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**TANGO MINING LIMITED**  
**Condensed Consolidated Interim Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the nine months ended**  
**May 31, 2017 and 2016**  
**(Unaudited)**

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**NOTICE TO READER**

Responsibility for Financial Statements:

The accompanying unaudited condensed consolidated interim financial statements of Tango Mining Limited for the nine months ended May 31, 2017 and 2016 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see note 3 to the unaudited condensed consolidated interim financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

Auditors Involvement:

The external auditors of Tango Mining Limited have not audited or performed a review of the unaudited condensed consolidated interim financial statements for the nine months ended May 31, 2017 and 2016.

**TANGO MINING LIMITED**

## Condensed Consolidated Interim Statement of Financial Position (unaudited)

(Expressed in Canadian Dollars)

	May 31, 2017	August 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 695,238	\$ 970,048
Receivables (Note 7)	1,636,238	1,129,678
Prepaid expenses (Note 8)	18,378	3,535
Inventories (Note 9)	1,194,090	952,510
	<u>3,543,943</u>	<u>3,055,771</u>
<b>Non-current assets</b>		
Reclamation deposits (Note 8)	156,106	135,631
Deferred tax asset (Note 6, 10)	27,122	27,122
Intangible assets (Note 6, 10)	298,187	305,064
Exploration and evaluation assets (Note 11)	652,382	567,261
Equipment (Note 12)	111,642	99,626
<b>TOTAL ASSETS</b>	<u>\$ 4,789,383</u>	<u>\$ 4,190,475</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 13)	\$ 2,756,484	\$ 2,475,231
Promissory notes payable (Note 14)	-	25,000
Convertible notes (Note 15)	785,068	1,151,189
Derivative liability (Note 15)	9,405	422,669
Vehicle lease	18,188	23,697
Income tax payable	324,681	256,998
Due to related parties (Note 17)	1,065,827	806,837
	<u>4,959,653</u>	<u>5,161,621</u>
<b>Long-term Liabilities</b>		
Rehabilitation provision (Note 16)	156,106	135,631
Deferred tax liability	-	-
	<u>5,115,759</u>	<u>5,297,252</u>
<b>Shareholders' Equity</b>		
Share capital (Note 19)	15,623,959	14,139,987
Units to be issued (Notes 15 and 19)	-	514,040
Equity portion of convertible notes (Note 15)	25,178	25,178
Reserve for warrants (Note 21)	603,411	459,573
Reserve for share based payments (Note 20)	2,278,857	2,059,836
Reserve for foreign exchange	4,842	59,274
Accumulated deficit	(18,922,713)	(18,371,062)
	<u>(386,466)</u>	<u>(1,113,174)</u>
Non-controlling interest (Note 25)	60,090	6,397
	<u>(326,376)</u>	<u>(1,106,777)</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 4,789,383</u>	<u>\$ 4,190,475</u>

Subsequent events (Note 26)

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

**TANGO MINING LIMITED**
**Condensed Consolidated Interim Statements of Income and Comprehensive Income (unaudited)**
**(Expressed in Canadian Dollars)**

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	2017	2016
<b>Revenues</b>	\$ 3,118,677	\$ 2,969,933	\$ 10,037,699	\$ 9,685,319
<b>Operating expenses</b>				
Amortization	(500)	(8,129)	(14,681)	(24,317)
Amortization of service contracts	(17,430)	(53,084)	(50,297)	(159,252)
Employee benefits expense	(1,865,549)	(1,724,354)	(6,295,308)	(5,397,873)
Exploration and evaluation expenses (Note 18)	76,218	(12,628)	39,121	(491,196)
Foreign exchange (loss)/gain	2,227	(561)	206,583	10,478
Management and consulting (Note 17)	(212,922)	(55,916)	(610,266)	(527,246)
Office and general	(74,197)	(43,809)	(310,206)	(308,136)
Professional fees	(47,095)	(12,753)	(124,166)	(128,578)
Project investigation costs	(25,311)	(87,107)	(125,647)	(378,810)
Raw material and engineering cost	(1,106,662)	(1,192,747)	(3,036,076)	(3,307,605)
Share based payments (Note 20)	(57,526)	-	(219,021)	(5,158)
Shareholder information	(30,669)	(14,499)	(48,144)	(18,432)
Travel and promotion	(27,482)	2,187	(95,754)	(69,561)
	(3,386,899)	(3,203,400)	(10,683,863)	(10,805,686)
Profit on change in fair value of derivative liability	250,161	-	413,265	-
Finance charge	(153,461)	95,829	(266,019)	(185,968)
Income tax provision – subsidiary	-	127,027	-	(186,749)
Write down of plant, property & equipment	-	8,979	-	3,843
<b>Net loss for the period</b>	(171,522)	(1,632)	(498,918)	(1,489,241)
<b>Total loss attributable to:</b>				
Shareholders of the company	(230,659)	(153,554)	(551,651)	(1,206,405)
Non-controlling interests	59,137	151,922	52,733	(282,836)
	(171,522)	(1,632)	(498,918)	(1,489,241)
<b>Other comprehensive loss</b>				
Exchange differences on translating foreign operations	(474)	(36,587)	(53,472)	98,804
<b>Total comprehensive loss for the period</b>	(171,996)	(38,219)	(552,390)	(1,390,437)
<b>Other comprehensive loss attributable to:</b>				
Shareholders of the Company	(569)	(18,659)	(54,432)	50,390
Non-controlling interests	95	(17,928)	960	48,414
	(474)	(36,587)	(53,472)	98,804
<b>Total comprehensive loss attributable to:</b>				
Shareholders of the company	(231,228)	(127,099)	(606,083)	(1,156,015)
Non-controlling interests	59,232	88,880	53,693	(234,422)
	\$ (171,996)	\$ (38,219)	\$ (552,390)	\$ (1,390,437)
<b>Basic and fully diluted loss per common share</b>	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
<b>Weighted average number of shares outstanding</b>	170,077,841	140,915,982	170,077,841	149,733,279

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

## TANGO MINING LIMITED

### Condensed Consolidated Interim Statement of Changes in Equity (unaudited)

(Expressed in Canadian Dollars)

