

# TEMBO GOLD CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

### Background

This discussion and analysis of financial position and results of operations is prepared as at May 1, 2017, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2016 and 2015 of Tembo Gold Corp. ("Tembo" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars.

### Forward-Looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, capital and other costs varying significantly from estimates, changes in world metal markets, changes in equity markets, planned drill programs and results varying from expectations, delays in obtaining results, equipment failure, unexpected geological conditions, local community relations, dealings with non-governmental organizations, delays in operations due to permit grants, environmental and safety risks, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth and to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) or the Company's website at [www.tembogold.com](http://www.tembogold.com) and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

### Company Overview

The Company's principal business activity is the acquisition, exploration and development of mineral properties in Tanzania, East Africa. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company.

The Company's main asset is the Tembo Gold Project. Due to the Company's lack of funding over recent years it was constrained to making property concession payments to maintain its prospecting licenses and license applications and conducting limited exploration activities on the Tembo Gold Project. In light of these conditions, management determined to record an impairment of \$20,000,000 in fiscal 2016 - See "Tembo Gold Project - Impairment". The Company continues to hold 38 contiguous prospecting licenses and license applications. Drilling and exploration will recommence pending further financing. See "Tembo Gold Project - Follow Up Drilling and Future Strategy".

The Company is currently a reporting issuer in British Columbia, Alberta and Ontario. The Company's shares trade on the TSX Venture Exchange ("TSXV") under the symbol "TEM" and on the Frankfurt Exchange under the symbol "T23". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia.

## **Tembo Gold Project**

The Company's main asset is the Tembo gold property (the "Tembo Gold Project") located in northwest Tanzania. The Company's wholly owned Tanzanian registered subsidiaries and associates with whom Tembo has agreements are the sole holders. The project is located directly northwest of and adjacent to Acacia Mining's Bulyanhulu mine and comprises 38 contiguous prospecting licenses and license applications covering a total area of approximately 110km<sup>2</sup>. As of the date of this MD&A local companies, with which Tembo has Deed of Trust agreement arrangements giving Tembo sole right to the license at nil cost and to conduct exploration, currently hold 38.4km<sup>2</sup> of the area. This area does not include the Tembo Gold Project area of focus. Tembo's local 100% owned subsidiaries hold the balance of the area comprising 72km<sup>2</sup>.

Geologically, the Tembo Project is situated in the Lake Victoria goldfield in the Sukumaland greenstone belt, an Archean age succession of volcanic and sedimentary rocks that have been intruded by a variety of Archean granitic plutons as well as younger dolerite dykes and possible kimberlite intrusions. The geology that is host to Bulyanhulu trends directly into the Tembo Project area, including the main structure on which the Reef 1 ore body is developed.

On August 31, 2012, a NI 43-101 technical report on the Tembo Gold Project, effective date July 31, 2012 (the "Technical Report"), was filed on SEDAR and is available for viewing under Tembo's profile on [www.sedar.com](http://www.sedar.com).

The Technical Report recommended that a staged gold focused exploration program consisting of trenching, mapping and drilling be implemented in order to test the Ngula 1 target and the numerous other gold anomalous zones on the property. Depending on positive results being returned, a further expanded drilling program was planned. At the end of 2012, the Company suspended drilling pending new financing being secured. During the fourth quarter of 2013 new financing was secured and diamond drilling was resumed in December 2013. The 2014 drilling program comprised 7,000 meters of diamond drilling.

Prior to 2009, high resolution airborne magnetics, extensive percussion rotary air blast drilling ("RAB") drilling and surface soil sampling, mapping, and limited reverse circulation "RC" and diamond drilling "DD" was conducted and resulted in the definition of a number of target areas. During 2011 the earlier work was followed up by a light detection and ranging "LiDAR" survey and field mapping which provided a high-resolution colour ortho-photograph and an accurate digital elevation model allowing the location and extent of artisanal mining, both current and historical, to be determined and mapped. The historical work and the follow up allowed the targets to be confirmed and refined and on this, an extensive targeted drilling program was designed on seven targets (Ngula 1, Ngula 2, Nyakagwe East, Nyakagwe Village, Buly, Mgusu, Iyenze).

