TANGO MINING LIMITED

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three and six months ended

February 29, 2016 and 2015

(Unaudited)

NOTICE TO READER

Responsibility for Financial Statements:
The accompanying unaudited condensed consolidated interim financial statements of Tango Mining Limited for the three and six months ended February 29, 2016 and 2015 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see note 2 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 three and six months ended February 29, 2016 and 2015.

TANGO MINING LIMITED

MANAGEMENT'S RESPONSIBILITY FOR QUARTERLY FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Tango Mining Limited are the responsibility of the management and Board of Directors of the Company.

The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed consolidated interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Terry L. Tucker"
Chief Executive Officer

TANGO MINING LIMITED

Condensed Consolidated Interim Statement of Financial Position (unaudited)

(Expressed in Canadian Dollars)

		February 29, 2016		August 31, 2015
ASSETS				
Current Assets				
Cash	$	580,038	$	833,373
Receivables (*Note 7*)		1,075,614		1,270,436
Prepaid expenses (*Note 8*)		505		7,512
Inventories (*Note 9*)		1,063,313		1,029,470
		2,719,470		3,140,791
Non-current assets				
Prepaid expenses (*Note 8*)		208,525		209,336
Deposit (*Note 11*)		474,506		445,270
Intangible assets (*Note 6, 10)*		743,178		849,346
Exploration and evaluation assets (*Note 11)*		590,687		631,736
Equipment (*Note 12*)		99,914		124,803
TOTAL ASSETS	$	4,836,280	$	5,401,282
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables (*Note 13*)	$	2,233,695	$	2,363,217
Promissory notes payable (*Note 14*)		25,000		25,000
Convertible notes (*Note 15*)		1,210,411		1,150,067
Derivative liability (*Note 15*)		257,270		257,270
Vehicle lease		27,206		7,556
Due to related parties (*Note 17*)		709,529		204,337
Tax provision		356,057		-
		4,819,168		4,007,447
Long-term Liabilities				
Rehabilitation provision (*Note 16*)		208,525		233,054
Disability liability provision		19,951		-
Deferred tax liability		140,265		165,351
		5,187,909		4,405,852
Shareholders' Equity				
Share capital (*Note 19*)		12,447,942		12,447,942
Reserve for warrants		398,596		398,596
Reserve for share based payments		2,032,207		2,027,048
Reserve for foreign exchange		52,859		28,924
Accumulated deficit		(15,860,567)		(14,742,946)
		(864,194)		159,564
Non-controlling interest (*Note 26*)		512,564		835,866
		(351,630)		995,430
TOTAL LIABILITIES AND EQUITY	$	4,836,280	$	5,401,282

Subsequent events (*Note 27*)

Approved by the Board

Signed: Signed:

"*Terry L. Tucker*" "*Kevin Gallagher*"