	Share Capital			Reserves							Equity Attributable to	
	Number of	Amount	Units to be issued	Share based		Foreign Exchange	Equity portion of debt	Deficit	Shareholders	NCI	Total	
	shares			payments	Warrants							
<b>Balance, August 31, 2015</b>	<b>153,426,710</b>	<b>\$ 12,447,942</b>	<b>\$ -</b>	<b>\$ 2,027,048</b>	<b>\$ 398,596</b>	<b>\$ 28,924</b>	<b>\$ -</b>	<b>\$ (14,742,946)</b>	<b>\$ 159,564</b>	<b>\$ 835,866</b>	<b>\$ 995,430</b>	
Share based payments	-	-	-	5,158	-	-	-	-	5,158	-	5,158	
Currency translation adjustment	-	-	-	-	-	23,935	-	-	23,935	(553,030)	(529,095)	
Share Cancellation	(11,000,000)	-	-	-	-	-	-	-	-	-	-	
Net loss for the period	-	-	-	-	-	-	-	(1,206,405)	(1,206,405)	(282,836)	(1,489,241)	
<b>Balance, May 31, 2016</b>	<b>142,426,710</b>	<b>\$ 12,447,942</b>	<b>\$ -</b>	<b>\$ 2,032,206</b>	<b>\$ 398,596</b>	<b>\$ 52,859</b>	<b>\$ -</b>	<b>\$ (15,949,351)</b>	<b>\$ (1,017,748)</b>	<b>\$ -</b>	<b>\$ (1,017,748)</b>	
Share options exercised	300,000	26,052	-	(11,052)	-	-	-	-	15,000	-	15,000	
Issued on acquisition of additional 23% in Kwena	14,200,000	852,000	-	-	-	-	-	(371,450)	480,550	(480,550)	-	
Conversion of notes	12,008,250	813,993	514,040	-	-	-	(18,333)	-	1,309,700	-	1,309,700	
Equity component of convertible notes	-	-	-	-	-	-	43,511	-	43,511	-	43,511	
Share based payments	-	-	-	38,682	-	-	-	-	38,682	-	38,682	
Issued to finders on capital raised	-	-	-	-	60,978	-	-	-	60,978	-	60,978	
Currency translation adjustment	-	-	-	-	-	6,415	-	-	6,415	471,469	477,884	
Net loss for the period	-	-	-	-	-	-	-	(2,050,261)	(2,050,261)	15,478	(2,034,783)	
<b>Balance, August 31, 2016</b>	<b>168,934,960</b>	<b>\$ 14,139,987</b>	<b>\$ 514,040</b>	<b>\$ 2,059,836</b>	<b>\$ 459,574</b>	<b>\$ 59,274</b>	<b>\$ 25,178</b>	<b>\$ (18,371,062)</b>	<b>\$ (1,113,173)</b>	<b>\$ 6,397</b>	<b>\$ (1,106,777)</b>	
Conversion of debt	17,496,059	1,258,972	(514,040)	-	-	-	-	-	744,932	-	744,932	
Private placement	4,500,000	225,000	-	-	-	-	-	-	225,000	-	225,000	
Shares placed in escrow	3,425,160	-	-	-	-	-	-	-	-	-	-	
Share based payments	-	-	-	219,021	-	-	-	-	219,021	-	219,021	
Revaluation	-	-	-	-	143,837	-	-	-	143,837	-	143,837	
Currency translation adjustment	-	-	-	-	-	(54,432)	-	-	(54,432)	960	(53,472)	
Net loss for the period	-	-	-	-	-	-	-	(551,651)	(551,651)	52,733	(498,918)	
<b>Balance, May 31, 2017</b>	<b>194,356,179</b>	<b>\$ 15,623,959</b>	<b>\$ -</b>	<b>\$ 2,278,857</b>	<b>\$ 603,411</b>	<b>\$ 4,842</b>	<b>\$ 25,178</b>	<b>\$ (18,922,713)</b>	<b>\$ (386,466)</b>	<b>\$ 60,090</b>	<b>\$ (326,377)</b>	

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

**TANGO MINING LIMITED**

## Condensed Consolidated Interim Statement of Cash Flows (unaudited)

(Expressed in Canadian Dollars)

Nine months period ended May 31,	2017	2016
<b>Operating Activities</b>		
Net loss for the period	\$ (498,918)	\$ (1,489,241)
Adjustments to reconcile net loss to cash flow from operating activities:		
Share based payments ( <i>Note 12</i> )	219,021	5,159
Amortization	14,681	24,317
Amortization of service contracts	50,297	-
Non-cash finance expense	143,837	-
Change in fair value of derivative liability	(413,265)	-
Tax provision	67,683	326,492
Write down value of property, plant & equipment	-	3,843
Revaluation effect of intangible assets	-	159,252
Unrealized foreign exchange (gains) / losses	(204,787)	163,084
Net changes in non-cash working capital items:		
Inventories	(241,580)	131,442
Accounts receivables and advances	(506,560)	381,090
Prepaid expenses	(14,843)	2,463
Trade and other payables	275,744	(239,248)
Due to related parties	258,990	203,085
<b>Cash flow used in operating activities</b>	<b>(849,700)</b>	<b>(328,261)</b>
<b>Financing Activities</b>		
Changes in non-controlling interest	-	48,414
Promissory notes repaid	(25,000)	-
Shares issued as part of shares for debt settlements	969,933	-
Movement in convertible notes	(366,120)	-
<b>Cash flow provided from financing activities</b>	<b>578,813</b>	<b>48,414</b>
<b>Investing Activities</b>		
Changes in property, plant and equipment	-	724
<b>Cash flow used in investing activities</b>	<b>-</b>	<b>724</b>
<b>Effect of currency translation reserve</b>	<b>(3,923)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(274,810)</b>	<b>(279,124)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>970,048</b>	<b>833,373</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 695,238</b>	<b>\$ 554,249</b>

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

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## **TANGO MINING LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended May 31, 2017 and 2016

(Expressed in Canadian Dollars)

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### **1. CORPORATE INFORMATION AND NATURE OF OPERATIONS**

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Tango Mining Limited (the “Company”) was incorporated under the British Columbia Business Corporations Act on April 10, 2007. 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 in to an agreement to acquire:

- three thermal coal, metallurgical and processing contracts in South Africa, from which it gets substantially all of its revenues (Note 6);
- a alluvial diamond project on the Orange River in South Africa (Note 6);

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

The address of the Company’s corporate office is 5626 Larch Street, Suite 202, Vancouver, British Columbia, V6M 4E1, Canada.

