

Management Discussion and Analysis of the unaudited interim Consolidated Financial Statements  
For the three and six months ended March 31, 2015

**Kilo Goldmines Ltd.**

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**KILO GOLDMINES LTD.  
MANAGEMENT DISCUSSION & ANALYSIS  
For the three and six months ended March 31, 2015**

*This Management Discussion and Analysis (“MD&A”) of Kilo Goldmines Ltd. (“Kilo” or the “Company”) is prepared as at May 22, 2015 and provides an analysis of the Company’s performance and financial condition for the three and six months ended March 31, 2015 (“the Quarter”).*

*This MD&A should be read in conjunction with the Company’s unaudited interim consolidated financial statements for the period ended March 31, 2015, including the related note disclosure. The Company’s unaudited interim financial statements are presented on a consolidated basis with its subsidiaries Kilo Goldmines Inc. and KGL Somituri SPRL and the partnership interests described in the notes to the financial statements, and are prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar figures included therein and in the following discussion and analysis are quoted in the functional currency of Canadian dollars unless otherwise specified. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company’s website at [www.kilogold.net](http://www.kilogold.net).*

*This MD&A may contain forward-looking statements that are based on the Company’s expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance, and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below. Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.*

**Executive Summary**

Kilo Goldmines Ltd. is a junior resource company with gold exploration properties in the Democratic Republic of the Congo (“DRC”). The Company is currently engaged in exploration and evaluation of its properties and has no producing asset as yet. The Company’s Somituri Project delivered its maiden NI 43-101 report in 2011 on the Adumbi Prospect. Continuing ongoing exploration to date has culminated in an updated resource on Adumbi as well as a new NI 43-101 resource on the Kitenge and Manzako Prospects, released on January 30, 2014. The Company’s longer term objective is to create a multi-pit operating mine of regional significance. The Company is also engaged in a joint venture with Randgold Resources Ltd. (“Randgold”) for gold exploration on certain of the Company’s other properties, initially held in the KGL-ERW SPRL entity and, for purposes of the current Randgold joint venture, now held in KGL Isiro SARL.

**Principal Business and Corporate History**

Kilo Goldmines Ltd. (the “Company”) is an Ontario corporation which commenced operations on March 20, 2009. A predecessor corporation, Kilo Goldmines Inc. (“Old Kilo”), commenced operations in January 2006. Prior to March 20, 2009, Kilo Goldmines Ltd. was known as Blue Ribbon Capital Corporation (“Blue Ribbon”), a Capital Pool Company as defined by the TSX Venture Exchange.

The Company is in the process of exploring its mineral resource properties and intends to devote the majority of its efforts to these properties. To date, the Company has not generated revenues and is considered to be in the development stage.

**Amalgamation**

On September 27, 2007, Old Kilo announced that it had entered into a Letter Agreement (the “Agreement”) with Blue Ribbon, a public corporation formed as a capital pool company. Pursuant to

the Agreement, Blue Ribbon was able to acquire all of the issued and outstanding shares of Old Kilo (the “Going Public Transaction”).

On March 20, 2009, pursuant to the Agreement, Old Kilo amalgamated with Blue Ribbon’s wholly-owned subsidiary. Completion of the transaction constituted Blue Ribbon’s qualifying transaction. The shareholders of Old Kilo held the majority of the outstanding shares of the Company following the transaction, and accordingly, the transaction has been accounted for as a reverse takeover. Since Blue Ribbon’s operations do not constitute an economic unit, the transaction has been accounted for as a capital transaction.

On April 21, 2009, the common shares of the Company began trading on the TSX Venture Exchange under the symbol “KGL”.

At the Annual and Special Meeting of the Company held on March 6, 2014, shareholders approved a resolution providing for the consolidation of issued and outstanding shares on the basis of one (1) post-consolidation common share for up to every ten (10) pre-consolidated common shares, with the ratio to be determined and implemented by the Company’s Board of directors. The Board effected a one for ten (1:10) share consolidation on March 28, 2014 and the Company’s shares commenced trading on March 31, 2014 on a consolidated basis under the new CUSIP number 49427Y503. The Company continues trading under the KGL symbol.