Director Director

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 February 29,		Six months ended February 29,	
	2016	2015	2016	2015
Revenues	$ 3,234,153	$ 3,463,003	$ 6,715,386	$ 6,841,369
Operating expenses				
Amortization	(7,838)	(48,967)	(16,187)	(104,975)
Amortization of service contracts	(106,168)	-	(106,168)	-
Employee benefits expense	(1,631,392)	(1,919,824)	(3,674,519)	(3,823,391)
Exploration and evaluation expenses *(Note 17)*	(478,568)	(5,097)	(478,568)	(19,818)
Foreign exchange (loss)/gain	(5,311)	(3,233)	11,039	(7,107)
Management and consulting (*Note 16*)	(406,831)	(278,949)	(471,331)	(503,922)
Office and general	(84,211)	(25,349)	(264,327)	(62,270)
Professional fees	(88,730)	(15,791)	(115,824)	(34,845)
Project investigation costs	(291,703)	-	(291,703)	-
Raw material and engineering cost	(787,473)	(919,577)	(2,114,858)	(2,213,470)
Share based payments (*Note 12*)	-	(26,316)	(5,158)	(82,186)
Shareholder information	(432)	(6,659)	(3,934)	(37,209)
Travel and promotion	(47,109)	(26,834)	(71,748)	(36,636)
	(3,935,766)	(32,765,96)	(7,603,286)	(6,925,829)
Finance charge	(277,571)	(1,473)	(280,796)	8,510
Income tax provision – subsidiary	(313,776)	(194,130)	(313,776)	(194,130)
Write down of plant, property & equipment	(5,136)	-	(5,136)	-
Net loss for the period	(1,298,097)	(9,196)	(1,487,609)	(270,080)
Total loss attributable to:				
Shareholders of the company	(853,769)	(233,702)	(1,052,851)	(551,750)
Non-controlling interests	(444,328)	224,506	(434,758)	281,670
	(1,298,097)	(9,196)	(1,487,609)	(270,080)
Other comprehensive loss				
Exchange differences on translating foreign operations	3,895	-	135,391	-
Total comprehensive loss for the period	(1,294,202)	(9,196)	(1,352,218)	(270,080)
Other comprehensive loss attributable to:				
Shareholders of the Company	(297,074)	-	23,935	-
Non-controlling interests	300,969	-	111,456	-
	3,895	-	135,391	-
Total comprehensive loss attributable to:				
Shareholders of the company	(1,150,843)	(233,702)	(1,028,916)	(551,750)
Non-controlling interests	(143,359)	224,506	(323,302)	281,670
	(1,294,202)	(9,196)	(1,352,218)	(270,080)
Basic and fully diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Weighted average number of shares outstanding	153,426,710	149,260,043	153,426,710	148,800,588

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	
	Number of shares	Amount	Share based payments	Warrants	Foreign Exchange	Deficit	Equity Attributable To Shareholders	To Non-controlling Interests	Total
Balance, August 31, 2014	**98,452,188**	**$ 10,986,212**	**$ 1,927,947**	**$ 297,590**	**$ 44,334**	**$(12,496,153)**	**$ 759,930**	**$ -**	**$ 759,930**
Issued on acquisition of Kwena Group (*Note 6*)	31,850,000	955,500	-	-	-	-	955,500	1,502,500	2,458,000
Issued to finders on acquisition of ASM (*Note 6*)	1,474,522	44,236	-	-	-	-	44,236	-	44,236
Issued to director on successful acquisition of ASM *(Note 6*)	500,000	20,000	-	-	-	-	20,000	-	20,000
Shares issued (*Note 19*)	2,500,000	125,000	-	-	-	-	125,000	-	125,000
Share based payments	-	-	82,186	-	-	-	82,186	-	82,186
Currency translation adjustments	-	-	-	-	(101,915)	-	(101,915)	-	(101,915)
Net loss for the period	-	-	-	-	-	(551,750)	(551,750)	400,401	(151,349)
Balance, February 29, 2015	**134,776,710**	**$ 12,130,948**	**$ 2,010,133**	**$ 297,590**	**$ (57,581)**	**$(13,047,903)**	**$ 1,333,187**	**$ 1,902,901**	**$ 3,236,088**
Issued on acquisition of ASM (*Note 6*)	17,150,000	343,000	-	-	-	-	343,000	329,549	672,549
Shares issued (*Note 19*)	1,500,000	75,000	-	-	-	-	75,000	-	75,000
Fair value of warrants	-	(101,006)	-	101,006	-	-	-	-	-
Currency translation adjustment	-	-	-	-	86,505	-	86,505	(26,216)	60,289
Share based payments	-	-	16,915	-	-	-	16,915	-	16,915
Net loss for the period	-	-	-	-	-	(1,695,043)	(1,695,043)	(1,370,368)	(3,065,411)
Balance, August 31, 2015	**153,426,710**	**$ 12,447,942**	**$ 2,027,048**	**$ 398,596**	**$ 28,924**	**$(14,742,946)**	**$ 159,564**	**$ 835,866**	**$ 995,430**
Share based payments	-	-	5,158	-	-	-	5,158	-	5,158
Currency translation adjustment	-	-	-	-	23,935	-	23,935	111,456	135,391
Net profit/(loss) for the period	-	-	-	-	-	(1,052,851)	(1,052,851)	(434,758)	(1,487,609)
Balance, February 29, 2016	**153,426,710**	**$ 12,447,942**	**$ 2,032,206**	**$ 398,596**	**$ 52,859**	**$(15,795,797)**	**$ (864,194)**	**$ 512,564**	**$ (351,630)**