### **2. GOING CONCERN**

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

At May 31, 2017, the Company had not yet achieved profitable operations, has accumulated losses of \$18,922,713 since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt on the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

### **3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

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#### **3.1 Statement of compliance**

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

These unaudited interim condensed consolidated financial statements were authorized by the Board of Directors of the Company on July 28, 2017.

## TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended May 31, 2017 and 2016

(Expressed in Canadian Dollars)

### 3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

#### 3.2 Basis of measurement

The unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

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

#### 3.3 Principles of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. The results of each subsidiary will continue to be included in the unaudited condensed consolidated interim financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of controlled entities are as follows:

	Country of incorporation	Percentage owned*	
		May 31, 2017	August 31, 2016
F.D.G Mining S.A.	Nicaragua	100%	100%
Incasur S.A.	Nicaragua	100%	100%
Corlasur S.A.	Nicaragua	100%	100%
Tango Gold S.A	Nicaragua	100%	100%
TGV Resources	South Africa	100%	100%
African Star Minerals (Pty) Limited	South Africa	51%	51%
Kwena Mining Projects (Pty) Ltd.	South Africa	74%	74%
Kwena Mining and Metallurgical Services (Pty) Ltd.	South Africa	74%	74%
Kwena Springlake Projects (Pty) Ltd	South Africa	74%	74%
Tango Mining Limited	United Kingdom	100%	100%

\*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Foreign Currency Transactions

The functional currency of Tango Mining Limited, 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"). The presentation currency of the consolidated financial statements is the Canadian Dollar.

## **TANGO MINING LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended May 31, 2017 and 2016

(Expressed in Canadian Dollars)

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### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### **4.1 Foreign Currency Transactions**

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 profit or 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 disposed.

#### **4.2 Exploration and Evaluation Expenditures**

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Acquisition costs are capitalized, and exploration and evaluation expenditures are expensed in the period in which they occur. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.



## TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended May 31, 2017 and 2016

(Expressed in Canadian Dollars)

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### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### 4.2 Exploration and Evaluation Expenditures (continued)

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Although the Company has taken steps that it considers adequate to verify title to exploration and evaluation assets which it has an interest, these procedures do not guarantee the Company's title. Title to exploration and evaluation assets in foreign jurisdictions is subject to uncertainty and consequently, such properties may be subject to prior undetected agreements or transfers and title may be affected by such instances.

#### 4.3 Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in net loss.

#### *Amortization*

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

- |                                   |       |
|-----------------------------------|-------|
| • Computer equipment and software | 33%   |
| • Office furniture                | 20%   |
| • Vehicles                        | 12.5% |
| • Equipment                       | 33%   |

## **TANGO MINING LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended May 31, 2017 and 2016

(Expressed in Canadian Dollars)

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### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### **4.4 Income Taxes**

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

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

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

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

#### **4.5 Loss per share**

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period. For the periods ended May 31, 2017 and 2016, the Company had stock options and share purchase warrants outstanding that could result in the issuance of additional common shares which were not included in the calculation of diluted loss per share as their effect would be anti-dilutive.

#### **4.6 Share base payments**

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

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

## **TANGO MINING LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended May 31, 2017 and 2016

(Expressed in Canadian Dollars)

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### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### **4.6 Share base payments (continued)**

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

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

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

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

#### **4.7 Financial instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

## TANGO MINING LIMITED

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### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### 4.7 Financial instruments (continued)

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

Cash	Loans and receivables
Trade receivables	Loans and receivables
Trade and other payables	Other financial liabilities
Promissory notes payable	Other financial liabilities
Convertible notes	Other financial liabilities
Derivative liability	Fair value through profit or loss
Vehicle lease	Other financial liabilities
Due to related parties	Other financial liabilities

#### 4.8 Non-controlling interest

Non-controlling interest is measured at its proportionate share of the acquiree's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss for the period are allocated between non-controlling interest and shareholders of the parent. Non-controlling interest in subsidiaries must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### 4.9 Impairment of assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

## **TANGO MINING LIMITED**

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### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### **4.10 Restoration and environmental obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. These changes are recorded directly to the related asset with a corresponding entry to the provision.

The increase in the restoration provision due to the passage of time is recognized as interest expense. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

#### **4.11 Revenue recognition**

The Company earns revenue from the processing of coal. Revenue from the processing of coal is recognized once the tonnage is processed and revenue is determinable, based on agreements, and it is probable that the economic benefits will flow to the Company, and the revenue can be reliability measured.

#### **4.12 Fair value of warrants**

The Company measures the fair value of warrants issued from financings using the Black-Scholes Option Pricing model. When warrants are issued, the fair value is recorded in the warrant reserve, with the corresponding entry to share capital. When warrants are exercised, their fair value is removed from the warrant reserve account and recorded as share capital.

#### **4.13 Standards issued but not yet 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.

## TANGO MINING LIMITED

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### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### 4.13 Standards issued but not yet effective (continued)

##### **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.

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.

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include:

- the fair value measurements for financial instruments;
- the recoverability and measurement of deferred tax assets;
- the provisions for restoration and environmental obligations and contingent liabilities;
- the carrying value of inventory;
- the fair value of intangible assets;
- the fair value of stock based transactions; and
- the fair value of derivative liability.

#### Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company’s financial statements include:

## **TANGO MINING LIMITED**

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### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

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- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments;
- the determination of the functional currency of the Company and its subsidiaries
- the determination if acquisitions (Note 6) are business combinations or acquisitions of assets.

### **6. ACQUISITIONS**

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On October 16, 2014, and effective September 30, 2014, the Company entered into an agreement to acquire a 51% interest in four South African companies, 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") (collectively, the "Kwena Group").

KMP, KMMS, and Springlake, now have three thermal coal, metallurgical and processing plant and engineering contracts (the "Service Contracts").

ASM holds a 100% interest in the Oena Diamond Project (the "Oena Project") located in the Northern Cape Province, South Africa.

In connection with the acquisition of Kwena Group, 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, total acquisition costs of \$177,654 were expensed in the statement of loss and comprehensive loss.

In consideration for the 51% interest in the above four companies, the Company issued 49,000,000 common shares. The allocation for the 51% in the three Kwena companies was 31,850,000 shares with a fair value of \$955,500 and the 51% interest in ASM was 17,150,000 shares with a fair market value of \$343,000.

