
TANGO MINING LIMITED
Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)
For the three months ended
November 30, 2018 and 2017
(Unaudited)

NOTICE TO READER

Responsibility for Financial Statements:

The accompanying unaudited condensed consolidated interim financial statements of Tango Mining Limited for the three months ended November 30, 2018 and 2017 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 three-month periods ending November 30, 2018 and 2017.

TANGO MINING LIMITED
Condensed Consolidated Interim Statement of Financial Position (unaudited)
(Expressed in Canadian Dollars)

	November 30, 2018	August 31, 2018
ASSETS		
Current Assets		
Cash	\$ 1,219,797	\$ 671,055
Receivables (Note 7)	1,429,648	1,204,399
Prepaid expenses	3,000	5,250
Inventories (Note 8)	886,668	890,337
	<u>3,539,113</u>	<u>2,771,041</u>
Non-current assets		
Rehabilitation deposit	175,879	161,332
Deferred tax asset	29,369	26,940
Intangible assets (Note 9)	9,865	18,093
Exploration and evaluation assets (Note 10)	518,286	476,260
Equipment (Note 11)	889,693	316,733
TOTAL ASSETS	<u>\$ 5,162,205</u>	<u>\$ 3,770,399</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	\$ 2,097,600	\$ 1,677,507
Promissory notes (Note 13)	245,761	240,408
Convertible notes (Note 14)	436,006	621,657
Vehicle lease	-	579
Interest bearing loans and borrowings (Note 15)	117,319	-
Income tax payable	252,452	240,619
Deferred recovery (Note 16)	38,087	37,198
Due to related parties (Note 17)	773,822	663,380
	<u>3,961,047</u>	<u>3,481,348</u>
Long-term Liabilities		
Rehabilitation provision (Note 18)	272,577	250,033
Interest bearing loans and borrowings (Note 15)	637,346	-
Deferred recovery (Note 16)	124,122	120,894
	<u>4,995,092</u>	<u>3,852,275</u>
Shareholders' Equity		
Share capital (Note 19)	17,485,395	17,469,121
Shares to be issued	-	32,550
Equity loan (Note 3.3)	332,389	-
Equity portion of convertible notes (Note 14)	25,178	25,178
Reserve for share based payments (Note 20)	2,378,970	2,378,970
Reserve for warrants (Note 21)	969,487	969,485
Reserve for foreign exchange	175,232	185,067
Accumulated deficit	(21,169,092)	(21,064,208)
	<u>197,559</u>	<u>(3,837)</u>
Non-controlling interest (Note 25)	(30,446)	(78,039)
	<u>167,113</u>	<u>(81,876)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 5,162,205</u>	<u>\$ 3,770,399</u>

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 November 30,	
	2018	2017
Revenues	\$ 3,055,168	\$ 2,980,639
Operating expenses		
Amortization (Note 11)	(5,907)	(4,890)
Amortization of service contracts (Note 9)	(4,630)	(4,692)
Employee benefits expense	(1,934,846)	(1,843,348)
Exploration and evaluation expenses (Note 10)	(38,771)	(44,366)
Foreign exchange gain / (loss)	108,684	(28,988)
Management and consulting (Note 17)	(192,091)	(273,403)
Office and general	(69,136)	(65,094)
Professional fees	(43,242)	(55,283)
Project investigation costs (Note 10)	(1,953)	(100,809)
Raw material and engineering cost	(898,941)	(880,121)
Share based payments (Note 20)	-	(36,515)
Shareholder information	(4,956)	(17,441)
Travel and promotion	(18,275)	(35,600)
	<u>3,104,064</u>	<u>(3,390,552)</u>
Change in fair value of derivative liability (Note 14)	-	(37,669)
Finance charge	8,395	(36,814)
	<u>8,395</u>	<u>(74,483)</u>
Net loss before tax	(57,291)	(484,396)
Income Tax	-	(19,266)
Net loss for the period	<u>(57,291)</u>	<u>(503,662)</u>
Total income /(loss) attributable to:		
Shareholders of the company	(104,884)	(471,015)
Non-controlling interests	47,593	(32,647)
	<u>(57,291)</u>	<u>(503,662)</u>
Other comprehensive loss		
Exchange differences on translating foreign operations	(9,835)	5,096
Total comprehensive income for the period	<u>(67,126)</u>	<u>(498,566)</u>
Other comprehensive loss attributable to:		
Shareholders of the Company	(9,835)	5,093
Non-controlling interests	-	3
	<u>(9,835)</u>	<u>5,096</u>
Total comprehensive income /(loss) attributable to:		
Shareholders of the company	(114,719)	(465,922)
Non-controlling interests	47,593	(32,644)
	<u>(67,126)</u>	<u>(498,566)</u>
Basic and fully diluted loss per common share	(0.00)	(0.00)
Weighted average number of shares outstanding	237,043,529	193,128,757