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

TANGO MINING LIMITED
Condensed Consolidated Interim Statements of Cash Flows (unaudited)
(Expressed in Canadian Dollars)

Six months period ended February 29,		2016		2015
Operating Activities				
Net loss for the period	$	(1,487,609)	$	(75,950)
Adjustments to reconcile net loss to cash flow from operating activities:				
Share based payments (*Note 12*)		5,159		82,186
Amortization		16,187		104,975
Tax provision		356,057		(194,130)
Write down value of property, plant & equipment		6011		4,277
Revaluation effect of intangible assets		106,168		-
Revaluation effect of exploration & evaluation assets		41,049		-
Unrealized foreign exchange losses		23,935		(101,915)
Unrealized gain on revaluation of Deposits for BK11		(29,236)		-
Revaluation effect on rehabilitation provision		811		-
Net changes in non-cash working capital items:				
Inventories		(33,843)		(317,939)
Accounts receivables and advances		194,822		(1,199,185)
Prepaid expenses		7,007		(5,446)
Trade and other payables		(79,192)		1,934,257
Due to related parties		505,192		1,373,893
Cash flow used in operating activities		(367,483)		1,605,023
Financing Activities				
Changes in non-controlling interest		111,456		127,716
Shares issued through private placement		-		125,000
Long term liability recognized		-		24,471
Cash flow provided from financing activities		111,456		277,187
Investing Activities				
Changes in property, plant and equipment		2,691		(1,881,134)
Cash flow used in investing activities		2,691		(1,881,134)
Net increase/(decrease) in cash and cash equivalents		(253,335)		1,076
Cash and cash equivalents, beginning of the period		833,373		924,602
Cash and cash equivalents, end of the period	$	580,038	$	925,678

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

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

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:

- 4 thermal coal, metallurgical and processing contracts in South Africa, from which it gets substantially all of its revenues (Note 6);
- a diamond project (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 and principal place of business is 5626 Larch Street, Suite 202, Vancouver, British Columbia, V6M 4E1, Canada.

2. GOING CONCERN

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 February 29, 2016, the Company had not yet achieved profitable operations, has accumulated losses of $15,860,567 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

3.1 Statement of compliance

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

These unaudited interim condensed consolidated financial statements were authorized by the Board of Directors of the Company on April 29, 2016.

(Expressed in Canadian Dollars)

3.2 Basis of measurement

These unaudited condensed consolidated interim financial statements have been prepared on the basis of same accounting policies, methods of computation and presentation followed in its preparation with those applied in the Company's August 31, 2015 annual financial statements.

3.3 Principles of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries in South Africa and Nicaragua. The results of each subsidiary will continue to be included in the consolidated 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:

		Percentage owned*	
	Country of incorporation	**August 31, 2015**	**August 31, 2014**
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%
F.D.G Mining NV	USA	100%	100%
TGV Resources	South Africa	100%	-
African Star Minerals (Pty) Limited	South Africa	51%	-
Kwena Mining Projects CC.	South Africa	51%	-
Kwena Mining and Metallurgical Services CC.	South Africa	51%	-
Kwena Springlake Projects (Pty) Ltd	South Africa	51%	-
Bonte Koe	South Africa	51%	-

*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"), 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 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.

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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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;

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- 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.
- the determination if acquisitions (Note 6) are business combinations or an acquisition of assets.

