# CADAN RESOURCES CORPORATION

## MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015

This Management Discussion and Analysis ("MD&A") of the financial condition and results of operations has been prepared as at November 27, 2015, and should be read in conjunction with Cadan Resources Corporation's (the "Company" or "Cadan") condensed consolidated interim financial statements for the period ended September 30, 2015, and audited financial statements for the year ended December 31, 2014. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements of the Company are presented on a consolidated basis with the Company's 40% owned Philippine affiliates, Batoto Resources Corporation ("BRC") and TMC Tribal Mining Corporation ("TMC") and a wholly owned subsidiary, and Tribal Processing Corporation, (collectively, the "Philippine Companies"),in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein, and in this MD&A, are reported in Canadian dollars.

The Company is a reporting issuer in the provinces of British Columbia and Alberta in Canada, and is listed on the TSX Venture Exchange under the trading symbol CXD, and on the Frankfurt Stock Exchange under the symbol A12F37.

To assist shareholders and potential investors to learn more about Cadan and its mineral projects, the Company maintains a website that provides information regarding its Philippine gold-silver and gold stockworks, and porphyry skarn copper-gold and gold projects. Readers are encouraged to visit the site at (www.cadanresources.com) as well as review the Company's press releases and other public filings available on SEDAR (www.sedar.com).

## 1. Forward Looking Statements

Certain information included in this MD&A, including management's assessment of the Company's future plans, constitutes forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by applicable law.

## 2. Disclosure of Technical Information on Mineral Projects

References in this MD&A to mineral resources are estimates prepared pursuant to the requirements of National Instrument 43-101, *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators ("NI 43-101") as in effect on the date of the estimates. The definitions of the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in, and are required to be disclosed by, NI 43-101.

Technical aspects of this MD&A were approved by Howard Lahti, BSc Geology, MSc Geochemistry, PhD Litho-Geochemistry, Registered Professional Geoscientist of New Brunswick, who is a Qualified Person as defined by NI 43-101.

## 3. Company Overview

The Company is engaged in mine development and exploration at its T'Boli gold mine and exploration of precious and base metals at its other project areas located in the Philippines. Its immediate corporate objective is to bring the T'Boli mine into profitable production and provide, from cash flow, an adequate budget for the systematic exploration of its other project areas.

The Company's management and resources are currently focused on development, exploration and production activities at the T'Boli gold-silver mine which is located in south-central Mindanao, Philippines. The project's development activities include underground mine development, diamond drilling, mineralized rock production from development and stoping, and processing of mineralized rock produced through the Company's facility at T'Boli. Surface exploration at the Batoto-Tarale gold prospect, located in East Mindanao, remains at minimum levels of expenditure and there has been no expenditure required at the Comval project,, which is subject to the commercial arrangement with Metallum Limited (ASX: MNE) ("Metallum").

## 4. Directors & Management

| | |
|---|---|
| Mr. Peter Main | Director, Chief Executive Officer and Chief Operating Officer |
| Mr. Steve Woods | Director |
| Mr. Ryan Sanders | Director |
| Ms. Richelle L. Singson Michael | Director |
| Mr. Derick Sinclair, CPA, CA | Chief Financial Officer |

## 5. Corporate Activity

Cadan has made significant changes during 2014, and to date in 2015, from changing the whole board in February 2014, changing the CEO at the end of August 2014, to completely revamping the T'Boli operation at the end of 2014. The main objective during 2014 was to address the underperformance on the mining and milling operations and deal with Cadan's balance sheet, with the primary focus on raising new equity. Key changes made during 2014 and to date in 2015:

- April 2014 – Robert Butchart, Doug Evans and Bill Goode stepped down from the board.
- May 2014 – Cadan announced a Strategic Review which incorporated Cadan's current balance sheet issues, the T'Boli assets and its operational activities.
- July 2014 – Cadan updated the market on its Strategic Review which included the following;
    - Mighty River loan repayment was extended to December 2015, with an option for a further extension.
    - Negotiations with noteholders commenced and have since been concluded. Thirty nine percent of the notes were converted into equity, while the majority of the remainder were extended until July 2016.
- August 2014 – Peter Main replaced Peter Cunningham as Interim President & CEO.
- September 2014 – Cadan issued update letter to shareholders including an offering to raise up to $1m with 80% being offered exclusively to shareholders.
- November 2014 – Cadan proposed an 8:1 share consolidation, completed on December 1, 2015, reducing the shares on issue from 158,490,484 to 19,811,182 and as part of the consolidation proposed an offering to raise $6m. This was subsequently increased and approved by the TSX for an offering of up to $7m.
- December 2014 – Cadan announced it has reached agreement with creditors to reduce its debt by converting $1,935,588 of existing debt, including partial conversion of outstanding convertible notes, into equity.
- May 2015 – Cadan signed binding Heads of Agreement with cornerstone investor for US$2m (approx. $2.44m). On completion, the cornerstone investor will own approx. 30% of Cadan's issued capital and have one Cadan board seat. Subsequently, the funds have been received.
- July 2015 – Cadan completed its previously announced sale of 15,325,020 Units for gross proceeds of $766,251, completed its previously announced debt conversions and issued 24,796,200 Units, retired debt of $1,239,810 and received and closed on an additional $660,000 from a second investor. The 13,200,000 Units will be issued upon receipt of TSX approval. The Company paid a finder's fee of 1,267,000 units in connection with the placement. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10.
- August 2015 – Cadan completed its previously announced sale of 43,920,000 Units for gross proceeds of $2,196,000 (US$1.8m) completing the binding Heads of Agreement with the cornerstone investor for US$2m announced in May 2015.