On August 16, 2016, the Company acquired an additional 23% in the Kwena Group by issuing 14,200,000 shares with a fair value of \$852,000.

The Company determined that the Kwena Group constitutes a business as defined by IFRS 3, Business Combinations, and accounted for it as such on 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.

**TANGO MINING LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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**6. ACQUISITIONS (continued)**

The fair value of the assets and liabilities acquired is as follows:

Assets acquired by the Company:	<b>October 16, 2014</b>
Cash	\$ 633,130
Tax receivable	162,836
Accounts receivable	1,020,136
Inventories	1,204,184
Intangible assets – service contracts	1,083,663
Equipment	93,774
Liabilities assumed:	
Payables and accrued liabilities	(955,631)
Deferred tax on service contracts	(175,765)
Non-controlling interest	(1,502,500)
Gain on bargain purchase	(608,327)
<b>Fair Value of common shares issued on acquisition</b>	<b>\$ 955,500</b>

The significant accounts receivable is due from the Service Contracts. The tax receivable is made up of refunds due from the South African Revenue Agency based on its corporate tax returns. The inventories are consumables used for maintenance and replacement parts of the coal processing plants as required by the Company's Service Contracts.

The Company has recorded the Service Contracts acquired based on their estimated fair value, determined using a 5 year projected cash flow model which assumes an annual attribution rate of 20% using the following assumptions: an inflation rate of 5% and a discount rate of 20%.

For accounting purposes, the Company's purchase of an additional 23% of the shares of the Kwena Group has been accounted for as an equity transaction with excess in fair value consideration, less equity of the non-controlling interest, allocated to deficit as follows:

	<b>Purchase Price</b>
Fair value of 14,200,00 common shares issued	\$ 852,000
Change to non-controlling interest at August 16, 2016	(480,550)
<b>Charged to deficit</b>	<b>\$ 371,450</b>

**Acquisition of ASM:**

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

The fair value of the common shares issued was attributed to the assets and liabilities acquired is as follows:



## TANGO MINING LIMITED

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### 6. ACQUISITIONS (continued)

#### Acquisition of ASM (continued)

Assets acquired by the Company:

Cash	\$	857
Accounts receivable		12,456
Reclamation bonds		225,573
Exploration and evaluation assets		633,375
Liabilities assumed:		
Rehabilitation provision		(199,712)
Non-controlling interest		(329,549)
Fair Value of common shares issued on acquisition	\$	343,000

### 7. RECEIVABLES

	May 31, 2017	August 31, 2016
GST/HST receivables	\$ -	\$ 10,090
Tax receivable	-	-
Trade receivables	1,636,238	1,119,588
<b>Total other receivables</b>	<b>\$ 1,636,238</b>	<b>\$ 1,129,678</b>

### 8. PREPAID EXPENSES

	May 31, 2017	August 31, 2016
Current:		
Other	\$ 18,378	\$ 3,535
	18,378	3,535
Non-current:		
Reclamation deposits	156,106	135,631
<b>Total prepaid expenses and deposits</b>	<b>\$ 174,484</b>	<b>\$ 139,166</b>

### 9. INVENTORIES

As at May 31, 2017, the Company held \$1,064,585 (August 31, 2016 \$ 952,510) in supplies inventory used for maintenance of the coal processing plants as required by its Service Contracts and \$129,505 (August 31, 2016 \$ nil) in unsold diamonds on hand.

### 10. INTANGIBLE ASSETS

#### Service Contracts:

On October 16, 2014, the Company acquired a 51% interest in the Kwena Group which had four thermal coal, metallurgical and processing plant and engineering Service Contracts. The Company acquired the Service Contracts with a fair value of \$1,083,663 (Note 6). These are amortized over 5 years, the expected life of the Service Contracts. On August 16, 2015, the Company acquired an additional 23% in the Kwena Group (Note 6).

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### 10. INTANGIBLE ASSETS (continued)

#### Service Contracts: (continued)

In the 2016 financial year management performed an impairment test on the Service Contracts based on their estimated fair values determined using a discounted cash flow analysis resulting in an impairment of \$385,771.

	May 31, 2017	August 31, 2016
Service Contracts		
Balance at beginning of period	\$ 305,064	\$ 849,346
Impairment	-	(385,771)
Amortization	(50,297)	(77,154)
Foreign exchange	43,420	(81,357)
<b>Balance at the end of the year</b>	<b>\$ 298,187</b>	<b>\$ 305,064</b>

### 11. EXPLORATION AND EVALUATION ASSETS

The Company has the following exploration and evaluation assets:

#### South Africa:

On June 18, 2015, the Company acquired the Oena Project, a diamond property located in the Northern Cape Province, South Africa, and recognized an acquisition cost of \$633,375 (Note 6). A continuity of the carrying value of this exploration and evaluation as is as follows:

	May 31, 2017	August 31, 2016
Balance at beginning of the period	\$ 567,261	\$ 631,736
Effect of foreign exchange	85,121	(64,475)
<b>Balance at the end of the year</b>	<b>\$ 652,382</b>	<b>\$ 567,261</b>

During the period ended May 31, 2017, the Company made net gains of \$39,121 attributable to the sale of diamonds, compared to incurring exploration costs of \$491,196 for the nine months ended May 31, 2016.

#### Botswana:

##### *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.

## **TANGO MINING LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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### **11. EXPLORATION AND EVALUATION ASSETS (continued)**

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#### **Botswana: (continued)**

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 year ended August 31, 2015. The Company agreed to pay an additional US\$300,000 (the "Deposit") on or before September 30, 2015 and, in the period from the execution of the Firestone Agreement to closing, 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"). Neither the additional deposit payment nor the care and maintenance fees were paid during the FY16 period.

Firestone and the Company agreed to amend certain terms of the Firestone Agreement, via an amendment letter, and extended the drop dead date several times. However, on September 12, 2016, the agreement lapsed and the deposit was impaired to \$Nil.

To the reporting date of these financial statements, and in connection with this agreement the Company incurred expenditures of \$786,319, of which \$47,760 was incurred during the three months ended November 30, 2016; \$509,997 was incurred during the year ended August 31, 2016; and \$228,562 during the year August 31, 2015. These amounts have been expensed as project investigation costs.