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		Units to be issued	Reserves							Equity Attributable to	
	Number of shares	Amount		Equity Loan	Share based payments	Warrants	Foreign Exchange	Equity portion of debt	Deficit	Shareholders	NCI	Total
Balance, Aug 31, 2017	203,878,579	\$ 15,777,590	\$ 96,588	\$ -	\$ 2,345,220	\$ 860,679	\$ 133,254	\$ 25,178	\$ (20,014,851)	\$ (776,342)	\$ (96,623)	\$ (872,965)
Private placement	3,754,840	187,745	(32,733)	-	-	-	-	-	-	155,012	-	155,012
Management compensation	1,953,000	78,120	-	-	-	-	-	-	-	78,120	-	78,120
Convertible notes issued	-	-	-	-	-	-	-	510,500	-	510,500	-	510,500
Share based payments	-	-	-	-	36,516	-	-	-	-	36,516	-	36,516
Currency translation adjustment	-	-	-	-	-	-	5,093	-	-	5,093	-	5,093
Net loss for the period	-	-	-	-	-	-	-	-	(471,015)	(471,015)	(32,644)	(503,659)
Balance, Nov 30, 2017	209,586,419	\$ 16,043,455	\$ 63,855	\$ -	\$ 2,381,736	\$ 860,679	\$ 138,347	\$ 535,678	\$ (20,485,866)	\$ (462,116)	\$ (129,267)	\$ (591,383)
Private placement	-	-	-	-	-	-	-	-	-	-	-	-
Management compensation	6,510,000	224,595	(31,305)	-	-	-	-	-	-	193,290	-	193,290
Shares for debt	17,895,380	894,771	-	-	-	-	-	-	-	894,771	-	894,771
Convertible notes issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of notes	10,210,000	306,300	-	-	-	204,200	-	(510,500)	-	-	-	-
Share based payments	-	-	-	-	(2,766)	-	-	-	-	(2,766)	-	(2,766)
Expiry of warrants	-	-	-	-	-	(95,394)	-	-	95,394	-	-	-
Currency translation adjustment	-	-	-	-	-	-	46,720	-	-	46,720	5	46,725
Net loss for the period	-	-	-	-	-	-	-	-	(673,736)	(673,736)	51,223	(622,513)
Balance, Aug 31, 2018	244,201,799	\$ 17,469,121	\$ 32,550	\$ -	\$ 2,378,970	\$ 969,485	\$ 185,067	\$ 25,178	\$ (21,064,208)	\$ (3,837)	\$ (78,039)	\$ (81,876)
Private placement	-	-	-	-	-	-	-	-	-	-	-	-
Management compensation	651,000	16,274	(32,550)	-	-	-	-	-	-	(16,276)	-	(16,276)
Shares cancelled	(13,895,380)	-	-	-	-	-	-	-	-	-	-	-
Equity loan - Moquita project	-	-	-	332,389	-	-	-	-	-	332,389	-	332,389
Convertible notes issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	2	(9,836)	-	-	(9,834)	-	(9,834)
Net loss for the period	-	-	-	-	-	-	-	-	(104,884)	(104,884)	47,593	(57,291)
Balance, Nov 30, 2018	230,957,419	\$ 17,485,395	\$ -	\$ 332,389	\$ 2,378,970	\$ 969,487	\$ 175,231	\$ 25,178	\$ (21,169,092)	\$ 197,558	\$ (30,446)	\$ 167,112

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)

Three months ended November 30,	2018	2017
Operating Activities		
Net loss for the period	\$ (57,291)	\$ (503,662)
Adjustments to reconcile net loss to cash flow from operating activities:		
Share based payments (Note 20)	-	36,515
Amortization (Note 11)	5,907	4,890
Amortization of service contracts (Note 9)	4,630	4,692
Non-cash finance expenses	-	21,564
Change in fair value of derivative liability (Note 14)	-	37,669
Unrealized foreign exchange gain (loss)	9,470	31,751
Tax provisions	-	-
Management fees paid in shares	16,275	97,650
Net change in non-cash working capital items:		
Other receivables	(225,249)	23,833
Inventories	3,669	(65,297)
Prepaid expenses	2,250	2,430
Accounts payable and accrued liabilities	420,093	56,451
Interest bearing loans and borrowings	-	(3,464)
Payment of income taxes	-	-
Due to related parties (Note 17)	110,442	(76,374)
Cash flow used in operating activities	290,196	(331,351)
Financing Activities		
Shares issued for cash	-	187,742
Shares not yet issued as part of management compensation	(32,551)	(32,730)
Conversion / Increase in convertible notes (Note 14)	(185,651)	5,010
Equity loan – Moquita project (Note 3.3)	332,389	-
Convertible notes issued and classified to equity (Note 14)	-	510,500
Interest bearing loans and borrowings (Note 15)	754,087	-
Cash raised through deferred recovery (Note 16)	-	197,667
Cash flow provided from financing activities	868,274	868,188
Investing Activities		
Increase in property, plant and equipment (Note 11)	(578,867)	(19,075)
Cash flow provided from investing activities	(578,867)	(19,075)
Effect of currency translation reserve	(30,860)	(18,305)
Net increase / (decrease) in cash	548,742	499,458
Cash beginning of the period	671,055	641,527
Cash, end of the period	\$ 1,219,797	\$ 1,140,985