    Completed its previously announced debt conversions, issuing 23,995,560 Units and retiring debt of $1,199,778, bringing the total debt retired to $2,439,588 and new capital raised to $3,685,601.

    In addition to the private placement, the Company further announced that is has renewed $2,623,658 of existing convertible notes: 809,506 of the notes with an effective date of December 1, 2014, with a $0.12 conversion price, with 6,745,884 warrants also at $0.12, with expiry dates for the Notes of December 1, 2015, and the Warrants of December 1, 2016, and with 1,814,152 of the notes with an effective date of July 1, 2015, with a $0.10 conversion price, with 18,141,520 warrants also at $0.10, with expiry dates for the Notes of December 1, 2016 and Warrants of July 1, 2017.

## 6. Direction

Since the granting of the Declaration of Mining Project Feasibility ("DMPF") by the Philippine government on October 10, 2012, the Company has advanced capital mine development, on-lode strike development, diamond drilling and establishment of underground stoping operations.

The Company switched focus, during 2014, concentrating on cost reduction to address the underperformance of the mining and milling operations. A complete operational review was completed which resulted in the T'Boli operation being placed on Care and Maintenance. The mine was closed in May due to a lack of funding and poor performance and consequently flooded to prevent access for safety reasons and, subsequently, the mill was shut down in August. Management spent the second half of 2014 undertaking an all-encompassing operational strategic review, which included reviewing the mine plan, all assets, milling operations and practices, and completed an assessment of all management and staff across the Company.

Post completion of its Strategic Review, the main focus turned to cost reduction, which included significant retrenchments being made. The strategy for moving Cadan forward revolved around restructuring the balance sheet, total management restructuring and raising sufficient capital to restart operations at T'Boli.

During 2014, the processing facility continued to underperform design, producing 238 ounces, and there was minimal exploration carried out.

## 7. Mineral Properties

The Company's material mineral properties are the T'Boli gold-silver deposit, the Batoto-Tarale gold prospect and its 20% interest in the Comval copper-gold deposits, all located on the Island of Mindanao in the Philippines. Currently, the Company's main focus is on recommencing development of the T'Boli epithermal gold-silver project. The Company plans to recommence gold and silver production along with restarting development and stoping activities underground.

### T'Boli Gold-Silver Project

The T'Boli project is situated approximately 130 km southwest of Davao City, and 40 km west-northwest of General Santos City, in the Province of South Cotabato, Mindanao Island, Republic of the Philippines at 6.13' N latitude & 124.49' W longitude. TMC is the legal owner of licences covering the T'Boli project, and the Company holds rights in the project pursuant to a mineral processing option agreement with TMC under which it has an exclusive right to process mineralized rock from the TMC mineral areas consisting of 84.98 hectares MPSA No. 090-97-X1 and 2,908.24 hectares APSA No. 51-X1.

The T'Boli project consists of a historical underground mine, a new processing plant, accommodation complex and an assay laboratory constructed by the Company. Work on the project, by the Company, has included the rehabilitation of an underground mining tunnel known as the Beehive Adit and development of a decline to access mineralized rock on horizons below the adit. To date, the north vein systems have been developed. Prior to shutting the mine down, decline development had advanced to the South Vein's Golden Beam lode and the first cross cut had been developed into the vein.

During the nine month period ended September 30, 2015, the T'Boli mine operation was in care and maintenance. During the year Ended December 31, 2014, 238.4 tonnes of mineralized rock were processed through the Carbon In Leach ("CIL") plant.

### September Quarter Activity

- Work continued on the rehabilitation of the T'Boli Plant, during the quarter the CIP plant work carried on the plant was at 90% of completion.
- The first Tailings Dam was completed, which should provide approximately 6 months of capacity depending on production rates
- Commenced training of CIL plant workforce in preparation of the planned commencement of commissioning the plant
- Work commenced on the second tailings dam which is projected to provide an additional 18 months capacity. The second tailings dam is expected to be completed by the end of the March 2016 quarter

- During the quarter the Assay Laboratory was recommissioned and recommenced assaying for the first time in more than 18 months, which including the hiring of a Pilipino Chemist to manage the laboratory.
- A mining contract was formalised with a Philippine based company Magdrills. Their initial contract was to fully refurbish the T'Boli mine site infrastructure including the workshop, stores housing and the mine site offices and accommodation.
- By the end of the quarter the mine site refurbishment was 50% complete
- The second phase of Magdrills contract is to construct the new mine portal and stage one of the decline which extends 500m, at the end of September the mine portal construction had commenced.
- Geological consultants completed the checking of all geological databases, drill hole logging in preparation of producing a geological and mine plan.