During 2016 no exploration activities were undertaken pending financing. Strategically the Company has resolved that the future course of action should include further infill drilling along earlier good results to define a resource that could be mined by open pit methods from surface along three targets, Ngula 1, Nyakagwe East and Nyakagwe Village. A number of potential joint venture investors have expressed interest in Tembo's plans and discussions are in progress.

### ***Drilling***

An initial phased drilling program was designed for the project comprising approximately 115 DD holes (27,500 meters) and 470 RC holes (60,000 meters). RC and DD commenced on Ngula 1 in January 2012, and a total of 196 holes were drilled on the targets to the end of 2012.

Due to market financing constraints, the drilling is undertaken in focused phases as available funding permits. All drill cores are oriented using either a Reflex instrument or an orientation tool to facilitate structural logging and analysis.

Preliminary indications are that mineralization may be associated with steep dipping shear structures hosting quartz veins, sulphides and associated alteration along three dominant structural directions, northwest-southeast, northeast-southwest and east-west.

## Ngula 1

To date 35 DD holes totaling 9,107m and 41 RC drill holes totaling 7,623m have been completed at Ngula 1 along a strike of approximately 600m. During the 2012 drilling campaign seventy-five holes were drilled at Ngula 1, with 34 DD and 41 RC holes completed, totaling 7,953 meters and 7,623 meters respectively. Drilling commenced again in late December 2013 at Ngula 1 and borehole TDD0041 was deepened to its final depth of 507.0 meters. Two additional holes were drilled at Ngula 1 during Q1/2014.

The initial drilling targeted a southern and northern dominant set of east-west structures, identified by artisanal workings and a coincident magnetic lineament, at a vertical depth of 50 meters and 100 meters. All holes were extended to between 200 meters and 300 meters in order to intersect an interpreted second east-west structure and test for potential deeper sub-parallel structures. The drill holes were inclined at -60° either to the north or south to intersect these near vertical structures.