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

TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the three months ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

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 has 3 thermal coal, metallurgical and processing plant and engineering service contracts and is in the business of acquiring and exploring mineral properties. The Company also holds an interest in the Oena Diamond Mine, an alluvial diamond property, located in the Northern Cape Province, South Africa that consists of one New Order Mining Lease. The Company has a Services Agreement for Mining and Marketing of Diamonds on a 147 square kilometer (“km”) portion of a concession located 50 km north of Lucapa within the Lauchimo River basin, Province of Lunda Norte, Republic of Angola

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

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 the carrying values as shown and these unaudited condensed consolidated interim financial statements, and 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 November 30, 2018, the Company had not yet achieved profitable operations, has had losses since inception and expects to incur further losses in the development of its business. The Company will require additional financing in order to further develop its business, 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. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability 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 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 condensed consolidated interim financial statements were approved by the Board of Directors of the Company on January 25, 2019.

TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the three months ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

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

3.2 Basis of measurement

These 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 "Group"). The results of each subsidiary will continue to be included in the unaudited condensed 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:

	Country of incorporation	Percentage owned*	
		November 30, 2018	August 31, 2018
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 (Pty) Ltd	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.

** Trading in these entities ceased and the Company does not control the board of directors. Effective from the 2018 financial year these entities are no longer consolidated into the group accounts.

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

These financial statements include an equity interest in TML Equipment Solutions Ltd. ("TML Equipment"), a private company, incorporated in South Africa. The Company's ownership interest in TML Equipment was 25% as at November 30, 2018. The Company's ownership interest is accounted for using the equity method.

TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the three months ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

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

The Company has a Services Agreement for Mining and Marketing of Diamonds with Cooperativa Mineira Do Moquita, SCRL (“Moquita”) on a 147 square kilometer (“km”) portion of a concession located 50 km north of Lucapa within the Lauchimo River basin, Province of Lunda Norte, Republic of Angola (the “Property”). The Company is responsible for capital expenditures associated with alluvial diamond mine design and equipment acquisition as well as enhancing production. As remuneration, the Company will receive 60% of the proceeds from the sale of produced diamonds. On the back of this agreement the Company entered into an agreement with CC Mining Limited (“CCML”) whereby CCML has provided to the Company two US dollar term loan facilities for an aggregate of US\$500,000, (collectively the “Loans”) to be solely used to fund both the capital and operating costs required for the mining of diamonds in Angola on the Moquita Project (the “Project”). The Company has entered into a Phase 1 Corporate Loan Agreement whereby CCML have provided a US dollar term loan facility for up to US\$250,000 (the “Corporate Loan Agreement”) bearing interest at the rate of 15% per annum, payable monthly. The Company has also entered into a Phase 1 Equity Loan Agreement whereby CCML provided a US dollar term loan facility for up to US\$250,000 (the “Equity Loan Agreement”). Pursuant to the agreements, 50% of the proceeds received from the sale of diamonds recovered from the Project will be paid to CCML in lieu of interest. As security for the Loans, the Company has agreed to a bank account charge over a project specific bank account and a security assignment over the Project, both in favor of CCML. CCML has the option to elect if they want to partake in phase two of the project. In the event that CCML does elect to take part in phase two a new joint venture company will be formed with CCML and the Company each having 50% shareholding.

As at November 30, 2018, the Corporate Loan have been accounted for under interest-bearing loans and borrowings. The Equity Loan has no repayment obligation and has been accounted for under Equity. The group accounts have been prepared accounting for a 100% of the cash, equipment and expenses under the relevant sections in these financial statements. Upon commencement of phase two of the project, and with the incorporation of a separate joint venture entity, the joint venture will be accounted for under the principles of IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

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.

4.2 Foreign Currency Transactions

The functional currency of Tango Mining Limited, the parent, is the Canadian Dollar, the functional currency of the subsidiaries incorporated in South Africa is the South African Rand ("ZAR"). The presentation currency of the unaudited condensed consolidated interim financial statements is the Canadian Dollar.

TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4.3 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.

TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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%

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 period and year ended November 30, 2018 and August 31, 2018 respectively, 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.

TANGO MINING LIMITED

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the three months ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Share-based 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.

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 behavioral 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial Instruments (continued)

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.

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

Cash	Loans and receivables
Receivables	Loans and receivables
Reclamation deposits	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
Deferred recovery	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 non-financial 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Impairment of non-financial assets (continued)

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.

