
Condensed Interim Financial Statements

Kilo Goldmines Ltd.

For the Three Months Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

Unaudited

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NOTICE TO READER

The accompanying unaudited condensed interim condensed interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these condensed interim condensed interim financial statements.

Kilo Goldmines Ltd.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	December 31, 2014 \$ (Unaudited)	September 30, 2014 \$ (Audited)
Assets		
Current Assets		
Cash and cash equivalents	4,912,502	5,917,032
Receivables	370,802	158,011
Prepaid expenses	72,951	65,056
	<u>5,356,254</u>	<u>6,140,099</u>
Non-Current Assets		
Resource Properties (note 5)	44,403,995	41,992,601
Property, Plant and Equipment (note 4)	472,299	483,646
Reclamation Bonds (note 6)	73,250	70,610
	<u>50,305,799</u>	<u>48,686,956</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	840,767	813,275
Non-current Liabilities		
Deferred Lease Inducement (note 7)	13,042	13,867
	<u>853,809</u>	<u>827,142</u>
Shareholders' Equity		
Share Capital (note 8)	58,918,266	58,918,266
Warrants (note 9)	2,455,916	2,455,916
Stock Options (note 10)	1,825,279	1,948,321
Contributed Surplus	12,429,027	12,252,813
Cumulative Translation Reserve	5,410,156	3,663,355
Deficit	(31,586,654)	(31,378,857)
	<u>49,451,990</u>	<u>47,859,814</u>
	<u>50,305,799</u>	<u>48,686,956</u>

The accompanying notes form an integral part of these consolidated financial statements
Commitments (Note 14)

Approved on behalf of the Board

Signed D G Netherway, Director

Signed J Mustard, Director

Kilo Goldmines Ltd.

Consolidated Statements of Comprehensive Loss

For the Three months Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

	2014	2013
Expenses		
Corporate and administrative expenses	\$ 139,280	\$ 218,479
Share-based compensation (notes 10 and 11)	40,090	44,383
Amortisation	28,870	43,043
Less:		
Interest Income	(443)	(2,307)
Loss for the year	<u>(207,797)</u>	<u>(303,598)</u>
Other Comprehensive Income (Loss) for the period		
Currency Translation Adjustment	1,746,801	1,230,430
Total Comprehensive Income (Loss) for the period	<u>\$ 1,539,004</u>	<u>\$ 926,832</u>
Income (Loss) per Share - basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted Average Number of Common Shares Outstanding* - basic and diluted	<u>56,680,869</u>	<u>31,918,367</u>

* Adjusted for 1:10 share consolidation in March 2014

The accompanying notes form an integral part of these consolidated financial statements

Kilo Goldmines Ltd.

Consolidated Statements of Changes in Equity

For the Three Months Ended December 31, 2014 and 2013

(expressed in Canadian dollars)

	Common Stock		Warrants	Stock Options	Contributed Surplus	Cumulative Translation Reserve	Accumulated Deficit	Total
	Shares*	Amount						
Balance - October 1, 2014	56,680,869	\$ 58,918,266	\$ 2,455,916	\$ 1,948,321	\$ 12,252,813	\$ 3,663,355	\$ (31,378,857)	\$ 47,859,814
Expired warrants	-	-	-	-	-	-	-	-
Common shares and warrants issued for cash	-	-	-	-	-	-	-	-
Broker compensation shares and warrants	-	-	-	-	-	-	-	-
Common shares issued related to resource properties	-	-	-	-	-	-	-	-
Stock options granted	-	-	-	53,172	-	-	-	53,172
Stock options expired	-	-	-	(176,214)	176,214	-	-	-
Issuance costs	-	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	1,746,801	-	1,746,801
Net loss	-	-	-	-	-	-	(207,797)	(207,797)
Balance - December 31, 2014	56,680,869	\$ 58,918,266	\$ 2,455,916	\$ 1,825,279	\$ 12,429,027	\$ 5,410,156	\$ (31,586,654)	\$ 49,451,990