#### **Nicaragua:**

The Company has received notification from the Nicaraguan Ministry of Energy and Mines that the El Santo mining concession will be revoked as the property has been inactive.

#### **Other projects:**

The Company continues to investigate new projects and opportunities and incurred \$125,647 in the nine-month period ended May 31, 2017 of which \$25,311 relates to the three-month period May 31, 2017.

**TANGO MINING LIMITED**

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**12. EQUIPMENT**

	Computer Equipment & Software	Office Furniture	Vehicles	Equipment	Total
<b>Cost</b>					
<b>As at August 31, 2015</b>	\$ 39,181	\$ 32,338	\$ 97,178	\$ 57,774	\$ 226,471
Additions	3,624	-	41,336	-	44,960
Disposals	(5,178)	(5,593)	(20,156)	-	(30,927)
<b>As at August 31, 2016</b>	<b>37,627</b>	<b>26,745</b>	<b>118,358</b>	<b>57,774</b>	<b>240,504</b>
Additions	4,517	-	-	-	4,517
Disposals	-	-	-	-	-
<b>As at May 31, 2017</b>	<b>\$ 42,144</b>	<b>\$ 26,745</b>	<b>\$ 118,358</b>	<b>\$ 57,774</b>	<b>\$ 245,021</b>
<b>Accumulated Amortisation</b>					
<b>As at August 31, 2015</b>	\$ 24,109	\$ 18,989	\$ 42,490	\$ 13,453	\$ 99,041
Charge for the year	1,773	1,625	17,991	9,853	31,242
Disposal	(961)	(1,119)	(10,231)	-	(12,311)
<b>As at August 31, 2016</b>	<b>24,921</b>	<b>19,495</b>	<b>50,250</b>	<b>23,306</b>	<b>117,972</b>
Charge for the year	3,101	2,426	6,253	2,900	14,681
Disposal	-	-	-	-	-
<b>As at May 31, 2017</b>	<b>\$ 28,022</b>	<b>\$ 21,921</b>	<b>\$ 56,503</b>	<b>\$ 26,206</b>	<b>\$ 132,653</b>
<b>Foreign Exchange</b>					
<b>As at August 31 2016</b>	(6,240)	3,952	(4,332)	(16,284)	(22,904)
<b>As at May 31, 2017</b>	(198)	125	(137)	(516)	(726)
<b>Net Book Value</b>					
<b>As at August 31 2016</b>	<b>\$ 6,466</b>	<b>\$ 11,202</b>	<b>\$ 63,776</b>	<b>\$ 18,184</b>	<b>\$ 99,628</b>
<b>As at May 31, 2017</b>	<b>\$ 13,924</b>	<b>\$ 4,949</b>	<b>\$ 61,717</b>	<b>\$ 31,052</b>	<b>\$ 111,642</b>

**13. TRADE AND OTHER PAYABLES**

	May 31, 2017	August 31, 2016
Trade payables	\$ 1,697,754	\$ 1,724,536
Accrued liabilities	242,475	105,299
Payroll and VAT provisions	577,916	645,396
<b>Total trade and other payables</b>	<b>\$ 2,756,484</b>	<b>\$ 2,475,231</b>

**14. PROMISSORY NOTES**

In October 31, 2012, the Company completed a non-brokered private placement of 531 units (“Units”) at a price of \$1,000 per Unit for gross proceeds of \$531,000. Promissory notes in the aggregate principal amount of \$531,000 (the “Notes”) were issued in connection with the private placement. The Notes were for a term of one year and matured October 31, 2013, with interest of 12% per annum. The Notes were collateralized by a general security agreement over all present and after-acquired personal property of the Company, and were settled in part in the amount of \$361,000 on August 8, 2013 through share for debt agreements. The remaining \$25,000 in promissory notes owing was settled February 23, 2017 as part of a share for debt agreement.

## TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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### 15. CONVERTIBLE NOTES

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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 maturing on June 19, 2016. At any time after issuance, the holder had the option, 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 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. During the six months ended February 28, 2017, an additional \$100,000 plus accrued interest were converted to 2,980,940 common shares. At May 31, 2017 there remains \$150,000 (August 31, 2016 - \$250,000) of these convertible notes outstanding and past due plus accrued interest of \$5,527 (August 31, 2016 - \$80,575).

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 on the date 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. During the six months ended February 28, 2017, the holder elected to convert \$87,466 (USD 67,053) of accrued interest to 1,749,320 common shares. At May 31, 2017, there remains USD \$250,000 (\$336,396), (August 31, 2016 USD \$250,000 (\$327,700)) of this convertible note outstanding and past due plus accrued interest of USD \$6,504 (\$8,751) (December 31, 2016 USD \$59,726 (\$78,289)).

On July 18, 2016, the Company issued \$304,171 of unsecured convertible notes bearing an interest rate of 12% per annum, due within one year. \$92,171 of these convertible notes were due on October 31, 2016. \$145,000 was due on December 31, 2016 and \$67,000 was due on February 28, 2017. 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. On issuance, the Company allocated \$8,511 of the proceeds received to the conversion option and recorded in equity. During the six months ended February 28, 2017, some of the holders elected to convert \$19,111 of accrued interest to 382,220 common shares. At May 31, 2017, convertible notes remain outstanding with a carrying value of \$298,270 (August 31, 2016 \$298,270) plus accrued interest of \$ 18,263 (August 31, 2016 - \$20,824).

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**15. CONVERTIBLE NOTES (continued)**

During the year ended August 31, 2016, the Company issued convertible notes totaling USD \$205,000 (\$266,189) bearing interest at a rate of 12% per annum. USD \$100,000 of these convertible notes were due on October 30, 2016 and USD \$105,000 were due on December 31, 2016. The notes are convertible at the discretion of the holder into Units 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 on the date the interest becomes payable. The Units consists of one common share and one warrant. Each warrant allows the holder to purchase one additional common share at a price of \$0.10 per share expiring on July 18, 2018. 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. On August 22, 2016, the holder of USD \$100,000 (\$129,840) of the convertible notes maturing on December 31, 2016 elected to convert the note into 2,596,800 common shares. During the six months ended February 28, 2017 an aggregate of USD \$69,176 (\$89,262) of principle and debt were converted to 1,785,240 common shares. In April 2017 USD \$45,000 of the remaining balance was settled in cash. At May 31, 2017, there remains US \$5,000 (\$6,728) (August 31, 2016 USD \$105,000) of these convertible notes outstanding plus accrued interest of USD \$1,260 (\$1,695) (August 31, 2016 USD \$7,469 (\$9,791)).