## **Corporate Developments**

Mr Michael Skead, who has been serving as Interim President and CEO since October 8, 2014, has resigned with effect from May 31, 2015. Current CFO, Philip Gibbs, will serve as Interim President and CEO from that date.

The recent key developments have been the release of the Kitenge/Manzako NI 43-101 resource report and the updating of the Adumbi resource announced in January 2014. In addition, encouraging results have been received from work carried out by Randgold Resources plc (“RRL”) under the Joint Venture (“JV”) on the KGI Isiro SARL (“Isiro”) licences in the DRC.

Randgold is financing all exploration on the Isiro licences for which they will obtain incremental ownership based on milestone events. Randgold has up to five years to establish a pre-feasibility study and a joint venture committee is managing the exploration programmes which will rely on knowledge and expertise from both companies.

The terms of the agreement are:

- RRL to earn 51% for the completion of a pre-feasibility study (“PFS”)
- KGL to retain the right to maintain 49% post PFS
- RRL to earn 65% for the completion of a bankable feasibility study (“BFS”) should KGL not contribute post PFS
- KGL equity to convert to 1.5% royalty if diluted to 10% or less
- KGL keeps the exploration rights to all minerals not associated with gold
- PFS to be completed within 5 years ( December 6, 2017)
- BFS to be completed within 1 year after PFS, or such longer time to be agreed by the parties

Kilo continued with its agreement for a progressive buy out of its 25% minority partner, Suez Holdings Ltd, which has a free carried interest through production for non-iron commodities in the Isiro licences under the current Kilo – Suez JV agreement.

The transaction involves an aggregate of 635 000 USD in cash and 356 000 shares over a 6 year period. To date the Company has acquired 14% of Suez’s (25%) interest through the payment of \$75,000 and

the issuance of 30,000 shares with a further 5,000 shares still to be issued to complete this portion of the buyout. (Share numbers are reflected on a post-consolidation basis). The transaction has been approved by the TSXV.

### **Overall Performance**

The Company's activities are focused on continuing its exploration and evaluation programs on its existing properties in the Democratic Republic of the Congo, investing approximately net \$1,361,000 in the three month period ended March 31, 2015. (2014: \$953,501). The Exploration section below sets out in greater detail the activities on the various properties during the period. The operating loss for the three month period ended March 31, 2015 was \$136,904 compared to an operating loss of \$53,901 for the comparable period ended March 31, 2014.

### **Capital Stock and Financing**

In November 2013 the Company issued 30,000 (post-consolidation) shares to Masters SPRL in fulfillment of final obligations relating to the now discontinued KGL Masters SPRL project.

In April 2014 the Company issued 5,000 (post-consolidation) shares in the second phase of its buyout of Suez interests described in the Corporate Developments section to complete the second phased buyout, which consisted of \$25,000 plus 5,000 (post-consolidation) shares.

On May 2, 2014 the Company completed a non-brokered private placement, for gross proceeds of \$6.0 million. The offering consisted of 24,000,000 Units, each unit comprising one common share and one common share purchase warrant to acquire one additional common share until May 2, 2019. Warrants are exercisable at \$0.35 during the first two years, and at \$0.50 for the next three years. In connection with the offering the Company paid \$66,623 as Finders' fees, issued 740,880 units in lieu of cash fees, and issued 1,007,370 Finders' warrants, each exercisable to acquire one common share of the Company at a price of \$0.25 until May 2, 2019.

In December 2014, the Company undertook to issue 5,000 shares in the third phase of its buyout of Suez interests described in the Corporate Developments section to complete the third phased buyout, which consists of \$50,000 plus 5,000 (post-consolidation) shares.

## **EXPLORATION AND OPERATIONS**

### **KGL SOMITURI SPRL**

The Somituri Project consists of eight *Permis d'Exploitation* ("PE") (Exploitation Licence), held 71.25% by KGL Somituri SpRL and valid until 2039, covering 606 square kilometres of the Ngayu Archaean Greenstone Belt in Oriental Province of the Democratic Republic of Congo.

Each permit has been allocated a name, and is referenced in the exploration discussion below accordingly as follows: Gambi (PE137), Boroda (PE138), Nane (PE140), Imbo (PE9691), Ngazi (PE9692), Mpaka (PE9693), Embolim (PE9694) and Dhahabau (PE9695). During the year ended September 30, 2014 it was determined that permits PE 9693 and PE 9694 should be relinquished, and as a consequence a write-down of \$1,748,297 was recorded against Resource Properties.