	Common Stock		Warrants	Stock Options	Contributed Surplus	Cumulative Translation Reserve	Accumulated Deficit	Total
	Shares*	Amount						
Balance - October 1, 2013	31,934,998	\$ 54,431,426	\$ 1,163,274	\$ 2,084,405	\$ 11,946,028	\$ 640,045	\$ (28,793,921)	\$ 41,471,257
Common shares and warrants issued for cash	-	-	-	-	-	-	-	-
Issuance costs	-	-	-	-	-	-	-	-
Broker warrants	-	-	-	-	-	-	-	-
Common shares issued related to resource properties	30,000	6,000	-	-	-	-	-	6,000
Expired warrants	-	-	(20,676)	-	20,676	-	-	-
Stock options granted	-	-	-	54,810	-	-	-	54,810
Stock options expired	-	-	-	(36,000)	36,000	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	1,230,430	-	1,230,430
Net loss	-	-	-	-	-	-	(303,598)	(303,598)
Balance - December 31, 2013	31,964,998	\$ 54,437,426	\$ 1,142,598	\$ 2,103,215	\$ 12,002,704	\$ 1,870,475	\$ (29,097,519)	\$ 42,458,899

The accompanying notes form an integral part of these consolidated financial statements

*Adjusted for 1:10 share consolidation effected March 2014

Kilo Goldmines Ltd.

Consolidated Statements of Cash Flows

For the Three Months Ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

	2014	2013
Cash Flows from Operating Activities		
Net loss for the period	\$ (207,797)	\$ (303,599)
Items not affecting cash:		
Amortisation	28,870	43,043
Stock-based compensation	40,090	44,383
Deferred lease inducement	(825)	(825)
	<u>(139,662)</u>	<u>(216,998)</u>
Net Changes in non-cash working capital:		
Receivables	(212,791)	186,785
Prepaid expenses	(7,895)	(22,599)
Accounts payable and accrued liabilities	27,492	(182,081)
	<u>(332,856)</u>	<u>(234,893)</u>
Cash Flows from Financing Activities		
	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities		
Mineral properties and deferred exploration costs	(653,746)	(769,033)
Equipment	(367)	-
	<u>(654,113)</u>	<u>(769,033)</u>
Change in Cash	(986,969)	(1,003,926)
Effect of exchange rate changes on cash	(17,561)	(2,167)
Cash and Cash Equivalents - Beginning of year	5,917,032	4,322,879
Cash and Cash Equivalents - End of year	<u>\$ 4,912,502</u>	<u>\$ 3,316,786</u>
Supplemental Cash Flow Information		
Non- cash financing and investing activities		
Common shares issued pursuant to resource property	\$ -	\$ 6,000

The accompanying notes form an integral part of these consolidated financial statements

1. Nature of Operations

Kilo Goldmines Ltd. (the "Company") is a publicly listed company incorporated pursuant to the provisions of the Business Corporations Act (Ontario). The Company's common shares are listed on the TSX Venture Exchange (TSXV: KGL).

The registered address, principal address and records office of the Company is located at 141 Adelaide Street West, Suite 1200, Toronto, Ontario.

The Company is in the process of exploring its mineral resource properties located principally in the Democratic Republic of Congo (the "DRC"). To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The realization of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to develop these properties, and future profitable production or proceeds of disposition from these properties. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's mining assets that are located outside of North America are subject to the risk of foreign investment, foreign political influence, including increases in taxes and royalties, renegotiation of contracts, expropriation and currency exchange fluctuations and restrictions.

2. Basis of Presentation

These consolidated financial statements include the accounts of the Company, its subsidiaries Kilo Goldmines Inc. ("Kilo Inc."), KGL Somituri SPRL, and the partnership interests described in note 5. All intercompany accounts and transactions have been eliminated.

a) Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). The IAS 34 condensed interim consolidated financial statements do not include all of the information required for annual financial statements, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The significant accounting policies applied in the Company's condensed interim consolidated financial statements are based on IFRS effective as of February 20, 2015, the date the Audit Committee approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending September 30, 2015 could result in restatement of these interim consolidated financial statements.

The Company's condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee.

The significant accounting policies (note 3) have been applied consistently to all periods. The Board of Directors approved the statements on February 20, 2015.

b) Basis of Measurement

The Company's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value.

c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian Dollars. The functional currency of the Company and Kilo Inc. is the Canadian Dollar. The functional currency of KGL Somituri SPRL and the Company's partnership interests is the United States Dollar.