	<b>May 31, 2017</b>	<b>August 31, 2016</b>
Balance at beginning of the period	\$ 1,151,189	\$ 1,150,067
Proceeds on issuance of convertible notes	-	570,360
Amount allocated to conversion options – equity	-	(43,511)
Amounts allocated to conversion options – derivative liability	-	(239,413)
Accrued interest	92,891	166,445
Accretion interest	-	181,680
Cash settlement	(63,351)	
Converted to common shares	(414,238)	(627,753)
Effect of foreign exchange	18,577	(6,686)
<b>Balance at the end of the period</b>	<b>\$ 785,068</b>	<b>\$ 1,151,189</b>

The conversion option on the convertible notes denominated in US dollars has been accounted for as a derivative liability as the number of shares or units issuable on conversion will vary as a result of changes in foreign exchange rates. A continuity of the derivative liability is as follows:

	<b>May 31, 2017</b>	<b>August 31, 2016</b>
Balance at beginning of period	\$ 422,669	\$ 257,270
Recognized on issuance of convertible notes	-	239,413
Net change in fair value recognized as (profit) / loss	(413,264)	607,933
Liability reversed on conversion to common shares and warrants	-	(681,947)
<b>Balance at the end of the period</b>	<b>\$ 9,405</b>	<b>\$ 422,669</b>

**TANGO MINING LIMITED**

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**15. CONVERTIBLE NOTES (continued)**

The fair value of the derivative liability was estimated using the Black-Scholes Option Pricing model using the following assumptions:

	<b>May 31, 2017</b>	<b>August 31, 2016</b>
Expected life	Up to 2 years	Up to 2 years
Volatility	275% - 450%	275% - 450%
Risk free interest rate	Less than 1%	Less than 1%
Dividend yield rate	Nil	Nil

**16. REHABILITATION PROVISION**

A continuity of the Company's continuity provision is as follows:

	<b>May 31, 2017</b>	<b>August 31, 2016</b>
Balance at beginning of period	\$ 135,631	\$ 233,054
Acquisition of ASM	-	-
Increase during the period	-	32,761
Reduction on disposal of subsidiary	-	(85,100)
Effect of foreign exchange	20,475	(45,084)
<b>Balance at the end of the period</b>	<b>\$ 156,106</b>	<b>\$ 135,631</b>

At May 31, 2017, the reclamation provision relates to the Oena Project (Note 11). The provision is based on surveys completed by the Department of Mineral Resources of the Republic of South Africa.

**17. RELATED PARTY TRANSACTIONS**

Related party transactions are as follows:

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

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	2017	2016
Management fees *	\$ 203,922	\$ 46,916	\$ 583,266	\$ 475,076
Consulting fees *	9,000	9,000	27,000	52,170
Directors' fees	-	-	-	-
Share based payments	57,526	-	219,021	5,158
<b>Total</b>	<b>\$ 270,448</b>	<b>\$ 55,916</b>	<b>\$ 829,287</b>	<b>\$ 532,404</b>

\*Included in the Management and consulting fees in the income statement

As at May 31, 2017, \$924,483 (August 31, 2016 - \$806,637) is owed to the CFO, Interim CEO and certain directors and officers of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

**TANGO MINING LIMITED**

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**18. EXPLORATION AND EVALUATION EXPENDITURES****During the period ended May 31, 2017:**

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

	Oena Project	Nicaragua	Total
Exploration expenditures:			
Project staff salaries, benefits and consulting	\$ (25,849)	\$ -	\$ (25,849)
Rehabilitation work	-	-	-
Travel & promotion expenses	(178,254)	-	(178,254)
Supplies Expense	(1,207,625)	-	(1,207,625)
Recoveries	1,450,849	-	1,450,849
<b>Exploration and evaluation expenditures</b>	<b>\$ 39,121</b>	<b>\$ -</b>	<b>\$ 39,121</b>

**During the period ended May 31, 2016:**

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

	Oena Project	Nicaragua	Total
Exploration expenditures:			
Project staff salaries, benefits and consulting	\$ 161,000	\$ -	\$ 161,000
Rehabilitation work	-	-	-
Travel & promotion expenses	3,922	-	3,922
Supplies Expense	326,274	-	326,274
Recoveries	-	-	-
<b>Exploration and evaluation expenditures</b>	<b>\$ 491,196</b>	<b>\$ -</b>	<b>\$ 491,196</b>

**19. SHARE CAPITAL****(a) Authorized**

Unlimited number of common shares without par value.

**(b) Issued**Period Ended May 31, 2017

During the three months ended May 31, 2017, an aggregate of 5,313,679 common shares were issued as part of shares for debt settlement agreements with debt holders for a total value of \$265,684. 4,500,000 common shares were issued as a private placement for a total value of \$225,000. Tango received an advance of US\$35,000 for an 8% interest in African Star Minerals (Pty) Ltd. The Company has issued and placed in escrow a total of 3,245,160 common shares of the Company as security for the buyer's interest in ASM, to be held while the mining licence is being renewed. Upon renewal the Escrowed Shares will be cancelled and returned to treasury. In the event mining licence is not renewed, the Escrowed Shares will be released to the buyer in consideration of the advance.



## **TANGO MINING LIMITED**

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### **19. SHARE CAPITAL (continued)**

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#### Period Ended February 28, 2017

During the three months ended February 28, 2017, an aggregate of 9,585,580 common shares were issued as part of shares for debt settlement agreements with debt holders for a total value of \$479,249.

#### Period Ended November 30, 2016

On September 15, 2016, 2,596,800 remaining common shares and warrants were issued in connection with the conversions that started in August 2016. See below.

On March 7, 2016, the Company cancelled 11,000,000 shares previously issued to its former CEO in connection with the ASM acquisition (Note 6). The surrender of these shares by the former CEO was in connection with his resignation on September 17, 2015 and no consideration was paid by the Company to the former CEO.

On July 18, 2016, 300,000 stock options were exercised for cash consideration of \$15,000. On exercise, 11,052 was transferred from the reserve for share based payment to share capital.