### Highlights of drilling to date at Ngula 1:

- **TDD0004:** 3.13 g/t Au over 25.89m from 41.00m including 4.46g/t Au over 2.60m, 5.05g/t Au over 0.5m, 2.02g/t Au over 0.5m, and 9.38g/t Au over 6.30m;
- **TDD0005:** 1.91g/t Au over 4.80m from 24.30m including 3.59g/t Au over 1.80m: 13.50g/t Au from 38.08m: and 8.50 g/t Au over 5.14m from 152.86m, including 15.59g/t Au over 2.68m;
- **TDD0006:** 0.79g/t Au over 3.46m from 108.54m: and 2.28g/t Au over 1.42m from 160.76m including 3.09g/t Au over 0.93m;
- **TDD0010:** 3.72g/t Au over 2.50m from 189.00m including 6.44g/t Au over 1.20m;
- **TDD0011:** 1.90g/t Au from 5.00m: 1.40g/t Au from 8.00m: 1.84g/t Au over 0.50m from 23.50m: and 2.00/t Au from 281.00m;
- **TDD0012:** 8.6g/t Au over 0.98m from 171.92m;
- **TDD0014:** 2.50g/t Au over 1.50m from 87.00m including 3.50g/t Au over 1.00m: and 1.29g/t Au over 1.40m from 312.87m;
- **TDD0041:** 22.81g/t Au over 15.00m from 299.00m including 34.78g/t Au over 9.70m;
- **TDD0049:** 2.99g/t Au over 2.00m from 23.00m;
- **TDD0051:** 2.89g/t Au over 1.00m from 89.00m: 2.57g/t Au over 1.00m from 94.00m: and 1.57g/t Au over 2.28m from 187.71m including 2.70g/t Au over 0.90m;
- **TDD0053:** 2.86g/t Au over 2.03m from 266.00m including 5.37g/t Au over 1.47m: and 1.09g/t Au over 3.47m from 296.58m including 2.37g/t Au over 0.92m;
- **TDD0054:** 8.17g/t over 11.05m from 116.95m including 11.85g/t Au over 8.02m: 3.74g/t Au over 2.04m from 132.00m including 7.00g/t Au over 1.00m: 2.43g/t Au over 3.00m from 139.00m including 3.19g/t Au over 2.00m: 1.82g/t Au over 7.35m from 148.94m including 4.53g/t over 2.00m and 2.10g/t Au over 0.95m: and 1.94g/t Au over 1.00m from 269.00m;
- **TDD0059:** 5.93g/t Au over 0.64m from 142.33m: 1.44g/t Au over 1.00m from 260.00m: and 1.86g/t Au over 1.60m from 310,00m including 3.72g/t Au over 0.61m;
- **TDD0106:** 5.09g/t over 2.77m from 285.42m including 11.70g/t Au over 0.98m;
- **TDD0110:** 3.17g/t Au over 1.00m from 95.00m: 4.22g/t Au over 5.00m from 195.00m including 6.58g/t Au over 3.00m;
- **TDD00125:** 19.03g/t Au over 0.94m from 35.16m including 26.40g/t Au over 0.66m: 1.05g/t Au over 2.21m from 132.00m: 1.77g/t Au over 5.23m from 206.27m including 5.90g/t Au over 1.14m: and 2.42g/t Au over 0.77m from 222.23m;
- **TDD0126:** 1.80g/t Au over 6.4m including 4.16g/t Au over 0.38m, 4.08g/t Au over 0.30m and 7.35g/t Au over 0.50m: 1.38g/t Au over 2.90m from 104.82m including 2.28g/t Au over 0.35m: and 1.89g/t Au over 2.20m from 167.80m;
- **TDD0133:** 4.81g/t Au over 0.62m from 176.38m;
- **TDD0136:** 2.48g/t Au over 1.00m from 120.00m: 1.61g/t Au over 3.50m from 141.50m including 3.91g/t Au over 1.00m: and 0.95g/t Au over 2.00m from 258.00m;
- **TDD0145:** 1.17g/t Au over 2.00m from 209.00m: and 2.14g/t Au over 3.50m from 267.00m;
- **TDD0146:** 2.35g/t Au over 1.50m from 167.90m: 4.77g/t Au over 2.50m from 307.50m including 10.70g/t Au over 1.00m;
- **TRC0001:** 1.76g/t Au over 3.00m from 46.00m: 38.20g/t Au over 1.00m from 85.00m: and 1.17g/t Au over 2.00m from 93.00m;

- **TRC0002:** 2.58g/t Au over 2.00m from 8.00m including 4.59g/t Au over 1.00m: 2.74g/t Au over 1.00m from 36.00m: and 1.29g/t Au over 5.00m from 52.00m including 3.77g/t Au over 1.00m;
- **TRC0003:** 3.76g/t Au over 2.00m from 21.00m: 28.57 g/t gold over 3.00m 54.00m: and 5.28 g/t Au over 4.00m from 72.00m.
- **TRC0004:** 1.43g/t Au over 1.00m from 91.00m:
- **TRC0006:** 4.42g/t Au over 1.00m from 5.00m: and 3.16g/t Au over 3.00m from 206.00m;
- **TRC0007:** 1.31g/t Au over 2.00m from 72.00m;
- **TRC0008:** 5.18g/t Au over 1.00m from 9.00m: 3.75g/t Au over 6.00m from 35m; 2.48g/t Au over 1.00m from 50.00m: and 1.34g/t Au over 2.00m from 74.00m;
- **TRC0013:** 17.23g/t Au over 4.00m from 19.00m, including 22.53g/t Au over 3.00m: 1.17g/t Au over 1.00m from 75.00m: 1.99g/t Au over 4.00m from 86.00m including 4.22g/t Au over 1.00m: 1.92g/t Au over 1.00m from 99.00m: 13.00g/t Au over 1.00m from 104m; and 1.51g/t Au over 1.00m from 194.00m;
- **TRC0014:** 1.62g/t Au over 2.00m from 52.00m: 19.80g/t Au over 1.00m from 114.00m: and 10.00g/t over 1.00m from 122.00m;
- **TRC0020:** 1.11g/t Au over 4.00m from 107.00m; and
- **TRC0022:** 2.26g/t Au 2.00m from 132.00m.