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 and the sale of diamonds. 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. Revenue from the sale of diamonds is recognized once the diamonds have been delivered to the customer and revenue is determinable, and it is probable that the economic benefits will flow to the Company, and the revenue can be reliability measured.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Revenue recognition (continued)

As the technical and economic feasibility of the Company's diamond project (Note 10) has not been established and the Company continues evaluation of this property, the revenue earned on diamond sales in excess of costs incurred has been reflected as a reduction to the carrying value of the exploration and evaluation assets.

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 Prepaid expenses and deposits

Prepaid expenses are cash paid amounts that represent costs incurred from which a service or benefit is expected to be derived in the future. The future write-off period of the incurred cost will normally be determined by the period of benefit covered by the prepayment. Prepaid expense specific to a particular period will be expensed when the period arrives and the costs will be treated as a period cost for that period. Prepaid costs for an extended period of time are normally written off equally during the period in which the benefit will be derived.

Prepaid expenses are generally classified as current assets unless a portion of the prepayment covers a period longer than twelve months or the prepayment relates to a noncurrent asset to be received in the future. When payments may be accounted for as prepaid expenses but the payment will be amortized within the current period and is not considered material to the presentation of financial position, such payments may be expensed in the month the payment is made.

4.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Company's executive management team has been identified as the chief operating decision-makers, and are responsible for allocating resources and assessing performance of the operating segments.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Investment in associate

Investments in entities over which the Company has a significant influence, but not control, are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's proportionate share of the investee's income or loss. When the Company's equity investee issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's proportionate share of the proceeds and the carrying value of the underlying equity. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for unless the Company is committed to provide financial support to the investee.

The Company resumes accounting for the investment under the equity method when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended. Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of associates into line with those of the Company.

4.16 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee: Upon lease commencement Finance leases, which transfer substantially all of the risks and benefits incidental to ownership, the lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss and other comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Accounting 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. Overall, the Company does not expect the implementation of IFRS 9 to have a significant impact on its financial assets and liabilities.

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. Overall, the Company does not expect the implementation of IFRS 15 to have a significant impact on its revenue.

Amendments to IFRS 2 – ‘Share-based payments’.

This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The Company is in the process of determining the impact of the adoption of this standard on the consolidated financial statements, if any. Effective for annual periods beginning on or after January 1, 2018. Overall, the Company does not expect the implementation of the amendments to IFRS 2 to have any material impact on its share-based payment expenses.

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. Overall, the Company does not expect the implementation of IFRS 16 to have any material impact on its consolidated statement of financial position.

IFRIC 22, ‘Foreign currency transactions and advance consideration.

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The Company has considered the change and assessed that it will have no material impact on adoption. Effective for annual periods beginning on or after January 1, 2018.

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.

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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;
- the carrying value of inventory;
- the amortization of intangible assets;
- the recoverable amount of its mineral property;
- 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:

- 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; and
- the determination of the functional currency of the Company and its subsidiaries.

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6. INVESTMENT IN TML EQUIPMENT

In July 2017, the Company entered into a transaction with two unrelated parties, and executed a share purchase agreement to invest in a 25% interest in the outstanding shares of TML Equipment for a nominal value. The Company, through its shareholding in TML Equipment, exercises significant influence over that company, but not control. As a result, the investment in TML Equipment is accounted for using the equity method.

	November 30, 2018		August 31, 2018	
Common shares (25%)	\$	3,129	\$	3,129
Share of equity loss		(3,129)		(3,129)
	\$	-	\$	-

During the period and year ended November 30, 2018 and August 31, 2018 respectively, the Company's share of TML Equipment's equity loss was \$21,475 (August 31, 2018 \$20,980). However, the loss exceeded the carrying amount of the initial investment in the associate entity of \$3,129. The Company recognized no further losses beyond these carrying amounts. If subsequently, TML Equipment reports profits, the Company will resume recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The following is the financial summary of the equity investment:

	November 30, 2018		August 31, 2018	
Non-current assets	\$	167,746	\$	174,736
Current assets	\$	5,389	\$	6,799
Current liabilities	\$	234,190	\$	265,453
Loss and comprehensive loss	\$	61,055	\$	83,918

7. RECEIVABLES

	November 30, 2018		August 31, 2018	
GST/HST receivables	\$	3,037	\$	2,541
Short term deposit		35,746		-
Trade receivables		1,390,865		1,201,858
Total other receivables	\$	1,429,648	\$	1,204,399

8. INVENTORIES

As at November 30, 2018, the Company held \$886,668 (August 31, 2018 - \$890,337) in supplies inventory used for maintenance of the coal processing plants as required by its Service Contracts.

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9. INTANGIBLE ASSETS**Service Contracts:**

The Company has 3 thermal coal, metallurgical and processing plant and engineering service contracts which were acquired in the year ended August 31, 2015. The contracts are amortized over 5 years.

Annually management performs an impairment test on the service contracts based on their estimated fair values determined using a discounted cash flow analysis. During the period November 30, 2018 and year ended August 31, 2018, there were no indicators of impairment.