Concluded the construction of perimeter fencing around the mine to improve security

## PRODUCTION AND SALES SUMMARY

There were no metal sales for the nine month period ended September 30, 2015. The table below details the monthly production and sales information for the year ended December 31, 2014:

| | Grams | Oz | Tons Milled | Ave grade grams/Tons | Proceeds PhP | Proceeds CDN$ |
|---|---|---|---|---|---|---|
| Opening inventory | 1,254 | 40.32 | 367 | 3.42 | 2,084,049 | 46,984 |
| January | - | - | - | - | - | - |
| February | - | - | - | - | - | - |
| March | - | - | - | - | - | - |
| April | - | - | - | - | - | - |
| May | - | - | - | - | - | - |
| June | - | - | - | - | - | - |
| July | 1,482 | 47.64 | 1,015 | 1.46 | 2,600,430 | 58,626 |
| August | 2,739 | 88.06 | 492 | 5.57 | 4,876,040 | 109,928 |
| September | 1,941 | 62.40 | 265 | 7.32 | 3,190,190 | 71,921 |
| October | - | - | - | - | - | - |
| November | - | - | - | - | - | - |
| December | - | - | - | - | - | - |
| | 7,415 | 238.41 | 2,139 | 3.47 | 12,750,709 | 287,459 |

### The Batoto Gold Prospect

The Batoto prospect is situated approximately 90 km northeast of Davao City, in the Compostela Valley, East Mindanao, Philippines and is contiguous with the Comval project. The Company is conducting limited adit work at the Batoto project.

### Comval Copper-Gold Project 20% Cadan via Agusan Metals Corporation ("Agusan")

On January 17, 2012, the Company completed the sale of 80% of the Company's interest in Agusan to Metallum. The Company retains a 20% equity interest in Agusan, which holds the exploration permits on the Comval copper-gold project located in the Compostela Valley, East Mindanao, Philippines and is contiguous with the Batoto project. The Project consists of EP No. 00001-XI & EP No. 00002-XI, totaling 4,314.14 hectares.

Pursuant to a shareholders' agreement, Metallum has an obligation to fund AU $48,000,000 in exploration activity in Agusan as follows:

| Exploration Expenditures | Annual amount (AU $) | Cumulative amount (AU $) |
|---|---|---|
| Year 1 | 5,000,000 | nil |
| Year 2 | 5,000,000 | nil |
| Year 3 | 5,000,000 | 15,000,000 |
| Year 4 | 15,000,000 | 30,000,000 |
| Year 5 | 18,000,000 | 48,000,000 |

The annual amounts in the table above are the expected schedule of expenditures. The cumulative amount is the funding requirement schedule. Should Metallum not meet the funding requirements, the agreement contains dilution provisions.

Metallum announced in its latest Annual Report for September 2014, that it had shifted focus away from the Comval project and that no field work was conducted during the year. Cadan is evaluating its options under the agreement with respect to:

1. Metallum's spending shortfall at the end of year three. Metallum was required to spend a total of $15 million by January 17, 2015 but reports spending $7.6 million,
2. Metallum's steady decline in spending on the project, and,
3. Metallum's announcement in their Annual Report of their change in focus "from the Comval copper gold project in the Philippines to the El Roble copper project in Chile".

Metallum had previously announced a Joint Ore Reserves Committee ("JORC") compliant 'Inferred Resource', prepared by independent consulting firm Cube Consulting Pty Ltd, of 32,675,000 tonnes at 0.42% Cu and 0.13 g/t Au including four (4) prospects: Maangob, Kalamatan, Tagpura West and Tagpura East (see Metallum Australian Stock Exchange release dated October 10, 2012). Cadan subsequently commissioned the same independent consultants to prepare a National Instrument 43-101 technical report, which stated the same Inferred Resource of 32,675,000 tonnes at 0.42% Cu and 0.13 g/t Au over the same area (see Company news release, dated March 18, 2013).

This estimate was calculated using a lower cutoff grade of 0.3% Cu and prepared in separate technical reports in accordance with the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves" and "CIM Standards of Disclosure for Mineral Resources and Mineral Reserves 2010", the latter of which was filed on SEDAR as a NI 43-101 technical report on April 3, 2013.

Previous exploration has prioritized several new discoveries, including the Taub, Tagpura North and Tandawan prospects. The Taub prospect is considered to be a gold bearing epithermal vein mapped and sampled over 300m along strike. The Tagpura North prospect is a copper-gold skarn with an approximate area of 500m by 300m, and the Tandawan prospect, located 1km west of the Bayag Bayag prospect, is considered to be a gold bearing epithermal vein, with 150m of strike and up to 7m in true width.

## 8. Financial Data

The following key financial information for each of the last eight quarters is set out in the table below:

| | Three Months Ended September 30, 2015 | Three Months Ended June 30, 2015 | Three Months Ended March 31, 2015 | Three Months Ended December 31, 2014 |
|---|---|---|---|---|
| Total assets | 4,883 | 4,162 | 3,906 | 4,016 |
| Working Capital (deficiency) | (12,607) | (15,227) | (16,083) | (14,867) |
| Net Income (loss) | (1,603) | (852) | (1,345) | (3,097) |
| Comprehensive Income (loss) | (1,603) | (852) | (1,345) | (3,097) |
| Basic earnings/(loss) per share | (0.02) | (0.04) | (0.07) | (0.50) |
| Diluted earnings/(loss) per share | n/a | n/a | n/a | n/a |
| | | | | |
| | Three Months Ended September 30, 2014 | Three Months Ended June 30, 2014 | Three Months Ended March 31, 2014 | Three Months Ended December 31, 2013 |
| Total assets | 6,984 | 7,135 | 7,194 | 6,499 |
| Working Capital (deficiency) | (12,829) | (13,358) | (12,833) | (10,460) |
| Net Income (loss) | (1,389) | (1,529) | (2,435) | (7,676) |
| Comprehensive Income (loss) | (1,451) | (1,467) | (2,435) | (5,213) |
| Basic earnings/(loss) per share | (0.50) | (0.50) | (0.50) | (1.55) |
| Diluted earnings/(loss) per share | n/a | n/a | n/a | n/a |