On August 23, 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 (Note 6).

During August 2016, certain convertible notes were converted into 14,605,050 common shares and 1,298,400 warrants (Note 15). The carrying value of the related convertible notes, derivative liability 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.

### **20. SHARE BASED PAYMENTS**

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The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Stock options vest 50% on grant date and 50% within 365 days from the grant date, except for certain investor relations consultants.

**TANGO MINING LIMITED**

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**20. SHARE BASED PAYMENTS (continued)**

	May 31, 2017			August 31, 2016	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	
Outstanding at beginning of period	\$ 0.08	7,900,000	\$ 0.08	10,150,000	
Cancelled/forfeited	-	-	0.07	(2,850,000)	
Granted	0.05	4,950,000	0.05	900,000	
Exercised	-	-	0.05	(300,000)	
<b>Outstanding at end of the period</b>	<b>\$ 0.07</b>	<b>12,850,000</b>	<b>\$ 0.08</b>	<b>7,900,000</b>	
<b>Exercisable at end of the period</b>	<b>\$ 0.07</b>	<b>9,925,000</b>	<b>\$ 0.08</b>	<b>6,925,000</b>	

The following table provides additional information about outstanding stock options at May 31, 2017:

Exercise Price	No. of Options Outstanding	Weighted Average Remaining Life (Years)	No. of Options Currently Exercisable	Expiry date
\$ 0.13	2,800,000	0.84	2,800,000	April 3, 2018
\$ 0.05	3,150,000	1.73	3,150,000	February 21, 2019
\$ 0.05	1,050,000	2.41	1,050,000	October 27, 2019
\$ 0.05	900,000	4.13	450,000	July 15, 2021
\$ 0.05	4,500,000	4.70	2,250,000	February 10, 2022
\$ 0.05	450,000	4.84	225,000	April 3, 2022
<b>\$ 0.05 - \$ 0.13</b>	<b>12,850,000</b>		<b>9,925,000</b>	

**Share based payments**

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

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life (Years)	Volatility Factor	Dividend Yield
April 3, 2013	April 3, 2018	\$0.130	\$0.13	1.26%	5	156%	Nil
February 21, 2014	February 21, 2019	\$0.035	\$0.05	1.69%	5	156%	Nil
October 27, 2014	October 27, 2019	\$0.035	\$0.05	1.50%	5	157%	Nil
July 15, 2016	July 15, 2021	\$0.070	\$0.05	0.68%	5	212%	Nil
February 10, 2017	February 10, 2022	\$0.060	\$0.05	0.75%	5	211%	Nil
April 3, 2017	April 3, 2022	\$0.060	\$0.05	0.72%	5	211%	Nil

Total expenses arising from share-based payment transactions recognized during the three and nine months ended May 31, 2017 as part of stock-based compensation were of \$57,526 and \$219,021 (2015 - \$Nil and \$5,158).

## TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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### 21. WARRANTS

The continuity of the Company's outstanding warrants is as follows:

	May 31, 2017		August 31, 2016	
	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price	Number of Warrants
Outstanding at beginning of period	\$ 0.09	5,068,000	\$ 0.10	4,000,000
Expired during the period	-	-	-	-
Issued	0.10	4,641,444	0.05	1,068,000
<b>Outstanding at end of the period</b>	<b>\$ 0.09</b>	<b>9,709,444</b>	<b>\$ 0.09</b>	<b>5,068,000</b>

The 4,641,444 warrants issued during the nine months ended 31 May 2017 were issued in connection with the conversion of the convertible notes. The fair value of these warrants was estimated to be \$138,406 determined using the Black-Scholes option pricing model with the following assumptions: expected life of 1-2 years, expected volatility of 208% - 211%, a risk free interest rate of 0.57% - 0.73% and a dividend yield of Nil.

The 1,068,000 warrants issued during the year ended August 31, 2016 were issued to finders in connection with the convertible notes previously issued. The fair value of these warrants was estimated to be \$60,977 determined using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, expected volatility of 273%, a risk free interest rate of 0.60% and a dividend yield of Nil.

Warrants outstanding as at February 28, 2017 are as follows:

Exercise price	Issue date	Expiry date	Number of Warrants
\$ 0.10	March 2, 2015	March 2, 2020	4,000,000
\$ 0.05	July 20, 2016	July 20, 2018	1,068,000
\$ 0.10	September 1, 2016	August, 31 2018	2,596,800
\$ 0.10	August 31, 2016	August 31, 2018	313,416
\$ 0.10	March 2, 2017	March 2, 2019	1,415,000
\$ 0.10	April 11, 2017	April 11, 2018	316,228

On July 18, 2016, the Company extended the expiry date for 4,000,000 warrants from March 2, 2017 to March 2, 2020.

### 22. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended May 31, 2017.

## **TANGO MINING LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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### **22. CAPITAL RISK MANAGEMENT (continued)**

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The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserves, deficit and non-controlling interest. There are no external restrictions on the Company's capital.

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

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.

### **23. FINANCIAL INSTRUMENTS**

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#### **Fair Value**

The carrying amount of cash, receivables, trade and other payables, promissory notes, convertible notes, vehicle lease, and due to related parties approximate fair value due to the relatively short term maturity of these financial instruments.

The derivative liability of convertible debentures that are past due are measured using the difference between the trading price and the exercise price at the year-end date.

The fair value of the derivative liability is measured using level 3 inputs using the Black Scholes Option Pricing model with the following assumptions

#### **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.

## **TANGO MINING LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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### **23. FINANCIAL INSTRUMENTS (continued)**

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#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at May 31, 2017 the Company had current assets of \$3,543,943 (August 31, 2016 - \$3,055,771) to settle current liabilities of \$4,959,653 (August 31, 2016 - \$5,161,621) resulting in working capital deficit of \$1,415,710 (August 31, 2016 - \$2,105,850). 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.

### **24. SEGMENTED INFORMATION**

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#### **Operating Segments**

For the nine months ended May 31, 2017, the Company had two reportable segments:

- The operation of three thermal coal, metallurgical and processing plants under engineering contracts; and
- The acquisition, exploration and evaluation, and development of mineral properties.

For the nine months ended May 31, 2017, all of the Company's activities related to the acquisition, exploration and evaluation, and development of mineral properties.