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:

- 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

6. ACQUISITION OF AFRICAN STAR MINERALS GROUP

On September 30, 2014, the Company entered into an agreement to acquire a 51% interest in 4 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").

KMP, KMMS, and Springlake (collectively, the "Kwena Group"), have 4 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 during the financial year ended August 31, 2015.

In consideration for the 51% interest in the above 4 companies, the Company issued 49,000,000 common shares.

Acquisition of the Kwena Group:
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.

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.

(Expressed in Canadian Dollars)

6. ACQUISITION (continued)

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

Assets acquired by the Company:		
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)
Fair Value of common shares issued on acquisition	$	955,500

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%.

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 and is accounted for as an asset acquisition.

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

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

(Expressed in Canadian Dollars)

7. RECEIVABLES

		February 29, 2016		August 31, 2015
GST/HST receivables	$	4,345	$	5,836
Tax receivable		-		51,916
Trade receivables		1,071,269		1,212,684
Total other receivables	**$**	**1,075,614**	**$**	**1,270,436**

8. PREPAID EXPENSES

		February 29, 2016		August 31, 2015
Current:				
Other	$	505	$	7,512
		505		7,512
Non-current:				
Reclamation deposits		208,525		209,336
Total prepaid expenses and deposits	**$**	**209,030**	**$**	**216,848**

9. INVENTORIES

As at February 29, 2016, the Company held $1,063,313 (August $1,029,470) in supplies inventory used for maintenance of the coal processing plants as required by its Service Contracts.

10. INTANGIBLE ASSETS

Service Contracts:

On October 16, 2014, the Company acquired a 51% interest in the Kwena Group which have 4 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.

Service Contracts		
Balance as of August 31, 2015	$	849,346
Amortization for the period		(106,168)
Balance, February 29, 2016	$	743,178

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 past producing alluvial diamond property located in the Northern Cape Province, South Africa, with a fair value of $633,375 (Note 6). As at February 29, 2016, the property was recorded at $590,687 due to changes in foreign exchange.

11. EXPLORATION AND EVALUATION ASSETS (continued)

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$1,000,000. 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) has been paid and recorded as a deposit. 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").

Firestone and the Company agreed to amend certain terms of the Firestone Agreement, via an amendment letter, such that completion of the BK11 purchase is subject to satisfaction of the following conditions within nine months of the date of the Firestone Agreement, being April 8, 2016 (the "Firestone Closing"):

- the Company raising the balance of the consideration, being US$7,650,000;
- the Company raising the aggregate ongoing cumulative Maintenance Fees payable from the August 1, 2015 to the Firestone Closing (subject up to a maximum of US$40,000 per month);
- obtaining Botswana ministerial approval for the transfer of the controlling interest in Monak; and
- the Company receiving the requisite approvals by the TSX.V in respect of the purchase.

The Company received a conditional approval from the TSX.V for the Firestone Agreement and the Tema Thuo Agreement. The Firestone Closing and the Tema Thuo Closing are subject to final acceptance of the TSX.V and receipt by the parties of the regulatory approvals, as well as certain other conditions standard for a transaction of this type.

Six month periods ended February 2016, the Company has incurred expenditures of $291,703 in connection with this agreement which consists primarily of preparing a feasibility study. 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.

(Expressed in Canadian Dollars)