Reflected in the operating results above is the impact of the Company's difficulty accessing funding in recent years, specifically, the T'Boli operation suffered from lack of funds to implement the mine plan and to upgrade the mill. In addition, the Company changed its policy for accounting for exploration and evaluation assets, which is reflected in the reduction in the carrying values of its exploration and evaluation assets and total assets, with corresponding increases in net losses. Exploration expenditures are now expensed as incurred, whereas previously, these cost had been capitalized. Cash shortages also impacted the Batoto operations and these assets were written off and expensed in 2014. The Batoto property was impaired and written down to $nil during 2014, as the Company could not demonstrate it had access to sufficient funds to develop the property. Cadan's partner in the Agusan project was unable to meet its three year exploration obligations, after spending over $7.6 million, resulting in the impairment for concerns over recovery of the Company's receivable from Agusan and the carrying value of its investment in Agusan. With the project on hold, the Company wrote off these assets, again reducing total assets and increasing its reported losses. Management has realigned and refocused the Company with the backing of cornerstone investors, and believes that funding will be available to implement the changes described in the Corporate Activity section above.

**In the nine months ended September 30, 2015** the Company incurred a net loss of $3,800,060 (2014 - $3,877,062) a favourable variance of $77,002, increased costs incurred in the third quarter while preparing to bring the T'Boli operation back into production and unfavourable foreign exchange rates saw the favourable variance reported at the end of June reduced. Further explanations of the variances are detailed below.

Operating expenses favorable variance $620,459:

- Exploration and evaluation expenses: $400,770 (2014 - $1,071,461), a favourable variance of $670,691. The favourable variance was the result of a reduction in exploration and evaluation activities resulting from the lack of funding to progress the Philippine projects in the first six months, described in more detail in section 5: Corporate Activity, above.
- Bank charges and interest: $574,533 (2014 - $991,578), a favourable variance of $417,045. The favourable variance is primarily a result of the convertible notes maturing on June 1, 2015 and not renewed until July 2015 resulting in a reduction in interest expense as there was no value attributed to the conversion feature or

warrants in 2015, combined with debt holders converting part of their debt to shares and warrants in July. The Company negotiated a partial conversion and renewal of the notes but this was not completed until the third quarter of 2015. As a result, the valuations attributed to the conversion feature of the notes and the warrants reported in 2014 were not present in 2015.

- Other operating costs: $1,796,607 (2014 - $1,329,330), an unfavourable variance of $467,277. The unfavourable variance was primarily due to increased costs incurred in the third quarter while preparing to bring the T'Boli operation back into production described in more detail in section 5: Corporate Activity, above.

Other costs unfavourable variance: $543,457:

- Foreign exchange losses in 2015 were: $1,028,150 (2014 – a foreign exchange gain $131,568), an unfavourable variance of $1,159,718 resulting from the strengthening of the Philippine peso and US dollar and significant portions of the Company debts denominated in these currencies.
- Termination fees in 2015: $nil (2014 - $495,000), a favourable variance of $495,000, as no termination payments were incurred in 2015.

**In the three months ended September 30, 2015** the Company incurred a net loss of $1,602,826 (2014 - $ 1,075,428), an unfavourable variance of $468,659

, primarily due to unfavourable foreign exchange rates, a one-time favourable adjustment in termination fees in Q2 2014, partly offset by lower exploration and evaluation expenses. Further explanations of the variances are detailed below.

Operating expenses unfavourable variance: $561,934:

- Bank charges and interest: $164,800 (2014 – $191,049), a favourable variance of $26,249. Is primarily debt holders converting a portion of their debt to shares and warrants.
- Exploration and evaluation expenses: $209,802 (2014 - $228,872), a favourable variance of $19,070. Activity increased in the quarter while preparing to bring the T'Boli operation back into production described in more detail in section 5: Corporate Activity.
- Other operating costs: 797,703 (2014 - $190,450), an unfavourable variance of $607,253. The unfavourable variance was the result of a reduction in exploration and evaluation activities in 2014 combined with increased costs incurred in the third quarter while preparing to bring the T'Boli operation back into production described in more detail in section 5: Corporate Activity.

Other costs favorable variance: $34,536:

- Foreign exchange loss: $430,521 (2014 – $281,885), a unfavourable variance of $148,636, resulting from the strengthening of the Philippine peso and US dollar and significant portions of the Company debts denominated in these currencies.