3. Significant Accounting Policies

These condensed interim financial statements follow the same accounting policies and methods of their application as the September 30, 2014 audited annual consolidated financial statements and have been applied consistently in all periods.

a) Future Accounting Changes

IFRS 9 (Financial Instruments: Classification and Measurement), effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management has not yet determined the potential impact on the Company's financial statements.

4. Property, Plant and Equipment

As at December 31, 2014	Land	Buildings	Vehicles	Furniture and Fixtures	Equipment	Computer Equipment	Total
Cost							
Balance, October 1, 2014	\$ 148,413	\$ 326,201	\$ 875,982	\$ 23,746	\$ 393,852	\$ 27,151	\$ 1,795,345
Additions	-	-	-	-	367	-	367
Effects of Movements in Exchange Rates	5,548	12,195	27,420	-	13,181	-	58,344
Balance, December 31, 2014	153,961	338,396	903,402	23,746	407,400	27,151	1,854,056
Accumulated depreciation							
Balance, October 1, 2014	-	(78,067)	(871,999)	(23,746)	(313,387)	(24,500)	(1,311,699)
Depreciation	-	(3,438)	(10,577)	-	(14,615)	(240)	(28,870)
Effects of Movements in Exchange Rates	-	(3,018)	(27,577)	-	(10,593)	-	(41,188)
Balance, December 31, 2014	-	(84,523)	(910,153)	(23,746)	(338,595)	(24,740)	(1,381,757)
Net carrying amount as at December 31, 2014	\$ 153,961	\$ 253,873	\$ (6,751)	\$ -	\$ 68,805	\$ 2,411	\$ 472,299
As at September 30, 2014	Land	Buildings	Vehicles	Furniture and Fixtures	Equipment	Computer Equipment	Total
Cost							
Balance, October 1, 2013	\$ 136,429	\$ 299,863	\$ 816,759	\$ 23,746	\$ 297,535	\$ 24,260	\$ 1,598,592
Additions	-	-	-	-	71,680	2,891	74,571
Effects of Movements in Exchange Rates	11,984	26,338	59,223	-	24,637	-	122,182
Balance, September 30, 2014	148,413	326,201	875,982	23,746	393,852	27,151	1,795,345
Accumulated depreciation							
Balance, October 1, 2013	-	(60,705)	(722,676)	(22,834)	(228,605)	(24,260)	(1,059,080)
Depreciation	-	(11,939)	(91,973)	(912)	(64,077)	(240)	(169,141)
Effects of Movements in Exchange Rates	-	(5,423)	(57,350)	-	(20,705)	-	(83,478)
Balance, September 30, 2014	-	(78,067)	(871,999)	(23,746)	(313,387)	(24,500)	(1,311,699)
Net carrying amount as at September 30, 2014	\$ 148,413	\$ 248,134	\$ 3,983	\$ -	\$ 80,465	\$ 2,651	\$ 483,646

5. Resource Properties

	October 1, 2014	Net Additions (Recoveries)	Write-Off's	Currency Translation Adjustments	December 31, 2014
KGL-Somituri (a)	\$ 41,571,302	\$ 666,828	\$ -	\$ 1,729,646	\$ 43,967,776
KGL-Isiro (c)	421,299	-	-	14,920	436,219
	\$ 41,992,601	\$ 666,828	\$ -	\$ 1,744,566	\$ 44,403,995

	October 1, 2013	Net Additions (Recoveries)	Write-Off's	Currency Translation Adjustments	September 30, 2014
KGL-Somituri	\$ 36,908,069	\$ 3,292,167	\$ (1,748,297)	\$ 3,119,363	\$ 41,571,302
KGL-Isiro	278,116	125,638	(17,235)	34,780	421,299
	\$ 37,186,185	\$ 3,417,805	\$ (1,765,532)	\$ 3,154,143	\$ 41,992,601

Mining activities in the DRC are governed by the Mining Code 2002 and the Mining Regulations of the DRC's Ministry of Mines. The Mining Code 2002 provides three types of licenses or permits that may be granted by the Minister of Mines. A Prospecting Certificate allows the holder to prospect plots of land as specified by the Prospecting Certificate for a period of two years but does not indicate a mineral or mining right.