Drilling has been suspended at Ngula 1 pending further funding. A drill program to define an initial shallow resource along zones where wide widths with good grades were encountered is planned during the next phase.

#### *Nyakagwe East*

Nyakagwe East is characterized by extensive artisanal mining with numerous shafts in excess of 20 meters in depth accessing a number of northwest striking quartz vein shears. Historic DD and RC programs returned significant gold intersections from at least two sub-parallel, northwest-southeast trending mineralized zones, each consisting of multiple structures. Twenty-three diamond drill holes (6,613 meters) and 20 RC drill holes (2,238 meters) have been completed to date.

In the Phase 1 program, the diamond drill holes targeted an extensive area of artisanal mining along a northern and southern set of structures, both of which were previously drilled in 2008. The reverse circulation holes targeted the east and west projected extensions where there were no artisanal workings. The drilling identified up to 1,000 meters of potentially mineralized strike length. The mineralization along the northern structure on which the drilling focused appears to be open to the west (entering the Mgusu target area) and to the east (where RC drilling has been hampered by the presence of deep black cotton soils). The latter will be tested by means of diamond drilling during the dry season during a future phase of drilling. All diamond drill holes encountered gold mineralization along a principle structure with multiple gold bearing structures identified in several holes at depth.

Follow up drilling was conducted in the 2014 drilling campaign and included in-fill drilling and deeper step-back boreholes testing lateral and vertical continuity and tenor of mineralization. A total of 3,178 meters comprising 13 DD holes were completed in the 2014 drilling program. Drilling has been suspended pending exploration funding. Follow-up drilling would comprise in-fill drilling to allow resource definition.

Highlights of drilling results at Nyakagwe East include:

- **TDD0019:** 4.69g/t Au over 1.67m from 67.35m;
- **TDD0026:** 1.89g/t Au over 2.23m from 221.77m;
- **TDD0056:** 4.42g/t Au over 2.60m from 130.60 including 10.57g/t Au over 1.00m;
- **TDD0070:** 1.01g/t Au over 8.70m from 87.84m, including 2.81g/t Au over 1.41m;
- **TDD0070A:** 1.55g/t Au over 7.21m from 93.24m, including 3.15g/t Au over 0.94m and 3.19g/t Au over 0.51m;
- **TDD0072:** 8.44g/t Au over 1.30m from 99.90m, including 25.00g/t Au over 0.42m;
- **TDD0074:** 6.55g/t Au over 7.46m from 370.46m;
- **TDD0077:** 1.41g/t Au over 4.50m from 133.00m, including 2.62g/t Au over 1.50m;
- **TDD104:** 4.72g/t Au over 2.11m from 66.80m;
- **TRC233:** 5.66g/t Au over 1.00m from 84.00m; and
- **TRC234:** 5.46g/t Au over 2.00m from 109.0m.

## *Nyakagwe Village*

The potential of the Nyakagwe Village target was initially indicated in 2011 by a new artisanal mining operation located immediately to the east of the village in a corn land, exploiting a previously unknown east-west trending set of south dipping quartz veins. Within a year a large number of shafts were sunk by the miners to access these high-grade shear hosted veins. Subsequently a large open pit was excavated to facilitate easier and deeper access. Mining has subsequently been stopped due to excessive water ingress.

To date fifteen DD holes (2,914 meters) and 20 RC holes (2,238 meters) have been completed.

Highlights of drilling at Nyakagwe Village:

- **TDD0071:** 9.64g/t Au over 3.95 m from 85.25m, including 24.72g/t Au over 1.45m;
- **TDD0101:** 78.1g/t Au over 1.00m from 294m;
- **TDD0102:** 2.90g/t Au over 0.92m from 48.08m;
- **TDD0103:** 15.10g/t Au over 1.00m from 54.00m: and 1.87g/t Au over 1.00m from 71.00m;
- **TDD0105:** 1.43g/t Au over 0.90m from 71.00m;
- **TDD0107:** 16.58g/t Au over 3.55m from 43.88m and 27.88 g/t Au over 3.00m from 65.90m;
- **TDD0109:** 2.05g/t Au over 1.65m from 54.35m: 2.00g/t Au over 1.13m from 115.55m: and 2.39g/t Au over 3.48m from 121.82m;
- **TDD0111:** 35.14g/t Au over 2.45m including 167g/t Au over 0.50m from 53.35m;
- **TDD0112:** 3.35g/t over 5.98m from 64.12m: and 2.94g/t Au over 2.00m from 72.00m;
- **TDD0114:** 1.42g/t Au over 2.52m from 69.48m;
- **TDD0115:** 2.41g/t Au over 1.70m from 33.00m; 2.74g/t Au over 8.50m from 53.00m including 7.73g/t Au over 1.00m, 3.43g/t over 1.40m and 4.04g/t over 2.00m; and 2.04g/t Au over 9.00m from 69.00m including 2.89m over 4.80m;
- **TDD0128:** 1.85g/t Au over 3.22m from 146.28m including 4.00g/t Au over 0.73m;
- **TDD0137:** 2.63g/t Au over 1.50m from 38.00m;
- **TRC0552:** 8.42g/t gold over 3.00m from 86m;
- **TRC0554:** 2.53g/t Au over 1.00m from 47.00m;
- **TRC0562:** 1.86g/t Au over 2.00m from 18.00m: 1.64g/t Au over 1.00m from 71.00m; 1.32g/t Au over 1.00m from 76.00m: and 4.61g/t gold over 5.00m from 82m.

Significantly, the diamond drilling has intersected gold mineralization in the east-west structures along a 600m strike as well as identified a previously unknown northeast trending mineralized zone associated with a 1.8 kilometer long magnetic lineament which trends through other small artisanal workings. The mineralization along the east-west structure is open ended in all directions. The shallow wide zones of mineralization encountered are interpreted where the east-west structures intersect the northeast structure. The RC drilling was drilled as a fence line to the north of the main east-west trending mineralized structure.

The high grades intersected are associated with quartz veining and associated abundant pyrite mineralization. Further drilling is planned to test the extensions to the known mineralization along strike and down dip on the east-west and northeast structures and to close up the spacing in order to define a primary resource.

## *Buly Trend/Iyenze/Ngula 2*

The Buly/Iyenze target area was historically defined by scattered elevated gold grades in soil sampling and RC drilling. Abandoned artisanal workings are present within the target area. These targets are on the boundary of the Bulyanhulu Gold Mine license area and may be an extension of the prospective geology.

To date, a total of 16 RC scout holes (3,001 meters) have been drilled into the Iyenze structure, covering some 1,500 meters of strike on lines spaced at 200 meters intervals. No significant intersections were achieved and drilling was halted to focus on other higher potential targets.

The first borehole to be drilled by the Company along the Buly Trend (TDD0001) commenced in Q1/2014 and was completed at 305 meters during Q2/2014. A broad zone of intense shearing was intersected which locally contained abundant quartz veining but little mineralization evidenced by minor disseminated sulphide containing low levels of gold.

At Ngula 2 surface geological mapping and a review of the artisanal mining indicate the possibility of more than one trend, including the northwestern extension of the Buly Trend. An initial four diamond holes were completed (1,195 meters) but returned no significant results. An induced polarization geophysical survey was conducted in Q2/2014 over the Buly/Iyenze target areas and extended to cover the Ngula 2 target area to the northwest along the Buly Trend extension. This survey tested for chargeable and resistive horizons across a broad zone of greenstone lithologies within which the earlier airborne magnetic survey highlighted a number of weak to strong northwest trending zones interpreted as Buly parallel structural zones. Based on the results, hole TDD0002 was drilled to a depth of 752 meters without intersecting any significant mineralization.

### Follow Up Drilling Program and Future Strategy

A strategic review by the Company has concluded that the definition of a near surface resource and the potential of a medium scale mining operation must be established and if shown to be feasible, such resource should be brought into production. Immediate drill planning for fiscal 2017 is therefore to be focused on resource definition on those targets that have returned good results.