**Liquidity and Capital Resources**

At September 30, 2015, the Company a working capital deficit of $12,607,300 (December 31, 2014 - $14,866,593), consisting of cash of $246,844 (December 31, 2014 - $67,645), amounts and advances receivable of $806,082 (December 31, 2014 - $225,670), prepaid expenses and other assets of $548,603 (December 31, 2014 - $506,226), accounts payable and accrued liabilities of $5,726,957 (December 31, 2014 - $5,903,386), loans payable of $358,043 (December 31, 2014 - $325,360), convertible notes of $2,306,994 (December 31, 2014 - $3,946,363), deferred income tax liability of $245,019 (December 31, 2014 - $222,654), due to related parties of $5,571,816 (December 31, 2014 - $5,268,371) and retirement benefit obligations of $230,212 (December 31, 2014 - $209,198). The accounts payable are due within three months.

Due to related parties are advances from Mighty River International Ltd. ("Mighty River"), a company that had a director in common with Cadan during part of 2014, and at September 30, 2015, and December 31, 2014, owned over 10% of the issued and outstanding shares of the Company. The Company entered into an agreement on May 2, 2013, whereby Mighty River provided the Company with a US $5 million loan facility. The facility bears interest at a rate of 8% per annum and is repayable in 12 months from the draw dates. Advances against the facility are secured by the Company's assets. In connection with the loan agreement, the Company, Mighty River, and the Company's Philippine affiliate, TMC, entered into royalty agreements pursuant to which Mighty River is entitled to receive a 1% production royalty on the T'Boli mine located in the Philippines for each US $1 million advanced to the Company. At September 30, 2015, the Company had total principal, interest and royalties owing to Mighty River of $5,571,816 (US $4,142,706) (December 31, 2014 - $5,268,371 (US $4,541,307)). On May 27, 2014, the Company and Mighty River amended the agreement extending the Final Maturity Date and Repayment date to December 31, 2015. In addition, the Company has reached an agreement with Mighty River to refinance $904,000 (US $800,000), being a portion of the amounts owed on the Credit Facility for interest and royalties. Pursuant to the refinancing, and upon receiving TSX-V approval, the Company will issue 18,080,000 units at $0.05 each, with each unit consisting of a common share and a warrant to purchase a common share for 12 months at $0.10.

The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs, repay the convertible notes, and maintain its resource interests over the next twelve months. This will require the Company to obtain additional financing. The Company invests surplus cash in guaranteed investment certificates with Bank of Montreal and faces no known liquidity issues.

**Financial Instruments**

The Company has classified its cash as FVTPL; loan to Agusan, as AFS; amounts and advances receivable (excluding GST receivable), as loans and receivables; and accounts payable and accrued liabilities, loans payable, convertible notes and due to related parties, as other financial liabilities.

The carrying values of cash, amounts and advances receivable (excluding GST receivable), accounts payable and accrued liabilities, and secured loans, approximate their fair values due to the short terms to maturity of these financial instruments. The carrying values of amounts due to related parties, excluding convertible notes due to related parties described below, approximate their fair value, as they are non-interest-bearing and due on demand.

The convertible notes matured in June 2014, and continued to accrue interest at 12% per annum compounded monthly (note 9). The carrying values of the notes that matured in June 2014 were determined, in accordance with Level 2 of the fair value hierarchy, by discounting the face value of the notes over the six month to two year terms of the notes by a discount rate of 60%, and accreting the discount over the respective term to the anticipated conversion date of the notes. As the convertible notes matured in June 2014, they are held at face value plus accrued interest at both June 30, 2015 and December 31, 2014, which approximates fair value as they are due on demand.

During the nine months ended September 30, 2015, uncertainty around the collection schedule for the Agusan loan resulted from Metallum Limited ("Metallum") putting the project on care and maintenance status. As a result, the carrying value of the loan to Agusan was impaired, in accordance with Level 3 of the fair value hierarchy.

a) Credit risk

The Company is exposed to credit risk with respect to its cash. Cash has been placed on deposit with major Canadian and Philippine financial institutions. The risk arises from the non-performance of counterparties of contractual financial obligations.

The Company manages credit risk, in respect of cash, by maintaining deposits at major financial institutions with strong investment-grade ratings.

Concentration of credit risk exists with respect to the Company's cash, as the majority of the amounts are held with only a few Canadian and Philippine financial institutions. The Company's concentration of credit risk and maximum exposure thereto, is as follows:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Canadian dollar equivalent** | | |
| Canadian dollar | $ 6,026 | $ 21,359 |
| Philippine peso | 240,818 | 46,286 |
| Total cash | $ 246,844 | $ 67,645 |

The Company is also exposed to credit risk with respect to its amounts and advances receivable, and loan to Agusan. The Company maintains an equity investment in Agusan and receives periodic financial information from Metallum and Agusan with respect to that investment. The Company actively monitors the financial status of Agusan and Metallum to minimize the credit risk related to this loan. Other amounts receivable relate to input tax credits.

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash is held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their estimated fair values as of September 30, 2015, and December 31, 2014. Future cash flows from interest income on cash will not be material. The Company manages interest rate risk by investing in highly liquid investments with maturities of one year or less.