Exploration Licenses entitle the holder to the exclusive right to carry out exploration activity for mineral substances on a specified plot of land. This exclusive right is indicated by a mining title called "Exploration Certificate" or "Research Permit" which is valid for five years and is renewable for two additional five-year periods.

Once the holder of an Exploration License can prove the existence of an economically exploitable deposit to the Ministry of Mines, the holder can convert the Exploration License to an Exploitation License. This Exploitation License is evidenced by a mining title called an "Exploitation Certificate" or "Exploitation Permit", and entitles the holder to the exclusive right to carry out exploitation, construction and exploration of mineral substances on the licensed areas for a period of thirty years, renewable several times for periods of fifteen years.

a) KGL-Somituri

The Company's interest in the KGL-Somituri SPRL properties were acquired through an option agreement for twenty Research Permits previously held by Somituri SPRL. The Research Permits were subsequently converted into eight Exploitation Permits and registered in the name of KGL-Somituri SPRL, an entity in which the Company holds a 71.25% interest and the Somituri partners hold 23.75%. In accordance with DRC legislation, the DRC government holds the balance, a 5% free carried interest.

On April 29, 2010, the Company signed a new Partnership Agreement (the "2010 Partnership Agreement"), as well as an Assignment Agreement providing for the transfer of the eight Exploitation Permits to KGL-Somituri SPRL.

The Company committed to paying 75,000 Euros, 200,000 Euros (or an equivalent value in Company common shares) and 250,000 Euros (or an equivalent value in Company common shares), on the Effective Date, three days following the Effective Date, and three days following the property assignment Registration Date, respectively. The Company also committed to investing 2,000,000 Euros during the three years following the Effective Date with a minimum of 1,000,000 Euros during the first year. During the year ended September 30, 2010, the Company issued 520,915 common shares at a fair value of \$0.482 per share to satisfy the Company's obligation to pay 200,000 Euros three days following the Effective Date as described above.

5. Resource Properties (continued)

a) KGL-Somituri (continued)

During the year ended September 30, 2012, the acquisition of the properties was finalised through registration of title to the licences in the name KGL-Somituri SPRL, and the Company satisfied its contractual commitments to the Somituri partners in this respect through settlement of the final payment of 250,000 Euros due upon registration of the title to the licenses in the name of KGL-Somituri SPRL. This was effected by paying 30,000 Euros in cash and issuing 1,405,777 common shares of the Company (see note 8).

Under the Partnership Agreement, the Company agreed to finance all activities of KGL-Somituri, until the filing of a bankable feasibility study, by way of loans which bear interest at the rate of 5%. Within thirty days of the receipt of a bankable feasibility study, the minority partners may collectively elect to exchange their equity participation for either a 2% net smelter royalty, or a 1% net smelter royalty plus an amount equal to 2 Euros per ounce of proven mineral reserves.

During the year ended September 30, 2014 the Company determined to relinquish permits PE 9693 and PE9694 and wrote off \$1,748,297 of associated costs incurred to date on these properties.

b) KGL-ERW SPRL

On November 17, 2006, the Company acquired an option to acquire a 75% interest in twenty Research Permits for mineral properties in the DRC, comprising approximately 7,000 square kilometers. The KGL-ERW SPRL partnership was created on July 4, 2007 to hold these permits, and at inception was 75% owned by the Company. Several permits have been relinquished to date, and twelve permits are held in the entity KGL Isiro SARL (see note below). The permits held in KGL Isiro SARL have an expiry date of February 4, 2017.

Pursuant to a Partnership Amending Agreement entered into on December 7, 2009 (the "Effective Date"), the Company became obligated to cash payments of 200,000 United States Dollars and the issuance of 1,050,000 common shares of the Company upon signing, the issuance of warrants to purchase 500,000 common shares of the Company upon the first anniversary, and the issuance of warrants to purchase 250,000 common shares of the Company on the second anniversary of the Effective Date of the Partnership Amending Agreement. Obligations in this respect have been met in full.