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Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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**24. SEGMENTED INFORMATION (continued)**

The following is summarized financial information of the Company's reportable segments for nine months ended May 31, 2017:

	<b>Coal Processing Service Contracts</b>	<b>Exploration and evaluation</b>	<b>Corporate</b>	<b>Consolidated</b>
Revenue	\$ 10,037,699	\$ -	\$ -	\$ 10,037,699
Amortization	10,187	-	4,494	14,681
Amortization of service contracts	50,297	-	-	50,297
Net profit/(loss)	\$ 539	\$ 107,332	\$ (606,789)	\$ (498,918)
Total assets	\$ 4,208,008	\$ 1,423,487	\$ -	\$ 4,789,383
Total liabilities	(1,426,818)	(2,504,250)	(2,026,803)	(5,115,759)
Net assets (liabilities)	\$ 2,781,190	\$ (1,080,763)	\$ (2,026,803)	\$ (326,376)

The following is summarized financial information of the Company's reportable segments for nine months ended May 31, 2016:

	<b>Coal Processing Service Contracts</b>	<b>Exploration and evaluation</b>	<b>Corporate</b>	<b>Consolidated</b>
Revenue	\$ 9,685,319	\$ -	\$ -	\$ 9,685,319
Amortization	19,477	-	4,840	24,317
Amortization of service contracts	159,252	-	-	159,252
Net (profit)/loss	\$ (16,377)	\$ (753,503)	\$ (719,361)	\$ (1,489,241)
Total assets	\$ 3,072,508	\$ 760,198	\$ 473,626	\$ 4,306,332
Total liabilities	(1,081,336)	(1,962,775)	(1,652,074)	(4,696,182)
Net assets (liabilities)	\$ 1,991,172	\$ (1,202,574)	\$ (1,178,448)	\$ (389,849)

**Information about Major Customers**

The Company's revenue for the Service Contracts for the period ended May 31, 2017 was from three customers who represented 49%, 30% and 21% of revenues.

**25. NON-CONTROLLING INTERESTS**

The non-controlling interests consisted of the following:

		<b>May 31, 2017</b>		<b>August 31, 2016</b>
Kwena Group (26%)	\$	871,673	\$	543,228
ASM (49%)		(811,584)		(536,831)
	\$	60,090	\$	6,397

**TANGO MINING LIMITED**

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**25. NON-CONTROLLING INTERESTS (continued)**

The following is the summarized statement of financial position of Kwena Group and ASM as at May 31, 2017:

	<b>Kwena Group</b>	<b>ASM</b>
Current:		
Assets	\$ 3,836,360	\$ 604,721
Liabilities	(1,426,818)	(2,348,144)
Total current net assets (liabilities)	2,409,541	(1,743,423)
Non-current		
Assets	371,648	818,766
Liabilities	-	(156,106)
Total non-current net assets	371,648	662,660
Total net assets (liabilities)	\$ 2,781,190	\$ (1,080,763)

The following is the summarized statement of financial position of Kwena Group and ASM as at August 31, 2016:

	<b>Kwena Group</b>	<b>ASM</b>
Current:		
Assets	\$ 2,715,774	\$ 135,631
Liabilities	(1,687,931)	(1,419,286)
Total current net assets (liabilities)	\$ 1,027,843	\$ (1,283,655)
Non-current		
Assets	\$ 1,104,367	\$ 567,260
Liabilities	(42,870)	(379,178)
Total non-current net assets	1,061,497	188,082
Total net assets (liabilities)	\$ 2,089,340	\$ (1,095,573)

The following is the summarized comprehensive loss of Kwena Group and ASM for the period from acquisition to May 31, 2017:

	<b>Kwena Group</b>	<b>ASM</b>
Revenue	\$ 23,015,453	\$ 1,615,705
Net income (loss)	67,783	(505,540)
Other comprehensive income (loss)	-	-
Comprehensive loss	\$ 67,783	\$ (505,540)

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Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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### 25. NON-CONTROLLING INTERESTS (continued)

The following is the summarized comprehensive loss of Kwena Group and ASM for the period from acquisition to August 31, 2016:

	Kwena Group	ASM
Revenue	\$ 12,977,754	\$ 164,856
Net income (loss)	67,244	(612,872)
Other comprehensive income (loss)	(113,044)	64,251
Comprehensive loss	\$ (45,800)	\$ (548,621)

### 26. SUBSEQUENT EVENTS

On July 7, 2017, the Company announced that, pursuant to its news release dated 17 June 2015, it had reached a settlement with ATC Enterprises DMCC (“ATC”) to settle accrued interest, balance due on last tender and the outstanding amount owing for the Oena offtake right for debt totaling C\$342,895 by the issuance of 6,857,900 common shares at a price of \$0.05 per share. This settlement with ATC effectively terminates the diamond offtake right with ATC with regard to the Company’s Oena property, thereby eliminating the 10% fee that was payable on the first 2,000 carats of diamond sales.

The Company also announced that ATC had converted US\$50,000 (C\$65,000) of its remaining unsecured convertible note into common shares at a price of \$0.05 per share, for a total of 1,300,000 common shares. ATC has also agreed to extend the term of conversion of their remaining US\$200,000 unsecured convertible note to December 31, 2017.

On July 20, 2017, the Company announced that in partnership with the GZA Group it incorporated a new South African subsidiary, TML Equipment Solutions (Pty) Ltd (“TML”), that will own and lease processing equipment to be used for alluvial diamond recovery. The total capital investment into TML will be USD \$1,175,000 and is fully committed. TML has secured a new Bourestnik X-Ray (BVX) recovery unit, a Flow Sort X-Ray Separator and a Single Particle Sorter (the “Equipment”). The Company will have a 25% equity stake in the TML and will maintain operational control.

TML’s Equipment will be used at Oena and will be operated under contract by Consulmet (Pty) Limited (“Consulmet”). Consulmet, with its headquarters in Johannesburg, is a specialist engineering group focused on fast-tracked design and construction of minerals processing plants on a fixed price basis and excel in delivering projects in remote locations and developing countries. Consulmet have built several diamond processing plants for diamond producers and are experts in the application of DMS, diamond processing and final recovery using optical and X-Ray sorters.

The Company terminated the contracting agreement, as announced on 18 November 2016, with African Mineral Recovery Solutions CC (“AMRS”), effective July 28, 2017 due to breach of contract and underperformance by AMRS.