The Company's convertible notes and credit facility are at fixed rates of interest.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company is exposed to foreign currency risk with respect to cash, accounts payable and accrued liabilities, and amounts due to related parties, as a portion of these amounts are denominated in Philippine pesos, Australian dollars and US dollars as follows:

| | | September 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| **Canadian dollar equivalent** | | | | |
| **Philippine Pesos** | | | | |
| Cash | $ | 240,818 | $ | 46,286 |
| Accounts payable and accrued liabilities | | (2,829,324) | | (3,305,231) |
| **AUD$** | | | | |
| Accounts payable and accrued liabilities | | (1,154,698) | | (1,233,883) |
| **US$** | | | | |
| Accounts payable and accrued liabilities | | (267,394) | | (153,072) |
| Due to related parties (notes 10 & 12) | | (5,571,816) | | (5,268,371) |
| **Net exposure** | | | | |
| **Canadian dollar equivalent** | $ | (9,582,414) | $ | (9,914,271) |

The Company manages foreign currency risk by only holding funds in foreign currencies for short-term requirements. The Company has not entered into any foreign currency contracts and does not utilize derivatives to mitigate this risk.

A 1% fluctuation in the value of the Philippine peso, Australian dollar and US dollar at September 30, 2015, would result in a change to net loss and comprehensive loss by approximately $96,000 (December 31, 2014 - $99,000).

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Accounts payable are all due within thirty days and amounts due to related parties, excluding convertible notes due to related parties and excluding amounts due under the credit facility, are without specific terms of repayment, however, they are expected to be repaid within one year. The Company's convertible notes matured on June 1, 2014. As at September 30, 2015, the Company's obligation under the convertible notes of principal and accrued interest was $2,306,994 (December 31, 2014 - $3,946,363).

The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs, meet its repayment obligations, maintain its resource interests and bring its T'Boli gold processing plant to full production capacity. This will require the Company to obtain additional financing.

**Financial Condition and Capital Resources**

During the quarter ended September 30, 2015, the Company continued to provide financial support to the Philippine companies, in particular, its partially-owned affiliates, BRC in the Comval in eastern Mindanao and in T'Boli, in southwestern Mindanao. As in 2014, during the nine months ended September 30, 2015, the Company continued to experience difficulty raising the capital needed, and, as noted in item 5 above, has made significant changes to address the underperformance of the milling and mining operations at T'Boli. In late 2014, and the first half of 2015, the Company completed an 8:1 share consolidation, was able to raise new capital primarily from two cornerstone investors, and restructured some of its debts, allowing it to implement a plan that will see the T'Boli project recommence operations. At BRC, we will continue the exploration and development of the projects in the Comval in eastern Mindanao at levels to ensure compliance with Philippine requirements to keep the permits in good standing.

At September 30, 2015, the working capital deficit was $12,607,300 (December 31, 2014 - $14,866,593), which includes the convertible notes of $2,306,994 (December 31, 2014 - $3,946,363), and advances against the credit facility due to related parties of $5,571,816 (December 31, 2014 - $5,268,371).

**Cumulative Exploration and Evaluation Costs**

Through its subsidiaries and the Philippine affiliates, the Company has interests in certain permits and licences to explore and develop mineral properties located in the Philippines. During the nine month period ended September 30, 2015, the Philippine affiliate companies spent $400,770 (nine months ended September 30, 2014 - $ 1,071,461 and year ended December 31, 2014 - $1,603,495), and recovered from metal sales $nil year ended December 31, 2014 - $287,459). To date, the Company has spent, net of recoveries from metal sales, $30,809,406 (December 31, 2014 - $30,408,636) developing the properties as detailed below:

| | Batoto | TMC | September 30 2015 Total | December 31 2014 Total |
|---|---|---|---|---|
| **Cumulative exploration and evaluation expenses** | | | | |
| **Balance, beginning of year** | **$ 6,276,155** | **$ 25,823,443** | **$ 33,703,093** | **$ 32,099,598** |
| Incurred during year | | | | |
| Community development | - | - | - | 36,969 |
| Exploration and mine development | 88,630 | 148,915 | 237,545 | 840,187 |
| Field supplies, admin expenses | - | - | - | 132,094 |
| Mill Site | - | 163,225 | 163,225 | 594,245 |
| **Total incurred during year** | **$ 88,630** | **$ 312,140** | **$ 400,770** | **$ 1,603,495** |
| **Total Exploration and evaluation expenses before recovery from metal sales before recovery from metal sales** | **$ 6,364,785** | **$ 26,135,583** | **$ 34,103,863** | **$ 33,703,093** |
| **Recovery on metal sales** | | | | |
| Balance, beginning of year | **-** | (3,294,457) | (3,294,457) | (3,006,998) |
| Recovered during year | **-** | - | - | (287,459) |
| **Total recovery on metal sales** | **$ -** | **$ (3,294,457)** | **$ (3,294,457)** | **$ (3,294,457)** |
| **Balance, end of year** | **$ 6,364,785** | **$ 22,841,126** | **$ 30,809,406** | **30,408,636** |

### Related Party Transactions and Balances

At September 30, 2015, the Company owed $6,302,171 (December 31, 2014 - $6,650,435) to related parties as follows:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Officers and directors for:** | | |
| Consulting and directors fees | $ 629,552 | $ 370,752 |
| Reimburse expenses | 4,459 | 14,075 |
| **Convertible notes (note 9)** | 96,344 | 997,237 |
| **Due to related parties** | 5,571,816 | 5,268,371 |
| | $ 6,302,171 | $ 6,650,435 |

At September 30, 2015, the Company was committed to pay termination payments to officers of the Company, in the event of termination without cause, between two and three years of annual salary. If all termination payments are triggered, the Company would be required to pay $1,020,000.