The Partnership Agreement requires the Company to finance all activities of KGL-ERW SPRL by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-ERW SPRL from revenues it generates to the extent of 75% of available funds, with the remaining 25% to be distributed to the equity holders. As of September 30, 2013 interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

During the year ended September 30, 2009, the Company signed an agreement with Rio Tinto Mining and Exploration Limited ("Rio") granting Rio an earn-in with respect to iron ore mineral rights on the KGL-ERW SPRL properties. As a vehicle to facilitate this earn-in transaction, the 11 properties subject to the Rio agreement were transferred into a separate entity, KWR Iron SPRL, with ownership held in the same 75%/25% proportion as KGL-ERW SPRL. Under terms of the Rio agreement, Rio had the ability to earn up to a 75% interest in the mineral rights of KWR Iron SPRL by making a combination of cash payments and exploration expenditures.

In December 2012, the Company announced the intention of Rio to withdraw from the agreement for iron ore on the KWR Iron SPRL licences. Upon withdrawal, data and joint venture assets were handed over to the Company, and the withdrawal process has been concluded. Property permits held by KWR Iron SPRL were transferred to a new entity, KGL Isiro SARL during the year ended September 30, 2013.

5. Resource Properties (continued)

b) KGL-ERW (continued)

During November 2012, the Company entered into a Letter Agreement to acquire, on a phased basis, up to the full additional 25% ownership interest in KWR-ERW SPRL, as well as the outstanding 25% gold interest in the properties owned by KWR Iron SPRL, now residing in KWR Isiro SARL. In exchange for the above interest, the Company agreed to make cash payments totaling 635,000 United States Dollars and issue a total of 356,000 common shares of the Company in various increments within six years of the date of the Letter Agreement. The Company may, at any time but with good reason, discontinue the payments and issuance of shares as set forth in the Letter Agreement. In January 2013, the Company issued 200,000 common shares in connection with the Letter Agreement to acquire an additional 2% interest in the properties, and in December 2013 the Company acquired a further 4% interest by effecting a cash payment of \$25,000 and issuing 5,000 shares in the Company was completed in April 2014.

In December 2014 the Company commenced the process of acquiring a further 8% interest by effecting a cash payment of \$50,000. The issuance of 5,000 shares in the Company is still required to complete this portion of the buy-out.

c) KGL Isiro SARL

On December 6, 2012 the Company and KWR Iron SPRL entered into a Joint Venture Agreement with Randgold Resources Limited ("Randgold") with respect to certain properties owned by KWR Iron SPRL. To facilitate the Joint Venture, twelve properties have been transferred into a new entity, **KGL Isiro SARL**. Pursuant to the Joint Venture Agreement, Randgold agrees to fund, through its wholly-owned subsidiary Randgold Resources (DRC) Limited ("Randgold DRC") or any wholly owned subsidiary of Randgold DRC, a phased exploration program. The Phase One Exploration Program shall be completed within 36 months of the effective date of the Joint Venture Agreement and the Phase Two Exploration Agreement within 60 months of the effective date of the Joint Venture Agreement, leading to a pre-feasibility study. The Joint Venture Agreement allows for withdrawal of Randgold subject to various termination criteria. Delivery of a pre-feasibility study entitles Randgold to a 51% interest in the properties which can be increased to 65% upon delivery of a bankable feasibility study should Kilo not contribute proportionately to the Exploration Program post pre-feasibility study.

The rights to the Somituri and Sihu properties, (collectively the "West Kilo Project") were acquired from Moto Goldmines Limited ("Moto") pursuant to an agreement dated November 15, 2006. Moto has the right, exercisable at its option when a bankable feasibility study is concluded, (if at that stage the measured resources exceed two million ounces) to acquire a 10% equity interest in the West Kilo Project for consideration of 5,000,000 United States Dollars. The Sihu properties were relinquished in the year ended September 30, 2013.

6. Reclamation Bonds

Amounts recorded as reclamation bonds represent deposits on restoration costs to be incurred in the future to restore the resource properties to a specified state. As of December 31, 2014 the Company has an amount of \$63,000 United States Dollars in reclamation bonds pertaining to the KGL Somituri properties. Based on the exploration work performed to December 31, 2014 on the resource properties in the DRC, the Company's management estimates that no future obligations for site restoration costs exist as at December 31, 2014.