The properties are underlain by Upper Kibalian, clastic and chemical metasedimentary rocks including banded iron formation ("BIF"), metavolcanics, schists, localized dioritic intrusives and the occasional felsic dyke, with the exception of the Mpaka and Embolim Licences. The western half of the Embolim

Licence is underlain by Upper Kibalian rocks, and the eastern half is underlain by basement granitic rocks. The Mpaka Licence is entirely underlain by basement granitic rocks.

Commencing April 2014, the Company engaged a new team of geologists who have done an extensive review of the geological data and operational methodology to establish a sound base for the next phase of exploration.

Exploration work conducted in the period 1<sup>st</sup> January to 31<sup>st</sup> March 2015, is summarised below.

### ***Imbo***

The review of drilling data by the new geological team has included detailed re-logging of all drill hole core, and the plotting of data on cross sections, long sections and plans at a scale of 1:500. This work is now complete for all drilled prospects (i.e. Adumbi, Kitenge, Manzako, Senegal, Vatican, Mondarabe and Lion) and represents a total of 34,660 m in 153 drill holes. The work has enabled a more in depth analysis of lithological and structural controls on mineralization, focussing on the delineation of high grade zones. At Adumbi, this is being assessed in conjunction with previously completed detailed underground mapping with the objective of defining additional down-plunge drill targets. Wireframe modelling of mineralization and structural features is being re-evaluated accordingly and is on-going.

Systematic bulk density determinations were completed on core from all Adumbi drill holes. Measurements were taken at 1 m intervals within the mineralized zones, and at 2 m intervals in unmineralized rock, resulting in a total of 5,360 readings all of which passed the company's QC criteria. Reliable data is now available for resource calculations for the oxide zone (1,384 measurements), transition zone (826 measurements) and sulphide zone (3,150 measurements). During the next quarter, the bulk density work will be extended to include the Kitenge prospect.

Induced Polarization (IP) geophysical surveying continued over the Adumbi West target, with the objective of defining zones of mineralization for drill testing. The Adumbi West target is interpreted to be a faulted extension of the Adumbi trend, and is defined by a two kilometre long magnetic anomaly which has very similar characteristics to the principal Adumbi prospect. Coincident with this magnetic anomaly is a low level gold-in-soil geochemical anomaly. However, the area covering the Adumbi West target is interpreted to be overlain by transported overburden of varying thickness, which is probably masking the underlying geochemical response. The low level soil geochemical anomaly is most likely a result of bioturbation (plant and animal activity). Several zones of artisanal mining activity are present on the flanks of the strong magnetic feature where the artisanal miners are typically focussing on high grade quartz veins. All artisanal workings were mapped in detail during the quarter, and channel samples taken.

Induced Polarization (IP) surveys have also been carried out to more closely define the northwestern and southeastern extensions of the Adumbi mineralized trend, outside the current area of drilling. Additional IP lines have been completed in the areas of the Kitenge, Manzako, Senegal, Vatican and Lion prospects, with a view to identifying the mineralized zones, and better interpreting the structural framework and mineralization controls.

In view of the very poor exposure in the licence area, pitting at 80 m intervals has been carried out on selected IP lines. A total of 52 pits have been dug to the saprolite horizon, in order to provide lithological and structural information to assist in the IP interpretation. The nature of the overburden has also been logged in detail, with the main objective of distinguishing areas of residual and transported material, and better interpreting the soil geochemistry data.

A study was made of the multi-element data for the previously completed soil sampling survey, with the main objective of determining whether areas of transported and residual soil can be distinguished

geochemically. It was found that: (a) the residual soils overlying the metasedimentary and metavolcanic terrains have very distinct geochemical characteristics, and (b) areas interpreted from airborne radiometrics and pitting to be covered by transported overburden, have elemental abundances indicating mixing of metasedimentary and metavolcanic components.

A detailed stream sediment sampling program over the whole of the Imbo licence has commenced, with the objective of identifying and prioritising new targets outside the known areas of mineralization. A total of 166 sampling sites have been selected using satellite imagery, to test drainage catchments with an average area of 0.75 km<sup>2</sup>. All sampling to the west of the Imbo River (75 sites) has been completed, and analytical results are awaited.