### Significant Accounting Policies and Estimates

The Company's condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").The accounting policies have been applied consistently by the Company and its subsidiaries.

Non-controlling interest in the net assets of consolidated partially-owned Philippine companies are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

### Investments in and Expenditures on Resource Properties

Once a permit or licence to explore an area has been secured, acquisition costs are capitalized on a property-by-property basis. Exploration expenditures, related to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential, are expensed as incurred. Any incidental pre-production revenue is net against exploration and evaluation expenditures, until the property is in commercial production.

Management reviews the carrying value of capitalized costs at least annually. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mine development assets, which is a component of property, plant and equipment.

The Company considers a project to be in commercial production following a reasonable period of testing of the production processes, and when the mine and processing plant are in the location and condition necessary to operate at their anticipated full capacity.

Subsequent recovery of the carrying value of exploration and evaluation assets depends on successful development or sale of the undeveloped project. If a project does not prove viable, all capitalized costs associated with the project, net of any impairment provisions, are written off.

### Retirement Benefit Obligation

The Company has a legislated obligation to provide a retirement payment to employees in the Philippines equal to 22.5 days pay for every year of credited service, at attainment of a retirement age of 60. The Company completes an actuarial valuation of the present value of the obligation annually. The last actuarial valuation of the present value of the obligation was carried out at June 30, 2015, based on obligations at December 31, 2014. The present value of the obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The current and past service costs for the nine month period ended September 30, 2015, totaled $nil (year ended December 31, 2014 - $82,362).

**Provision for Reclamation Liability**

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, are initially recognized and recorded as a liability based on estimated future cash flows discounted at a credit-adjusted risk-free rate.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

**Principles of consolidation**

The condensed consolidated interim financial statements include the accounts of the Company (the ultimate parent company), its wholly-owned subsidiaries, Exploradora La Esperanza S.A. (a Colombian company); Sabena Limited and its subsidiaries (Australian companies); Tribal Holdings Inc., Batoto Holdings Inc., and Philco Holdings Inc. (Canadian companies), and Tribal Processing Corporation ("Tribal Processing") (Philippine company); and the accounts of its partially-owned (40%) Philippine affiliates, Batoto Resources Corporation ("BRC") and TMC Tribal Mining Corporation ("TMC"), referred to throughout the condensed consolidated interim financial statements as the “Philippine companies”. The Company owns 40% of each of the Philippine companies, which have been consolidated as they meet the criteria under IFRS 10: Condensed Consolidated Interim Financial Statements. The Company’s ownership percentage in the Philippine companies is a result of Philippine laws restricting foreign ownership, but the Company is acting as operator of the Philippine companies. The remaining 60% ownership of each of the Philippine companies is owned by the two respective presidents of those companies. Each president has signed an option agreement allowing the Company to acquire control in certain circumstances. All significant intercompany balances and transactions have been eliminated on consolidation.

The Company has a 20% interest in Agusan and is able to exert significant influence over Agusan as a result. Agusan is considered to be an associate as at September 30, 2015, and December 31, 2014, and for the years then ended.

Non-controlling interest in the net assets of consolidated partially-owned Philippine companies are identified separately from the Company’s equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest’s share of changes in equity since the date of acquisition.

**Share-based payments**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Non-vesting conditions are considered in making the assumption about the number of awards that are expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded value in share-based payments reserve is transferred to share capital. Upon expiry, forfeiture or cancellation, the recorded value is transferred to deficit.

## 9. Risks and Uncertainties

Mining and exploration involves a high degree of risk, and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has significant cash requirements to conduct its planned explorations, meet its administrative overhead and maintain its resource interests.

The Company’s ability to continue as a going concern is dependent on its ability to bring the Tribal Processing T’Boli gold processing plant to full production, secure additional financing to fund the remaining development of the T’Boli mine and gold processing plant and planned exploration and development, and fund its ongoing administrative expenditures. While it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

The recoverability of the Company's investment in, and expenditures on, resource properties is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of resource interests.

The Company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations, and actions, could cause additional expense, capital expenditures, restrictions, and delays in the activities of the Company, the extent of which cannot be predicted. The Company, as noted in item 5 above, has made significant changes to address the underperformance of the milling and mining operations at T'Boli and, with the cooperation of two new cornerstone investors, it is implementing a plan that is expected will result in the T'Boli project recommencing operations in the second half of 2015. At BRC, we will continue the exploration and development of the projects in the Comval in eastern Mindanao at levels to ensure compliance with Philippine requirements to keep the permits in good standing. The Company must obtain approvals and or comply with regulatory and environmental regulations and there is no assurance that such approvals can be obtained on a timely basis. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's resource properties are located in the Philippines and, consequently, are subject to certain risks, including currency fluctuations and possible political and economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations to the mining industry.

## 10. Shareholder information

### Common Shares

The Company has authorized an unlimited number of common shares without par value, and, at September 30, 2015, had 59,932,402 outstanding, and, at the time of this report, has 145,504,962 (December 31, 2014 - 19,811,182) common shares issued and outstanding.

On December 1, 2014, the Company completed a consolidation of the issued and outstanding common shares in the capital of the Company on an 8 old for 1 new basis.