12. EQUIPMENT

	Computer Equipment & Software	Furnishings	Vehicles	Tools & Equioment	Total
Cost					
As at August 31, 2014	**4,299**	**35,567**	**22,979**	**-**	**62,845**
Additions	33,473		97,518	102,284	233,275
Disposal		9,386		-	9,386
As at August 31, 2015	**37,772**	**26,181**	**120,497**	**102,284**	**286,734**
Additions					-
Disposal	2,131			3,005	5,136
As at February 29, 2016	**35,641**	**26,181**	**120,497**	**99,279**	**281,598**
Accumulated Amortization					
As at August 31, 2014	**4,299**	**27,106**	**10,681**	**-**	**42,086**
Additions	18,261	-22,247	28,331	29,159	53,504
Ammortization	8,368	2,115	27,454	28,403	66,341
As at August 31, 2015	**30,928**	**6,974**	**66,466**	**57,562**	**161,931**
Additions	1,135	4,098	5,697	-7,365	3,566
Amortisation	1,711	4,802	2,500	7,175	16,187
Removed on disposal	-	-	-	-	-
As at February 29, 2016	**33,774**	**15,874**	**74,663**	**57,372**	**181,684**
Net Book Value					
As at August 31, 2014	**-**	**8,461**	**12,298**	**-**	**20,759**
As at August 31, 2015	**6,844**	**19,207**	**54,030**	**44,722**	**124,803**
As at February 29, 2016	**1,867**	**10,307**	**45,833**	**41,907**	**99,914**

12. TRADE AND OTHER PAYABLES

	February 29, 2016	August 31, 2015
Trade payables	$ 1,480,232	$ 1,375,443
Accrued liabilities	61,226	122,130
Payroll and VAT provisions	692,237	865,644
Total trade and other payables	**$ 2,233,695**	**$ 2,363,127**

14. PROMISORRY 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. $25,000 (August 31, 2015 - $25,000) in promissory notes remain owing at February 29, 2016.

(Expressed in Canadian Dollars)

15. CONVERTIBLE NOTES

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 six months ending February 29, 2016, $45,679 of interest has been accrued. The portion of the convertible attributable to equity is not considered to be material.

On June 17, 2015, the Company issued an unsecured convertible note in the amount of USD $500,000 ($666,500) due in 1 year and an interest rate of 10% per annum. The note is convertible at the discretion of the holder. The principal is convertible at a price of $0.05 per share and the interest is convertible 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.

16. REHABILITATION PROVISION

At February 29, 2016, the Company had $208,525 (August 31, 2015 - $233,054) in rehabilitation provisions.

17. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

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

	Three months ended February 29, 2016	Three months ended February 29, 2015	Six months ended February 28, 2016	Six months ended February 28, 2015
Management fees *	$ 381,132	$ 255,949	$ 429,132	$ 442,326
Consulting fees *	25,699	18,000	42,199	56,596
Directors’ fees	-	5,000	-	5,000
Share based payments	-	26,316	5,158	82,186
Total	**$ 406,831**	**$ 305,265**	**$ 476,489**	**$ 586,108**

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

As at February 29, 2016, $709,529 (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.

(Expressed in Canadian Dollars)

18. EXPLORATION AND EVALUATION EXPENDITURES

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

	February 29, 2016	February 28, 2015	Cumulative to date
Nicaragua and South Africa Properties			
Acquisition expenditures	$ -	$ -	$ 1,375,082
Exploration expenditures:			
Project Staff Salaries and Benefits	156,861	-	2,134,013
Project management	-	-	718,031
Travel expenses	3,821	-	59,758
Laboratory Analysis Costs -Minerals Sampling	-	-	232,099
Supplies & Repairs	317,886	14,721	395,741
Authorizations, permits, licenses	-	5,097	244,837
Exploration and evaluation expenditures	$ 478,568	$ 19,818	$ 5,159,561

19. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

	Number of Shares	Stated Value
COMMON SHARES		
Balance, August 31, 2014	**98,452,188**	**$ 10,986,212**
Issued on 51% acquisition of Kwena Group	31,850,000	955,500
Issued on 51% acquisition of African Star Minerals Group (ASM)	17,150,000	343,000
Issued to finders on acquisition of African Star Minerals Group	1,474,522	44,236
Issued to an insider on successful acquisition of ASM	500,000	20,000
Fair value of warrants	-	(101,006)
Issued to insiders	4,000,000	200,000
Balance, August 31, 2015 & February 29, 2016	**153,426,710**	**$ 12,447,942**

On March 3, 2015, the Company completed a non-brokered $75,000 private placement with the CEO of the Company consisting of 1,500,000 units at a price of $0.05 per unit. Each unit consists of one share and one warrant to purchase one additional share at a price of $0.10 until March 2, 2017.