	November 30, 2018	August 31, 2018
Service Contracts		
Balance at beginning of the period /year	\$ 18,093	\$ 39,430
Impairment	-	-
Amortization	(4,630)	(20,127)
Foreign exchange	(3,598)	(1,210)
Balance at the end of the year	\$ 9,865	\$ 18,093

10. EXPLORATION AND EVALUATION ASSETS**Angola - Moquita Project**

The exploration and evaluation expenses for the Moquita project are as follows:

	November 30, 2018	November 30, 2017
Exploration expenditures:		
Project staff salaries, benefits and consulting	\$ 14,385	\$ -
Travel expenses	23,324	-
Supplies Expense	1,062	-
Recoveries	-	-
Exploration and evaluation expenditures	\$ 38,771	\$ -

South Africa

The Company's 43% owned subsidiary ASM has a 100% interest in the Oena Project, a diamond property located in the Northern Cape Province, South Africa.

	November 30, 2018	August 31, 2018
Balance at beginning of year	\$ 476,260	614,083
Recoveries	(8,779)	(87,195)
Effect of foreign exchange	50,805	(50,628)
Balance at the end of the year	\$ 518,286	476,260

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10. EXPLORATION AND EVALUATION ASSETS (continued)

The exploration and evaluation expenses for the Oena project are as follows:

	November 30, 2018	November 30, 2017
Exploration expenditures:		
Project staff salaries, benefits and consulting	\$ 51,389	\$ 13,514
Travel expenses	8,324	8,314
Supplies Expense	433,723	22,539
Recoveries	(502,216)	-
Exploration and evaluation expenditures	(8,780)	44,366
Net Recovery credited to the Oena property	8,780	-
Balance end of the period	\$ -	\$ 44,366

During the year ended August 31, 2018, the Company received approval from the Department of Minerals and Resources of the renewal of the mining license for nine years expiring on March 15, 2027. As part of the application for renewal, and in line with the proposed mining charter, the Company and the minority shareholders will undertake to restructure the shareholding in ASM on a pro-rata basis subsequent to August 31, 2018 as follows:

	ASM Shareholding		
	Pre-permit renewal	Post permit renewal	Post Restructure
Tango Mining Limited	51%	43%	41%
BEE Ownership			
Partner	26%	26%	14%
Employees trust	-	-	8%
Community trust	-	-	8%
Other minorities	23%	31%	29%
	100%	100%	100%

The Company holds 43% interest in the entity, but continues to have the highest percentage shareholding. The Company has assessed it still maintains control over the entity based on the following factors:

- any shareholder can appoint one director of ASM for every 21% shareholding and may remove or replace any appointee;
- the Chairman of the board of ASM is appointed from a director that represents the shareholder with the highest percentage shareholding and the Chairman is granted a second or casting vote to give the Company control of the board; and
- the board is be responsible for the overall direction, supervision and management of ASM.

Other projects

The Company continues to investigate new projects and opportunities and incurred \$1,953 (2017 - \$100,809) in the current financial period. These amounts have been expensed as project investigation costs.

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11. EQUIPMENT

		Computer Equipment & Software	Office Furniture	Vehicles	Equipment	Leased Equipment	Plant	Total
Cost								
As at August 31, 2017	\$	52,850	\$ 26,745	\$ 118,357	\$ 57,774	\$ -	\$ -	\$ 255,726
Additions		7,208	-	19,023	-	-	221,481	247,712
As at August 31, 2018		60,058	26,745	137,380	57,774	-	221,481	503,438
Additions		1,405	-	-	20,127	412,360	190,152	624,044
As at November 30, 2018	\$	61,463	\$ 26,745	\$ 137,380	\$ 77,901	\$ 412,360	\$ 411,633	\$ 1,127,482
Accumulated Amortization								
As at August 31, 2017	\$	30,228	\$ 21,234	\$ 58,193	\$ 29,300	\$ -	\$ -	\$ 138,955
Charge for the year		5,685	1,781	9,151	4,319	-	-	20,936
As at August 31, 2018		35,913	23,015	67,344	33,619	-	-	159,891
Charge for the period		2,469	409	2,163	866	-	-	5,907
As at November 30, 2018	\$	38,382	\$ 23,424	\$ 69,507	\$ 34,485	\$ -	\$ -	\$ 165,798
Foreign Exchange								
As at August 31, 2018	\$	(10,311)	\$ 2,332	\$ (3,053)	\$ (15,782)	\$ -	\$ -	\$ (26,814)
As at November 30, 2018	\$	(9,253)	\$ 2,838	\$ 2,700	\$ (14,406)	\$ -	\$ (53,869)	\$ (71,990)
Net Book Value								
As at August 31, 2018	\$	13,834	\$ 6,062	\$ 66,983	\$ 8,373	\$ -	\$ 221,481	\$ 316,733
As at November 30, 2018	\$	13,828	\$ 6,159	\$ 70,573	\$ 29,010	\$ 412,360	\$ 357,764	\$ 889,694

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12. TRADE AND OTHER PAYABLES

	November 30, 2018	August 31, 2018
Trade payables	\$ 1,122,172	\$ 923,205
Accrued liabilities	173,530	120,535
Short term loan	88,992	-
Payroll and VAT provisions	712,906	633,767
Total trade and other payables	\$ 2,097,600	\$ 1,677,507

The Company entered into a short-term loan arrangement for the financing of plant and equipment at the Oena mining property. The repayment terms aren't formally agreed, but will be repaid monthly from proceeds at around \$15,000 per month. The loan does not attract interest.