The Company plans to commence resource drilling at Ngula 1 as soon as funding has been finalized. The drilling will comprise 4,000m of in-fill RC drilling where the best results were achieved at this target. The drilling will test approximately 300m of strike along the southern structure of a potential 1,200m at the target along two parallel east-west mineralized structural zones. Additional drilling will continue testing the identified targets particularly at Nyakagwe Village and Nyakagwe East along which significant drill intersections were achieved during the Phase 1 and 2 drilling programs in 2012 and 2014. No drilling has been conducted during 2015 and 2016 pending further financing.

### Impairment

As at December 31, 2016 management assessed whether there were any indicators of impairment of the Company's exploration and evaluation assets as required by IFRS 6. In light of the Company's lack of funding and resultant inability to conduct significant exploration activities on the Tembo Gold Project in recent years and the low trading value of the Company's common shares, management concluded there were indications of impairment.

When indicators of impairment are determined to be present, IAS 36 requires the Company to estimate the recoverable amount of the Company's exploration and evaluation assets. The Company does not have sufficient verifiable information to prepare adequately detailed and meaningful calculations of fair value less costs of disposal or value in use. Therefore, the Company applied a fair value-based method that takes into account the Company's financial position, results of operations and market capitalization of the Company's common shares, among other factors, in determining an estimated recoverable amount. This method indicated that an impairment provision of \$20,000,000 was appropriate at December 31, 2016.

### Qualified Person

Mr. David Scott, Pr. Sci. Nat., President and CEO of the Company is the Qualified Person for the information contained in this MD&A and is a Qualified Person defined by National Instrument 43-101.

### Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Years Ended December 31,		
	2016 \$	2015 \$	2014 \$
<b>Operations:</b>			
Revenues	Nil	Nil	Nil
Expenses	(614,726)	(678,180)	(1,484,782)
Impairment	(20,000,000)	-	-
Other items	3,550	(12,182)	7,494
Income tax	Nil	Nil	501,234
Net loss	(20,611,176)	(690,362)	(976,054)
Other comprehensive gain (loss)	(770,232)	4,216,340	2,065,931
Comprehensive income (loss)	(21,381,408)	3,525,978	1,089,877

	Years Ended December 31,		
	2016 \$	2015 \$	2014 \$
Basic and diluted loss per share	(0.14)	(0.01)	(0.01)
Dividends per share	Nil	Nil	Nil
<b>Balance Sheet:</b>			
Working (deficit) capital	(1,172,183)	(719,344)	395,591
Total assets	5,742,707	26,305,880	22,153,563
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

Three Months Ended	Fiscal 2016				Fiscal 2015			
	Dec 31 2016 \$	Sept 30 2016 \$	Jun 30 2016 \$	Mar 31 2016 \$	Dec 31 2015 \$	Sept 30 2015 \$	Jun 30 2015 \$	Mar 31 2015 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(146,045)	(153,929)	(174,227)	(140,525)	(218,187)	(82,407)	(153,402)	(224,184)
Impairment	(20,000,000)	-	-	-	-	-	-	-
Other items	(6,555)	(2,603)	(1,960)	14,668	(12,869)	Nil	23	664
Net loss	(20,152,600)	(156,532)	(176,187)	(125,857)	(231,056)	(82,407)	(153,379)	(223,520)
Other comprehensive income (loss), net	602,465	202,480	50,128	(1,625,305)	1,020,490	1,618,888	(386,495)	1,963,457
Comprehensive income (loss)	(19,550,135)	45,948	(126,059)	(1,751,162)	789,434	1,536,481	(539,874)	1,739,937
Basic and diluted (loss) income per share	(0.14)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet:</b>								
Working capital (deficit)	(1,172,183)	(965,516)	(817,842)	(869,503)	(719,344)	(439,050)	(243,906)	(17,640)
Total assets	5,742,707	25,092,075	24,877,023	24,702,623	26,305,880	25,274,052	23,551,993	24,025,511
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## Results of Operations

### *Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015*

During the three months ended December 31, 2016 (“Q4/2016”) the Company reported a net loss of \$20,152,600 compared to a net loss of \$231,056 for the three months ended December 31, 2015 (“Q4/2015”), an increase in loss of \$19,921,544. The increase in loss is attributed to the recognition of a \$20,000,000 impairment charge on exploration and evaluation assets in Q4/2016. See also “Tembo Gold Project - Impairment”.