19. SHARE CAPITAL (continued)

On February 26, 2015, the Company received a share subscription from a director of the Company for issuance of 2,500,000 units at a price of $0.05 per unit for gross proceeds of $125,000 in connection with non-brokered private placement. Each unit consisted of one common share and one transferable share purchase warrant to purchase an additional common share of the Company at a price of $0.10 for a period of 24 months, expiring on March 2, 2017.

On June 18, 2015 the Company issued 17,150,000 common shares with a fair value of $343,000 to certain shareholders of ASM in connection with the acquisition of 51% interests in ASM (Note 6).

On January 23, 2015, the Company issued 500,000 common shares with a fair value of $20,000 to a member of the management team in recognition of his efforts to successfully complete the Company's acquisition of ASM (Note 17).

On October 16, 2014, the Company issued 31,850,000 common shares with a fair value of $955,500 to certain shareholders of the Kwena Group in connection with the acquisition of 51% interests in the Kwena Group (Note 6).

On October 16, 2014, the Company also issued 1,474,522 common shares to the finder with a fair value of $44,236 as consideration for consulting services rendered in relation to the acquisition of ASM.

20. STOCK OPTIONS

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.

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

(Expressed in Canadian Dollars)

20. STOCK OPTIONS (continued)

	February 29, 2016			August 31, 2015		
		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price	Number of Options
Outstanding at beginning of period	$	0.08	10,150,000	$	0.08	8,100,000
Granted					0.05	2,050,000
Outstanding at end of the period	**$**	**0.07**	**10,150,000**	**$**	**0.08**	**10,150,000**
Exercisable at end of period	**$**	**0.07**	**10,150,000**	**$**	**0.08**	**10,150,000**

The following table provides additional information about outstanding stock options at February 29, 2016:

Exercise Price	No. of Options Outstanding	Weighted Average Remaining Life (Years)	No. of Options Currently Exercisable	Expiry date
$ 0.10	700,000		700,000	July 19, 2017
$ 0.13	3,050,000		3,050,000	November 6, 2017
$ 0.05	4,350,000		4,350,000	April 3, 2018
$ 0.05	2,050,000		2,050,000	February 21, 2019
$ 0.05 - $ 0.13	**10,150,000**	**2.86**	**10,150,000**	

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
October 27, 2014	October 27, 2019	$0.035	$0.05	1.50%	5	159.93%	Nil

On October 27, 2014 the Company granted 2,050,000 stock options to directors, officers and employees to purchase up to 2,050,000 common shares of the Company for a period of five years at an exercise price of $0.05 per share. The options vest 50% on the date of grant and 50% within 365 days from the grant date. For the six months ended February 29, 2016, the Company recorded a charge of $5,158 in stock-based compensation. A weighted average fair value of $0.032 per share on the stock options granted was estimated using the Black-Scholes option pricing model with the assumptions listed in the table above.

Total expenses arising from share-based payment transactions recognized during the three and six months ended February 29, 2016 as part of stock-based compensation were of $Nil and $5,158 (2015 - $26,316 and $82,186).

(Expressed in Canadian Dollars)

21. WARRANTS

		February 29, 2016			August 31, 2015	
		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price	Number of Warrants
Outstanding at beginning of period	$	0.10	4,000,000		0.12	32,994,000
					-	(32,994,000)
				$	0.10	4,000,000
Outstanding at end of the period	**$**	**0.10**	**4,000,000**	**$**	**0.10**	**4,000,000**

The following table summarizes the weighted average assumptions used with the Black-Scholes valuation model for the determination of the fair market value of the warrants 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
02-Mar-15	02-Mar-17	$0.04	$0.10	1.12%	2	160%	Nil

Exercise price	Issue date	Expiry date	Number of warrants	Fair Value
$ 0.10	March 2, 2015	March 2, 2017	4,000,000	$101,006
Total			**4,000,000**	**$101,006**

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 six months ended February 29, 2016.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserves, deficit and non-controlling interest, which as at February 29, 2016 totaled $864,194 (August 31, 2015 - $159,564). There are no external restrictions on the Company's capital.