13. PROMISSORY NOTE

During the year ended August 31, 2018, the Company issued a non-interest bearing and unsecured promissory note of \$240,408 (US\$185,000) with no fixed term of repayment. The balance for the period ended November 30, 2018 was \$245,761 (August 31, 2018: \$240,408) due to foreign exchange revaluation.

14. CONVERTIBLE NOTES

A continuity schedule of the convertible notes is as follows:

	November 30, 2018	August 31, 2018
Balance, beginning of the year	\$ 621,657	\$ 751,598
Proceeds on issuance of convertible notes	-	510,500
Accrued interest	3,644	66,759
Converted to short term debt	(110,897)	-
Amount allocated to equity on issuance	-	(510,500)
Repayments in cash	(80,948)	(196,957)
Effect of foreign exchange	2,550	257
Balance, end of the year	\$ 436,006	\$ 621,657

The Company continues to make repayments towards the balances owing in line with the settlement letters.

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 schedule of the derivative liability is as follows:

	November 30, 2018	August 31, 2018
Balance, beginning of the year	\$ -	\$ 2,503
Net change in fair value in derivative liability	-	(2,503)
Liability reversed on conversion of the notes	-	-
Balance, end of the year	\$ -	\$ -

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14. CONVERTIBLE NOTES (continued)

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

	August 31, 2017
Expected life	Up to 0.88 years
Volatility	204%
Risk free interest rate	Less than 1%
Dividend yield rate	Nil

15. INTEREST BEARING LOANS AND BORROWINGS

As at November 30, 2018, the Group entered into lease agreements for earth moving machinery. These leases have an average life of three years. There are no restrictions placed upon the lessee by entering into these leases. In terms of these agreements the Group recognised the right of use asset (*Note 11*) and a corresponding lease liability \$412,360. Lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss and other. An interest rate of 15% and a repayment period of three years was used for determining the lease liability. As at November 30, 2018, no finance charges and no lease payments have been made.

As part of the Moquita project the Company entered into a US\$250,000 Corporate Loan Agreement bearing interest at the rate of 15% per annum, payable monthly with the final maturity date being September 2020. As at November 2018, the Company recorded US\$7,676 (\$10,093) as unpaid interest with a total amount owing of US\$257,676 (\$342,306).

16. DEFERRED RECOVERY

In November, 2017, the Company entered into a Tailing Investment and Revenue Participation agreement with TML Equipment, whereby TML Equipment agreed to provide funding of \$191,042 to ensure ongoing operations of the Oena Property. In return, TML Equipment receives a royalty of 10.6% from sale of diamonds recovered from processing tailings. In the event that no diamond sales are generated, the Company is not obligated to make any royalty payments. The Company recognized the funding as a deferred recovery of the Oena Property and amortized the balance over a 5 year term. During the year ended August 31, 2018, the Company recorded amortization of \$32,950 on the deferred recovery. For the three month period ended November 30, 2018, the Company recorded amortization of \$9,522.

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17. RELATED PARTY TRANSACTIONS

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

	November 30, 2018	November 30, 2017
Management fees (included in Management and consulting and Employee benefits expense)	\$ 183,091	264,403
Consulting fees (included in Management and consulting)	9,000	9,000
Office rental included in office and general	9,021	14,702
Related party supplies included in raw materials and engineering cost	162,842	158,974
Share based payments	-	36,515
Total	\$ 363,954	483,594

As at November 30, 2018, \$773,822 (August 31, 2018, \$663,380) is owed to the CEO, CFO and certain directors and officers of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

18. REHABILITATION PROVISION

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

	November 30, 2018	August 31, 2018
Balance at beginning of period	\$ 250,033	\$ 146,827
Addition	-	128,316
Effect of foreign exchange	22,544	(25,110)
Balance at the end of the period	\$ 272,577	\$ 250,033

As at November 30, 2018 and August 31, 2018, the rehabilitation provision relates to the Oena Project (Note 10).

For the year ended August 31, 2018, the Company contracted the services of Site Plan Consulting, and an independent consultant specializing in geological surveying. The provision is an estimate of total amount of future cash flows required to complete the restoration on the following:

- stock piles and tailings;
- existing facilities; and
- roads and other infrastructure.

There was no material change for the period ended November 30, 2018.