On July 24, 2015 the Company received TSX-V approval and issued 22,196,200 units to convertible noteholders as described below, and on November 27, 2015 (note 17) received TSX-V approval and issued the remaining 7,915,560 Units as described below. The Company renewed two groups of existing convertible notes in total $2,623,658 (note 9). The first group renewed 809,506 notes with an effective date of December 1, 2014, that have a $0.12 conversion price and 6,745,884 warrants also at $0.12. These notes expire on December 1, 2015, and warrants expire on December 1, 2016. The second group renewed 1,814,152 notes with an effective date of July 1, 2015, that have a $0.10 conversion price and 18,141,520 warrants also at $0.10. These notes expire on December 1, 2016 and warrants expire on July 1, 2017. Additionally these note holders converted $1,505,588 of their debt to $0.05 Units. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10. The Company issued 30,111,760 Units for gross debt reduction of $1,505,588.

On July 24, 2015, the Company reached agreement with creditors to converted $130,000 in debt and issued 2,600,000 Units. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10.

On July 8, 2015, the Company closed the first tranche of a non-brokered private placement of Units at a price of $0.05 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10. The Company issued 15,325,020 Units for gross proceeds of $766,251.On August 14, 2014, the Company issued 1,098,063 common shares to retire outstanding debts of $439,226.

On February 11, 2014, the Company issued 500,000 shares for total proceeds of $200,000 pursuant to a private placement of shares offered at $0.40 per share.

### Subscriptions received in advance

At September 30, 2015, the Company had received $2,196,000 in cash and agreements to convert debt of $1,959,778 in total $4,155,778 for 83,155,560 Units at $0.05. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10. following the quarter's end the Company received TSX-V approval and issued the shares (note 17).

### Stock Options

The Company has a stock option plan whereby the Board of Directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company. Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant subject to restrictions imposed by the TSX-V. Stock options awarded have a maximum term of ten years. The vesting terms of the options are determined by the directors, however, options granted to investor relations consultants are subject to a minimum twelve-month vesting schedule, whereby no more than 25% vest in any three-month period. Stock options held by officers, directors, employees or consultants of the Company expire one year following their departure from the Company.

No options were granted in the quarter ended September 30, 2015, and year ended December 31, 2014. During the quarter ended September 30, 2015, 536,250 options expired, including options held by former officers, directors, or consultants of the Company which expired one year following their departure from the Company. The options had exercise prices from $1.20 to $7.60 and expired unexercised (year ended December 31, 2014, 284,375 options expired unexercised). As at September 30, 2015, 532,113 options were outstanding with exercise prices between $1.20 and $4.00 (December 31, 2014, 1,002,738 options were outstanding with exercise prices between $1.20 and $7.60).

### Warrants

At September 30, 2015, there were 41,868,744 (December 31, 2014 – 8,285,599) warrants to purchase common shares outstanding, with exercise prices between $0.10 and $10 per share, that expire between September 2015, and July 2016. During the nine months ended September 30, 2015, 6,538,035 warrants expired unexercised (year ended December 31, 2014, no warrants were issued and 4,335,604 warrants expired unexercised).

## CONTINGENT LIABILITY

Three former officers and directors of the Company agreed to resign during the year ended December 31, 2014, and the Company agreed to pay them in total a one-time fee of $585,000 in lieu of any termination payment obligations of the Company under their consulting contracts, with such fees to be paid once certain conditions are met. During the year ended December 31, 2014, the three former officers and directors agreed to convert the $585,000 ($90,000 paid, $495,000 accrued) owed to shares of the Company at $0.40 per share ($0.05 per share pre rollback) for a total of 1,462,500 (11,700,000 pre rollback) shares. The Company issued 374,250 (2,994,000 pre rollback) shares and is required to have shareholder approval to issue the remaining 1,088,250 (8,706,000 per rollback) shares. The Company will request shareholder approval at the next Meeting of Shareholders.

## EVENTS AFTER THE REPORTING DATE

On October 7, 2015 the Company received TSX-V approval and issued the shares announced on July 20, 2015. The Company closed the second tranche of a non-brokered private placement of Units at a price of $0.05 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10. The Company issued 13,200,000 Units for gross proceeds of $660,000, paid a finder's fee of 1,267,000 Units in connection with the placement and issued 24,796,200 Units to existing creditors who have agreed to convert $1,239,810 into Units. The Company will issue the Units once the issuance has been approved by the Exchange.

On October 18, 2015, 372,524 warrants with an exercise price of $10.00 expired unexercised.

On October 23, 2015 the Company received TSX-V approval and issued the shares announced on August 25, 2015, the Company closed the final tranche of its previously announced private placement of Units at a price of $0.05 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10. The Company raised $2,196,000 and issued 43,920,000 Units to a single cornerstone investor (the “Investor”). On closing the Investor owns 30.9% of Cadan. The shares are subject to a 4 month hold period.

On November 27, 2015 the Company received TSX-V approval and issued 7,915,560 Units for previously announced conversion of convertible debt of $395,778. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10.

On November 27, 2015 the Company received TSX-V approval and issued 18,080,000 Units for previously announced debt conversion of $904,000 (US$800,000). Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10.

On November 27, 2015 the Company received TSX-V approval and issued 1,040,000 shares to related parties (note 10) for the conversion debt totalling  $52,000. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10.

On November 27, 2015 the Company received TSX-V approval and issued 150,000 Units for the conversion of debt of $7,500. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10.