7. Deferred Lease Inducement

During the year ended September 20, 2011, the Company received a lease inducement of \$23,767 which is being amortized to occupancy expense on a straight-line basis over the term of the lease which will expire during the year ended September 30, 2018.

8. Share Capital

The Company is authorized to issue an unlimited number of common shares.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

In March 2014 the Company effected a share consolidation of one (1) new share for every ten (10) pre-consolidation shares. The new shares commenced trading on the TSX-V on March 28, 2014 under the existing exchange symbol KGL.

The following is a summary of changes in common share capital from October 1, 2013 to December 31, 2014. Share numbers are expressed as new (post-consolidation) shares.

	Number* of Shares		Amount
Balance - September 30, 2013	31,904,989	\$	54,431,426
Issued for cash	24,000,000		4,800,000
Issued related to resource properties	35,000		7,050
Issued as broker compensation	740,880		148,176
Issuance costs			(468,386)
Balance - September 30, 2014 and December 31, 2014	<u>56,680,869</u>	<u>\$</u>	<u>58,918,266</u>

*Adjusted to reflect 1:10 share consolidation March 2014

During the year ended September 30, 2014, the Company:

- a) Issued 30,000 shares at \$0.20 in final settlement of properties acquired from Masters SPRL in 2006
- b) Issued 5,000 shares at \$0.20 per share pursuant to a Letter Agreement as discussed in note 5 (b).
- c) Issued 24,000,000 units for proceeds of \$6,000,000 of which \$1,200,000 was allocated to warrants.

Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.35 per share at any time until May 2, 2016 or at a price of \$0.50 thereafter until May 2, 2019.

- d) In connection with the offering the Company paid broker fees of \$66,623, legal fees of \$140,269 and issued 740,880 Broker compensation units with a fair value of \$74,224. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.35 per share at any time until May 2, 2016 or at a price of \$0.50 thereafter until May 2, 2019.

The Company also issued 1,007,370 Broker warrants with a fair value of \$187,270. Each warrant entitles the holder to purchase one common share at a price of \$0.25 at any time until May 2, 2019.

The Company was not able to reliably determine the fair value of services received and therefore the fair value of the warrants were evaluated based on the Black-Scholes model.

9. Warrants

	Number* of Warrants	Amount	Weighted Average Exercise Price
Balance - September 30, 2013	10,317,665	\$ 1,163,274	\$ 1.49
Expired	(25,000)	(20,676)	(0.30)
Issued May 2014	24,000,000	1,200,000	0.35
Issued to Agents	1,748,250	224,314	0.35
Issuance costs		(110,996)	
Balance - September 30, 2014 and December 31, 2014	36,040,915	\$ 2,455,916	\$ 0.67

* Adjusted to reflect 1:10 share consolidation March 2014

During the year ended September 30, 2014 the Company

- i. Issued 24,000,000 warrants in connection with a private placement. Each warrant entitles the holder to purchase one common share at a price of \$0.35 per share at any time until May 2, 2016 or at a price of \$0.50 thereafter until May 2, 2019. The fair value of the warrants was estimated to be \$1,200,000 based on the excess of the unit price to the market price of the common share of the Company at the time of the offering.
- ii. Issued 740,880 units as broker fees. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.35 per share at any time until May 2, 2016 or at a price of \$0.50 thereafter until May 2, 2019. The fair value of the warrant was estimated to be \$37,044 based on the excess of the unit price to the market price of the common shares at the time of the offering.
- iii. Issued 1,007,370 broker warrants with a fair value of \$187,270. Each warrant entitles the holder to purchase one common share at a price of \$0.25 at any time until May 2, 2019.

The fair value of the warrant was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	\$0.20
Expected dividend yield	Nil
Risk-free interest rate	1.25%
Expected life	5 years
Expected volatility	126%

Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's warrants.

Volatility is calculated based on the Company's historical share price.