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19. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

Period Ended November 30, 2018

During the period ended November 30, 2018, the Company issued 651,000 common shares with a value of \$16,274 as consideration for management fees

On October 26, 2018, 13,895,380 common shares issued to four parties, including a director, in settlement of debt were cancelled and returned to treasury, with all parties agreeing to forgive their respective debts totaling \$694,769.

Year ended August 31, 2018

On September 8, 2018, the Company completed a private placement of 3,754,840 common shares at a price of \$0.05 per share for gross proceeds of \$187,745, of which \$31,488 was reallocated from shares to be issued to share capital.

During the year ended August 31, 2018, the Company issued 8,463,000 common shares with a value of \$302,715 as consideration of management fees, of which \$32,550 was reallocated from shares to be issued to share capital.

On December 14, 2017, the Company issued 17,895,380 common shares with a fair value of \$894,771 to settle an equivalent amount of debt.

On March 22, 2018, the Company elected to fully convert a convertible note of \$510,500 and issued 10,210,000 units. Each unit consists of one share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.10 per share expiring on March 22, 2020. Out of \$510,500, \$204,200 was allocated to the warrants.

The warrants issued were valued using Black-Scholes option pricing model and the following input assumptions:

Weighted average fair value of warrants issued on March 22, 2020	\$	0.02
Risk-free interest rate		1.82%
Estimated life		2 years
Estimated volatility		215.68%
Expected dividend yield		0%
Forfeiture rate		0%

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20. SHARE BASED PAYMENTS

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. 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:

	November 30, 2018		August 31, 2018	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of the year?	\$ 0.07	10,050,000	\$ 0.07	12,850,000
Forfeited	-	1,700,000	0.13	2,800,000
Granted	-	-	-	-
Outstanding at end of the period?	\$ 0.05	8,350,000	\$ 0.05	10,050,000
Exercisable at end of the period?	\$ 0.05	8,350,000	\$ 0.05	10,050,000

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20. SHARE BASED PAYMENTS (continued)

The following table provides additional information about outstanding stock options at November 30, 2018:

Exercise Price	Number of Options Outstanding and Exercisable	Weighted Average Remaining Life (Years)	Expiry date
\$ 0.05	1,450,000	0.48	February 21, 2019
\$ 0.05	1,050,000	1.16	October 27, 2019
\$ 0.05	900,000	2.87	July 15, 2021
\$ 0.05	4,500,000	3.45	February 10, 2022
\$ 0.05	450,000	3.59	April 3, 2022
\$ 0.05	8,350,000		

The following table summarizes the weighted average assumptions used with the Black-Scholes Option Pricing model for the determination of the fair value of stock options granted during the years.

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk- Free Interest Rate	Expected Life (Years)	Volatility Factor	Dividend Yield
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	1.09%	5	224%	Nil
April 3, 2017	April 3, 2022	\$0.060	\$0.05	1.08%	5	225%	Nil

Total expenses arising from share-based payments recognized during the period ended November 30, 2018 and November 30, 2017 respectively were \$nil (2017 – \$36,515).

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21. WARRANTS

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

	November 30, 2018		August 31, 2018	
	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price	Number of Warrants
Outstanding, beginning of year	\$ 0.09	18,221,800	\$ 0.09	9,709,444
Issued	-	-	0.10	10,210,000
Expired	-	-	-	(1,697,644)
Outstanding, end of the year	\$ 0.09	18,221,800	\$ 0.09	18,221,800

During the year ended August 31, 2018, 10,210,000 warrants were issued, entitling the holder to purchase 10,210,000 common shares at a price of \$0.10 per share on or before March 22, 2020 with respect to the conversion of a convertible note for US\$400,000 (C\$510,000) (Notes 14).

Warrants outstanding as at November 30, 2018 are as follows:

Exercise price	Issue date	Expiry date	Number of Warrants
\$ 0.10	March 2, 2015	March 2, 2020	4,000,000
\$ 0.10	September 1, 2016	September 15, 2018	2,596,800
\$ 0.10	March 2, 2017	March 2, 2019	1,415,000
\$ 0.10	March 22, 2018	March 22, 2020	10,210,000

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 period ended November 30, 2018.

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.

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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.

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, 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.

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. As at November 30, 2018, approximately 90% of trade receivables are due from one customer. 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.

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 November 30, 2018 the Company had current assets of \$3,539,113 (August 31, 2018 - \$2,771,041) to settle current liabilities of \$3,961,047 (August 31, 2018 - \$3,481,348) resulting in working capital deficit of \$421,934 (August 31, 2018 - \$710,307). The Company intends to fund these through loans, private placements and profits generated from its operations. All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

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23. FINANCIAL INSTRUMENTS (continued)**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 coal operations' income and expenditure are incurred in South African Rands. Diamonds from the South African operations are tendered in United States Dollars and settled in South African Rands at the average rate on the day that the tender closes. The main debt instruments of the group is denominated in Canadian and United States Dollars. The group does not enter into forward cover. As a result, unrealized foreign exchange gains and losses will arise from financial instruments that are unsettled at reporting date and realized foreign exchange gains and losses will arise from the derecognition of financial instruments at the prevailing rate.