22. CAPITAL RISK MANAGEMENT (continued)

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

Fair Value

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

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 February 29, 2016, the Company had current assets of $2,719,470 (August 31, 2015- $3,140,791) to settle current liabilities of $4,819,168 (August 31, 2015 - $4,007,447) resulting in working capital deficit of $2,099,698 (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.

(Expressed in Canadian Dollars)

24. FINANCIAL INSTRUMENTS (continued)

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.

25. SEGMENTED INFORMATION

Geographic Information

		South Africa		Nicaragua		Total
February 29, 2016						
Prepaid expenses	$	208,525	$	-	$	208,525
Deposits	$	474,506	$	-	$	474,506
Exploration and evaluation assets	$	590,687	$	-	$	590,687
Intangible assets	$	743,178	$	-	$	743,178
Equipment	$	99,914	$	-	$	99,914
Revenue	$	6,715,386	$	-	$	6,715,386
August 31, 2015						
Prepaid expenses	$	209,336	$	-	$	209,336
Deposits	$	445,270	$	-	$	445,270
Exploration and evaluation assets	$	631,736	$	-	$	631,736
Intangible assets	$	869,836	$	-	$	869,836
Equipment	$	122,672	$	2,131	$	124,803
Revenue	$	13,827,983	$	-	$	13,827,983

Operating Segments

For the six months ended February 29, 2016, the Company had two reportable segments:

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

For the six months ended February 29, 2016, all of the Company’s activities related to the acquisition, exploration and evaluation, and development of mineral properties.

The following is summarized financial information of the Company’s reportable segments for six months ended February 29, 2016:

(Expressed in Canadian Dollars)

24. SEGMENTED INFORMATION (continued)

	Coal Processing Service Contracts	Exploration and evaluation	Corporate	Consolidated
Revenue	$ 6,715,386	$ -	$ -	$ 6,715,386
Amortization	16,187	-	-	16,187
Amortization of service contracts	106,168	-	-	106,168
Income tax expense	313,776	-	-	313,776
Net loss	$ 180,775	$ 1,161,152	$ 507,232	$ 1,487,609
Total assets	$ 4,274,519	$ 344,172	$ 217,589	$ 4,836,280
Total liabilities	(684,272)	(2,339,583)	(2,164,054)	(5,187,909)
Net assets (liabilities)	$ 3,590,247	$ (1,995,411)	$ (1,946,465)	$ (351,630)

Information about Major Customers

The Company’s revenue for the Service Contracts was from three customers who represented 47%, 25% and 21% of revenues.

25. NON-CONTROLLING INTERESTS

The following is the summarized comprehensive loss of Kwena Group and ASM for the six months period ending February 29, 2016:

	Kwena Group	ASM
Revenue	$ 6,715,386	$ -
Net profit/(loss)	134,206	(568,964)
Other comprehensive gain/(loss)	111,456	-
Total comprehensive gain/loss	$ 245,662	$ (568,964)

The following is the summarized statement of financial position of Kwena Group and ASM as at February 29, 2016:

	Kwena Group	ASM
Current:		
Assets	$ 2,570,989	$ 135,857
Liabilities	(991,813)	(2,131,057)
Total current net assets	$ 1,579,176	$ (1,995,200)
Non-current		
Assets	$ 63,888	$ 127,920
Liabilities	(160,216)	(128,131)
Total non-current net assets	$ (96,328)	$ (211)
Total net assets	$ 1,482,848	$ (1,995,411)

26. SUBSEQUENT EVENTS

Nil