9. Warrants (continued)

As at December 31, 2014, the following common share purchase warrants ("warrants") were issued and outstanding:

Number* of Warrants	Exercise Price*	Expiry
10,000,000	\$ 1.50	March 20, 2016
292,665	1.00	March 20, 2015
24,000,000	0.35/0.50	May 2, 2016/ May 2, 2019
740,880	0.35/0.50	May 2, 2016/ May 2, 2019
1,007,370	0.25	May 2, 2019
<u>36,040,915</u>		

* Adjusted to reflect 1:10 share consolidation March 2014

10. Stock Options and Agent Options

- a. The Company has adopted a stock option plan for the Company (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares to directors, officers, employees and consultants of the Company, and its subsidiary. Under the Plan, the aggregate number of shares to be issued upon the exercise of outstanding options granted thereunder may not exceed 15% of the number of issued and outstanding shares. Expiry dates and exercise prices shall be determined by the Board of Directors. The exercise price shall not be less than the market price.

- b. Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

- c. Options issued to Non-employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

- d. A summary of changes to stock options is as follows:

	Number* of Options	Amount	Weighted Average Exercise Price
Balance - September 30, 2013	2,126,400	\$ 2,084,405	\$ 1.90
Expired/Cancelled	(389,775)	(286,109)	
Granted/vested		150,025	
Balance - September 30, 2014	1,736,625	\$ 1,948,321	\$ 2.11
Expired/Cancelled	(55,000)	(176,214)	4.50
Granted/vested	1,460,000	53,172	0.10
Balance - December 31, 2014	3,141,625	\$ 1,825,279	\$ 1.16

* Restated to reflect post share consolidation position

10. Stock Options and Agent Options (continued)

During the three months ended December 31, 2014, the Company:

- (i) Issued 1,460,000 stock options to directors, employees and consultants. Each option entitles the holder to purchase one common share of the Company at a price of \$0.10 per share at any time on or before December 17, 2019.

The fair value of the options was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	\$0.04
Expected dividend yield	Nil
Risk-free interest rate	1.03%
Expected life	5 years
Expected volatility	116%

During the year ended September 30, 2014, no stock options were issued by the Company.

- e. As at December 31, 2014, the following stock options were outstanding:

Exercise Price \$*	Number of Options*			Total Expiry
	Unvested	Vested	Total	
3.00	-	86,000	86,000	November 19, 2015
2.00	-	500,000	500,000	July 7, 2016
2.80	-	500,000	500,000	September 1, 2016
2.00	-	30,000	30,000	January 15, 2015
2.20	-	30,000	30,000	March 9, 2015
2.20	-	30,000	30,000	March 21, 2015
2.20	-	30,000	30,000	March 21, 2015
1.20	172,500	303,125	475,625	June 19, 2018
0.10	730,000	730,000	1,460,000	December 17, 2019
	902,500	2,239,125	3,141,625	

*Adjusted to reflect 1:10 share consolidation March 2014

During the three months ended December 31, 2014, share based payments of \$12,628 (2013 - \$10,427) were capitalized to resource properties.

11. Related Party Transactions

The Company considers key management to be its directors, officers and Exploration Manager.

During the three months ended December 31, 2014 the Company entered into the following related party transactions:

	2014	2013
Directors fees	\$ 40,000	\$ 32,000
Management and consulting fees paid to CEO and CFO	\$ 146,000	\$ 76,800
Legal fees paid to BTM Lawyers and MBM-Conseils, legal firms of which a member is the spouse of the former CEO	\$ 5,290	\$ 6,320

During the three months ended December 31, 2014 the Company granted 1,170,000 stock options to management and directors. Included in share-based compensation for the three months ended December 31, 2014 is \$38,082 (2013 - \$44,383) related to stock options granted to management and directors. Included in the additions to resource properties during the year ended December 31, 2014 is \$13,083 (2013- \$10,426) related to stock options granted to management.

12. Financial Instruments and Other Risks

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1	quoted prices in active markets for identical assets or liabilities;
Level 2	inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices) and;
Level 3	inputs for the asset or liability that are not based upon observable market data

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at December 31, 2014, the Company's cash and cash equivalents are categorized as Level 1 measurement.

Fair Values

Except as disclosed elsewhere in these financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items. Reclamation bonds, which are long term, are valued at amortised cost which approximates their fair value.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company is not exposed to any significant credit risk as at December 31, 2014. The Company's cash and cash equivalents are on deposit with highly rated banking groups in Canada and the DRC.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company has current assets of \$5,356,254 (September 30, 2014- \$6,140,099) and current liabilities of \$840,767 (September 30, 2014 - \$ 813,275). All of the Company's current financial liabilities and receivables have contractual maturities of less than 120 days and are subject to normal trade terms. Current working capital of the Company is \$4,515,487 as at December 31, 2014 (September 30, 2014 - \$5,326,824).