24. SEGMENTED INFORMATION**Operating Segments**

For the three months ended November 30, 2018, 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.

The following is summarized financial information of the Company's reportable segments for three months ended November 30, 2018:

	Coal Processing Service Contracts	Exploration and evaluation	Corporate	Consolidated
Revenue	\$ 3,055,168	\$ -	\$ -	\$ 3,055,168
Amortization	(3,744)	(778)	(1,386)	(5,907)
Amortization of service contracts	(4,630)	-	-	(4,630)
Net profit/(loss)	\$ 26,714	\$ (57,987)	\$ (26,018)	\$ (57,291)
Total assets	\$ 2,840,506	\$ 2,321,699	\$ -	\$ 5,162,205
Total liabilities	(1,746,799)	(1,428,787)	(1,819,506)	(4,995,092)
Net assets (liabilities)	\$ 1,093,708	\$ 892,911	\$ (1,819,506)	\$ (167,113)

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24. SEGMENTED INFORMATION (continued)

The following is summarized financial information of the Company's reportable segments for three months ended November 30, 2017:

	Coal Processing Service Contracts	Exploration and evaluation	Corporate	Consolidated
			\$	
Revenue	\$ 2,980,639	\$ -	-	\$ 2,980,639
Amortization	(3,486)	-	(1,405)	(4,890)
Amortization of service contracts	(4,692)	-	-	(4,692)
Net profit/(loss)	\$ 49,053	\$ (195,947)	\$ (503,632)	\$ (650,526)

The following is summarized financial information of the Company's reportable segments for the year ended August 31, 2018:

	Coal Processing Service Contracts	Exploration and evaluation	Corporate	Consolidated
		\$		
Total assets	2,835,538	\$ 809,231	\$ 125,630	\$ 3,770,399
Total liabilities	(1,734,514)	(670,065)	(1,447,696)	(3,852,275)
		\$		
Net assets (liabilities)	1,101,024	\$ 139,166	\$ (1,322,066)	\$ (81,876)

Information about Major Customers

The Company's revenue for the Service Contracts for the periods ended November 30, 2018 and November 30, 2017 was from one customer.

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25. NON-CONTROLLING INTERESTS

The non-controlling interests consisted of the following:

	November 30, 2018	August 31, 2018
Kwena Group (26%)	\$ 493,512	\$ 527,635
ASM (49%)	(523,958)	(605,674)
	<u>\$ (30,446)</u>	<u>\$ (78,039)</u>

The following is the summarized statement of financial position of Kwena Group and ASM as at November 30, 2018:

	Kwena Group	ASM
Current:		
Assets	\$ 2,743,725	\$ 184,999
Liabilities	(1,746,799)	(726,955)
Total current net assets (liabilities)	<u>996,926</u>	<u>(541,956)</u>
Non-current		
Assets	96,781	1,577,094
Liabilities	-	(701,832)
Total non-current net assets	<u>96,781</u>	<u>875,262</u>
Total net assets (liabilities)	<u>\$ 1,093,708</u>	<u>\$ 333,306</u>

The following is the summarized statement of financial position of Kwena Group and ASM as at August 31, 2018:

	Kwena Group	ASM
Current:		
Assets	\$ 3,372,192	\$ 1,691
Liabilities	(1,766,222)	(1,633,049)
Total current net assets (liabilities)	<u>1,605,970</u>	<u>(1,631,358)</u>
Non-current		
Assets	140,534	807,540
Liabilities	(20,355)	(370,926)
Total non-current net assets	<u>120,179</u>	<u>436,614</u>
Total net assets (liabilities)	<u>\$ 1,726,149</u>	<u>\$ (1,194,744)</u>

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25. NON-CONTROLLING INTERESTS (continued)

The following is the summarized comprehensive loss of Kwena Group and ASM for the period November 30, 2018:

	Kwena Group	ASM
Revenue	\$ 3,055,168	502,216
Net income (loss)	26,714	(57,987)
Other comprehensive income (loss)	(182,931)	(141,391)
Comprehensive loss	\$ (156,217)	(199,378)

The following is the summarized comprehensive loss of Kwena Group and ASM for the period November 30, 2017:

	Kwena Group	ASM
Revenue	\$ 2,980,639	\$ -
Net income (loss)	49,053	(95,138)
Other comprehensive income (loss)	38,825	(42,181)
Comprehensive loss	\$ 87,878	\$ (137,319)

26. SUBSEQUENT EVENTS

On December 28, 2018, the Company completed a non-brokered private placement of 4,000,000 units at a price of C\$0.05 per unit for gross proceeds of C\$200,000. Each unit consists of one common share and one share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional common share at a price of \$0.10 per share, exercisable on or before December 31, 2021. The net proceeds from the private placement were used for payment of an outstanding liability and for general working capital purposes.