest of $10,340.

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. 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.

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.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions with Related Parties

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

		Years ended August 31, 2016	2015
Management fees (included in Management and consulting and Employee benefits expense)	$	736,424	1,046,350
Consulting fees (included in Management and consulting)		36,000	137,546
Directors' fees (included in Management and consulting)		-	5,000
Rent (included in Office and general)		-	-
Share based payments		43,840	99,101
Acquisition costs (500,000 shares issued)		-	20,000
Total	**$**	**816,264**	**1,307,997**

During the year ended August 31, 2016, the Company completed a private placement in the form of a convertible note with two directors of the Company for an aggregate of $107,171, being $15,000 for Terry Tucker and $92,171 for Kevin Gallagher, pursuant to which the lenders have the option to convert the principal into units of Tango at the discretion of the lender. Each unit shall consist of one common share at a price of $0.05 per share and one share purchase warrant to purchase one additional common share at a price of $0.10 per share, which warrants shall be for a term of two years. The loans bear interest at the rate of 12% per annum and are due on December 31, 2016. Interest payable under the loans may be settled by the issuance of common shares at a price not below the trading market price at the time the interest is payable.

As at August 31, 2016, $806,637 (August 31, 2015 - $204,337) is owed to the CFO, CEO and certain directors of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

As at August 31, 2016, $60,875 is owed to companies related to the Company. Amounts owing are non-interest bearing, unsecured and due on demand

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

Foreign Currency Transactions

The functional currency of Tango, the parent, is the Canadian Dollar, the subsidiaries incorporated in South Africa are the South African Rand ("ZAR"), and the functional currency of the subsidiaries incorporated in Nicaragua are the Nicaraguan Cordoba Oro ("NIO"), and the functional currency of the subsidiary incorporated in the USA is the US dollar. The presentation currency of the consolidated financial statements is the Canadian Dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is dispose

Financial Instruments and Risk Management

The Company is exposed to the following financial risks:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

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.

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 trade receivables. The Company has no significant concentration of credit risk arising from operations. Cash are held with reputable Canadian and South African chartered banks which are closely monitored by management. Trade receivables are usually received within 30 days. Management believes that the credit risk concentration with respect to financial instruments included in cash and trade 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 August 31, 2016, the Company had current assets of $3,055,771 (August 31, 2015 - $3,140,791) to settle current liabilities of $5,161,621 (August 31, 2015 - $4,007,447) resulting in working capital deficit of $2,105,850 (August 31, 2015 - $866,656). The Company intends to fund these through loans or private placements. All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

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.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from their respective functional currency. The parent company and the subsidiaries do not have significant financial instruments that differ from their respective functional currencies. Therefore, the Company has minimal exposure to foreign currency risk.

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 168,934,960 common shares are issued and outstanding as of the date hereof.

During the year ended August 31, 2016, the Company issued the following securities:

- On July 3, 2016, the Company cancelled 11,000,000 common shares for no cash consideration, which shares were surrendered by Marco Moller in September 2015.

- On July 18, 2016, 300,000 common shares were issued upon exercise of incentive stock options for a cash consideration of $26,052.

- On August 19, 2016, the Company issued 14,200,000 common shares with a fair value of $852,000 to certain shareholders of the Kwena Group in connection with the acquisition of an additional 23% interests in the Kwena Group.

- During August 2016, certain convertible notes were converted into 14,605,050 common shares and 1,298,400 warrants. The carrying value of the related convertible note liabilities, derivative liabilities and equity components on conversion was $1,328,033. At August 31, 2016, the Company had issued 12,008,250 of these common shares which were recorded at a value of $813,993. The remaining 2,596,800 common shares and warrants were issued on September 15, 2016 and at August 31, 2016 have been recorded as Units to be issued with a value of $514,040.

The following incentive stock options and share purchase warrants are outstanding as of the date hereof:

Stock Options	Number	Exercise Price	Expiry Date
	2,800,000	$ 0.13	April 3, 2018
	3,150,000	$ 0.05	February 21, 2019
	1,050,000	$ 0.05	October 27, 2019
	900,000	$ 0.05	July 15, 2021
Total Stock Options	**7,900,000**		

Share Purchase Warrants	Number	Exercise Price	Expiry Date
	4,000,000	$ 0.10	March 2, 2020
	1,068,580	$ 0.05	July 20, 2018
Total Warrants	**5,068,580**		

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.

Exploration and evaluation expenditures

The following is a breakdown of the exploration and evaluation expenditures for the year ended August 31, 2016 and cumulative to date on the Company's properties:

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

	Oena Project	Nicaragua	Total
Exploration expenditures:			
Project staff salaries, benefits and consulting	$ 169,959	$ -	$ 169,959
Rehabilitation work	51,200		51,200
Travel expenses	4,364	-	4,364
Supplies Expense	160,968	-	160,968
Recoveries	(164,856)	-	(164,856)
Exploration and evaluation expenditures	$ 221,635	$ -	$ 221,635

During the year ended August 31, 2015:

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

	Oena Project	Nicaragua	Total
Exploration expenditures:			
Project staff salaries, benefits and consulting	$ 807,892	$ -	$ 807,892
Travel expenses	5,459	-	5,459
Supplies Expense	608,649	4,799	613,448
Recoveries	(149,707)	-	(149,707)
Exploration and evaluation expenditures	$ 1,272,293	$ 4,799	$ 1,277,092

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.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. 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 with early adoption permitted.

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's consolidation financial statements.

New standard IFRS 15 "Revenue from Contracts with Customers"

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 16 "Leases"

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

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.

Subsequent Events

On September 12, 2016, the Company announced that the Firestone Agreement for the acquisition of the BK11 Diamond Mine, as announced on 9 July 2015, did not close by September 9, 2016, being the Revised Drop Dead Date. The Company did not close the US$10 million Loan Financing announced on August 29, 2016 or the US$30 million loan commitment with Vanderbilt Commercial Lending, Inc., as announced on March 24, 2016 on or before the Revised Drop Dead Date. Tango requested an extension and alternative deal terms but these were not accepted. All terms of the Firestone Agreement and amendment letters remained the same and accordingly, since the conditions of the Firestone Agreement and amendment letters were not satisfied by the Revised Drop Dead Date, the acquisition did not complete.

On September 15, 2016, the Company issued 2,596,800 common shares and warrants relating to the conversion of a convertible note during the year ended August 31, 2016 (Notes 15 and 19 in the Annual Financial Statements).

The Company announced on November 18, 2016 the appointment of African Mineral Recovery Solutions CC ("**AMRS**") as contractor to immediately recommence bulk sampling of the Oena Project. AMRS will pay a gross income of net diamond sales, less state royalties, based on a sliding scale between 15% and 20% for the duration of the 24-month contract.

ATC Enterprises DMCC ("ATC") maintain their diamond offtake right on Oena Project until they have received a minimum of 2,000 carats.

The Company terminated both the sale and contracting agreements, as announced on March 23, 2016, with Bothma Diamonte CC.

On November 18, 2016, the Company announced that it completed a private placement of C$67,500 in unsecured convertible notes. The notes, bearing interest at 12%, are due on 28 February 2017, and are convertible into units of the Company at a price of C$0.05 per unit, with each unit consisting of one common share and one share purchase warrant exercisable at a price of C$0.07 per share for a term of two years.

Subsequent to August 31, 2016, the Company was notified by one of its customers that it was terminating the Service Contract. During the year ended August 31, 2016, this Service Contract accounted for 21% of the Company's revenue.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.