### *Year Ended December 31, 2016 Compared to Year Ended December 31, 2015*

During fiscal 2016 the Company reported a net loss of \$20,611,176 (\$0.14 per share), an increase of \$19,920,814 from the net loss of \$690,362 (\$0.01 per share) for fiscal 2015. The increase in loss is attributed to the recognition of a \$20,000,000 impairment charge on exploration and evaluation assets in fiscal 2016. Specific general and administrative expenses of variance are noted below.

During fiscal 2016 the Company incurred:

- (i) \$34,651 (2015 - \$49,216) for accounting and administrative services of which \$34,651 (2015 - \$2,719) was provided by Chase Management Ltd, a private company owned by the Corporate Secretary of the Company. During fiscal 2015 accounting and administrative services was provided by an external accounting service;
- (ii) incurred audit fees of \$40,806 (2015 - \$9,591). The change between fiscal 2016 and fiscal 2015 was solely due to the timing of the audit of the Company’s year-end financial statements;
- (iii) recorded executive management compensation of \$184,975 (2015 - \$288,445). The \$103,470 decrease in fiscal 2016 was due to the increase in the capitalization of the President’s remuneration to the Tembo Gold Project;
- (iv) rent expense of \$67,738 (2015 - \$79,541) were incurred in fiscal 2016. The decrease in rent expense was due to the Company vacating its office space in June 2016; and

- (v) salaries and benefits of \$188,330 (2015 - \$124,715) were incurred in fiscal 2016. During fiscal 2015 the salaries for the operations manager was reduced as operations were suspended due to limited working capital.

As the Company is in the exploration stage of investigating and evaluating its unproven mineral interests, it has no source of operating revenue.

#### *Financings*

During fiscal 2016 the Company completed a non-brokered private-placement financing of 18,475,000 common shares at a price of \$0.02 per share to raise gross proceeds of to \$369,500. The funds were used to fund ongoing costs in Tanzania, corporate overheads and provide working capital.

No financing activities were conducted by the Company during fiscal 2015.

#### *Advances*

During fiscal 2016 the Company received advances totalling \$106,179 (2015 - \$64,000) and repaid advances of \$72,619 (2015 - \$nil). As at December 31, 2016 principal amounts of \$97,357 and accrued interest of \$4,312 remained outstanding. See also "Related Party Disclosures".

### **Exploration and Evaluation Assets**

The Company's carrying value of the Tembo Project was \$5,442,739 as of December 31, 2016, and \$25,970,778 as of December 31, 2015. During fiscal 2016 the Company recorded a \$20,000,000 impairment on its exploration and evaluation assets.

Due to limited funds, the Company's exploration activities during fiscal 2016 have been limited to property and concession payments and property maintenance. Drilling will recommence as soon as the Company obtains sufficient funding. See also "Tembo Gold Projects - Follow Up Drilling Program and Future Strategy" and "Tembo Gold Projects - Impairment".

Exploration and evaluation activities incurred during fiscal 2016 and 2015 are as follows:

	\$
<b>Balance at December 31, 2014</b>	<u>21,402,926</u>
<b>Exploration costs:</b>	
Equipment rental	8,849
Exploration	119,430
Field transportation	81,145
Security	37,936
Technical services	<u>124,466</u>
	<u>371,826</u>
<b>Acquisition costs:</b>	
Property/concession payments	<u>32,549</u>
<b>Foreign exchange movement</b>	<u>4,163,477</u>
<b>Balance at December 31, 2015</b>	<u>25,970,778</u>
<b>Exploration costs:</b>	
Field transportation	65,416
Technical services	<u>165,654</u>
	<u>231,070</u>

\$

<b>Acquisition costs:</b>	
Property/concession payments	12,742
<b>Foreign exchange movement</b>	(771,851)
<b>Impairment</b>	(20,000,000)
<b>Balance at December 31, 2016</b>	<u>5,442,739</u>

### **Financial Condition / Capital Resources**

Operations for fiscal 2016 have been limited due to the Company's lack of funds. As at December 31, 2016, the Company had a working capital deficit of \$1,172,183 and an accumulated deficit of \$53,023,831. In the immediate term, the Company's ability to continue as a going concern is dependent upon continued financial support from existing shareholders and creditors and its ability to continue to raise additional capital to fund its ongoing business operations and exploration projects. Additional capital may be sought from the sale of additional common shares or other equity or debt instruments and also from joint venture agreements on the Company's properties. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term, the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the ability of the Company to obtain financing to support its ongoing exploration programs, the discovery of economically recoverable reserves and the achievement of profitable operations.