12. Financial Instruments and Other Risks (continued)

Market risk

(i) Interest rate risk

The Company has significant cash and cash equivalents balances and it has no interest-bearing debt. The Company's current policy is to invest its excess cash in highly liquid money market investments such as bankers acceptance notes, treasury bills and guaranteed investment certificates. These short term money market investments are subject to interest rate fluctuations.

(ii) Foreign currency risk

The Company's functional currency is primarily the Canadian Dollar. The majority of the Company's operating expenses are transacted in Canadian Dollars and the majority of the Company's resource property costs are transacted in United States Dollars. As at December 31, 2014, the Company had cash of \$3,611,084, accounts receivable of \$307,291 and accounts payable and accrued liabilities of \$511,585 denominated in United States Dollars. As at December 31, 2014, the Company had accounts payable of 55,159 United Kingdom Pounds Sterling and accounts payable of 22,322 South African Rand.

Price risk

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long term working capital requirements.

Sensitivity analysis

Based on management's knowledge and experiences of the financial markets, the Company's management believes the following movements are "reasonably possible" over a three month period.

As at December 31, 2014, approximately 1.0% of the Company's cash and cash equivalents is at fixed interest rates beyond the next three months and is not subject to interest rate fluctuations within the next three months. The balance of the Company's cash and cash equivalents is subject to interest rate fluctuations. Sensitivity to a plus or minus 25 basis points change in rates would increase (or decrease) the Company's net loss by approximately \$3,070 over a three month period.

As at December 31, 2014, cash and cash equivalents include \$3,611,084 United States Dollars, accounts receivable include \$307,291 United States dollars, and accounts payable and accrued liabilities include \$511,585 United States Dollars, 55,159 United Kingdom Pounds Sterling, and 22,322 South African Rand.

If the Canadian Dollar weakens (or strengthens) 10% against the United States Dollar with other variables held constant, the Company's expenses would decrease (or increase) by approximately \$361,108.

If the Canadian Dollar weakens (or strengthens) 10% against the United Kingdom Pound Sterling with other variables held constant, the Company's expenses would increase (or decrease) by approximately \$9,928.

If the Canadian Dollar weakens (or strengthens) 10% against the South African Rand with other variables held constant, the Company's expenses would increase (or decrease) by approximately \$221.

13. Capital Disclosures

The company's objective when managing capital is to raise sufficient funds to execute its exploration plan. At December 31, 2014, the company's capital consists of shareholder's equity in the amount of \$49,451,990.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on

13. Capital Disclosures (continued)

the expertise of the Company's management team to sustain future development of the business. The Company does not have any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the three months ended December 31, 2014.

14. Commitments

- a. The Company has entered into a consultancy agreement with Dundee Resources Limited to provide the services as are normally provided by a President and Chief Executive Officer for a six month term ending on March 31, 2015 for a fee of \$30,000 per month. The agreement may be terminated at any time by either party providing the other party with 30 days written notice, and renews automatically unless notice to terminate has been given.
- b. The Company has monthly obligations of \$4,000 United States Dollars pursuant to a consulting agreement. The agreement does not have a fixed term and can be cancelled by either party.
- c. The Company has entered into leases for office premises and office equipment. The minimum lease commitments under these leases are as follows:

2015	\$ 83,108
2016	\$ 83,108
2017	\$ 75,313
2018	\$ 69,036

- d. Additional commitments are disclosed in note 5.

15. Segmental Reporting

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

The Company's non-current assets relate to the following areas:

	Canada	DRC
Resource Properties	\$ -	\$ 44,403,995
Property, Plant and Equipment	2,411	469,888
Reclamation Bonds	-	73,250
December 31, 2014	<u>\$ 2,411</u>	<u>\$ 44,947,133</u>
Resource Properties	\$ -	\$ 44,403,995
Property, Plant and Equipment	2,651	469,888
Reclamation Bonds	-	70,610
September 30, 2014	<u>\$ 2,651</u>	<u>\$ 44,944,493</u>