Subsequent to December 31, 2016 the Company completed a non-brokered private placement financing of 7,500,000 common shares at a price of \$0.03 per share for gross proceeds \$225,000. Proceeds of the financing will be used to finance ongoing holding and maintenance costs on the Company's properties in Tanzania and for general working capital.

### **Contractual Commitments**

The Company will be required to make a US \$250,000 payment to a third party upon a production decision being made on the Tembo Gold Property. Further payments totalling US \$4,750,000 may then be payable as follows:

- (i) US \$250,000 payment upon production of 250,000 ounces of gold;
- (ii) US \$1,000,000 payment upon production of 1,000,000 ounces of gold;
- (iii) US \$1,500,000 payment upon production of 1,500,000 ounces of gold; and
- (iv) a final payment of US \$2,000,000 upon production of 2,000,000 ounces of gold.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

There are no proposed transactions.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. A detailed summary of all the Company's significant accounting policies is included in Note 3 to the December 31, 2016 annual consolidated financial statements.

### **Changes in Accounting Policies**

There are no changes in accounting policies.

## Related Parties Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period. Transactions made with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

### (a) *Transactions with Key Management Personnel*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and executive officers.

During fiscal 2016 and 2015 the following amounts were incurred:

	2016	2015
	\$	\$
Mr. Scott - President and CEO	263,045	299,445
Mr. Cernovitch - CFO	60,000	60,000
Mr. Seaman - Former CFO	-	17,500
	<u>323,045</u>	<u>341,256</u>

As at December 31, 2016, \$529,757 (2015 - \$295,963) of the above amounts remained unpaid.

Salaries of \$137,458 (2015 - \$52,811) have been capitalized to exploration and evaluation assets based on the nature of the expenditures.

The Company has also incurred rent in Tanzania for housing accommodation provided to Mr. Scott, the President of the Company. The value of the accommodation for fiscal 2016 was \$52,494 (2015 - \$50,640).

Chase Management Ltd. ("Chase"), a private corporation owned by Mr. DeMare, the Corporate Secretary of the Company, provides accounting and administrative services. During fiscal 2016 the Company incurred \$34,651 (2015 - \$2,719) for accounting and administrative services provided by Chase since Mr. DeMare's appointment on July 24, 2015. As at December 31, 2016 \$8,111 (2015 - \$1,349) remained unpaid.

### (b) *Advances*

(i) During fiscal 2016 the Company received advances of \$49,293 (2015-\$64,000) of which \$17,293 (2015 - \$32,000) was advanced by Stratex International PLC, a private company controlled by Bob Foster, a former director of the Company and \$32,000 (2015 - \$32,000) was advanced by Bernd Högel, a shareholder of the Company. The advances bear interest at a rate of 5% per annum and have no fixed terms of repayment. During fiscal 2016 the Company repaid advances of \$49,293 (2015 - \$nil) and recognized \$3,646 (2015 - \$666) of interest expense which was unpaid.

(ii) During fiscal 2016 the Company received advances of \$56,886 and repaid advances of \$23,326. These advances are non-interest bearing and are due on demand. As at December 31, 2016 \$10,000 was due to Marc Cernovitch, a director of the Company and \$3,357 was due to Chase, a private company controlled by Mr. DeMare, the Corporate Secretary of the Company.

## Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at May 1, 2017 there were 162,732,634 issued and outstanding common shares. In addition, there were 400,000 share options outstanding, at an

exercise price of \$0.10 per share, and 87,171,921 warrants outstanding at exercise prices ranging from \$0.12 to \$0.125 per share.