Topographic surveying continued during the quarter, focussing on delineating colonial and artisanal workings, and other infrastructure in the vicinity such as tracks and settlements.

### ***Ngazi, Nane, Gambi, Boroda, Mpaka, Embolim and Dhahabau***

No exploration was conducted on these licences during the three months to 31<sup>st</sup> March 2015. The Company is in the process of relinquishing the Mpaka and Embolim licences.

### **Other properties:**

#### ***Kilo – Randgold joint venture***

Under a joint venture agreement, Randgold optioned 12 Exploration Licences covering 2,056.76 km<sup>2</sup> of the northern portion of the Ngayu Greenstone Belt as well as the majority of the Isiro Greenstone Belt in the DRC's Oriental Province, from Kilo in December 2012.

A soil geochemical survey commenced on the joint venture (“JV”) properties in late 2013 and continued throughout 2014. Kilo provided technical and casual labour as well as logistical support to Randgold, the project operator.

On three (3) of the five (5) Ngayu Exploration Licences a total of 10,656 soil samples have been collected. Grid and sample spacing on two of the licences is 100 metres by 50 metres respectively while on the third licence it is 200 metres by 100 metres respectively. The soil sampling program defined eight (8) gold-in-soil geochemical anomalies of which five (5) have received follow up work in form of detailed mapping, pitting and trenching. The Yambenda target is a 3.6 km long northwest trending >100 ppb Au gold-in-soil anomaly that is associated with sheared and folded banded ironstone formation lithologies. A total of 3 trenches, 208 pits and 276.5 km<sup>2</sup> of mapping was completed during 2014. Trenching of the most robust gold-in-soil anomaly has not intersected significant saprolite at safe depths and alternate exploration techniques are explored to test gold-in-soil anomalies.

A total of 8,870 soil samples have been collected on a staggered 400 metre by 200 metre grid on five (5) of the seven (7) Isiro Greenstone Belt Exploration Licences. Five (5) moderate tenor (30 ppb – 120 ppb Au) gold-in-soil anomalies have been defined. These gold-in-soil anomalies are associated with folded and sheared banded ironstone formation and metasediments.

Exploration and Operations results are detailed in Press Releases, and are available on the Kilo website as well as on SEDAR.

## EXPLORATION EXPENDITURES

The table below sets out the expenditures for the three months ended March 31, 2015:

For the three months ended March 31, 2015, gross expenditure on the KGL-Somituri properties was \$1,359,027 compared with a spend of \$953,501 during the comparable period in 2014. Activities for the period are discussed in the exploration section above.

	KGL-Somituri	KGL Isiro	Total
Acquisition and sustaining costs	244,935	2,450	247,385
Drilling	-	-	-
Helicopter support	-	-	-
Project Camp	374,041	-	374,041
Professional fees	162,377	-	162,377
Project management/ Administration	69,098	-	69,098
Geological and Geochemical	381,130	-	381,130
Travel	65,838	-	65,838
Other	61,608	-	61,608
<b>Current Quarter spend</b>	<b>1,359,027</b>	<b>2,450</b>	<b>1,361,477</b>
Currency Translation Adjustments	3,621,564	35,631	3,657,195
Balance December 31, 2014	43,967,776	436,219	44,403,995
<b>Balance March 31, 2015</b>	<b>48,948,367</b>	<b>474,300</b>	<b>49,422,667</b>

For the comparable period ending March 31, 2014 the project expenditures were as follows:

	KGL-Somituri	KGL Isiro	Total
Acquisition and sustaining costs	418,345	-	418,345
Drilling	-	-	-
Helicopter support	-	-	-
Project Camp	165,135	-	165,135
Sampling	-	-	-
Professional fees	219,349	-	219,349
Project management/ Administration	70,514	-	70,514
Geological and Geochemical	15,283	-	15,283
Travel	42,289	-	42,289
Trenching	-	-	-
Other	22,586	-	22,586
<b>Current Quarter spend</b>	<b>953,501</b>	<b>-</b>	<b>953,501</b>
Currency Translation Adjustments	1,544,514	12,447	1,556,961
Balance December 31, 2013	38,868,443	313,695	39,182,138
<b>Balance March 31, 2014</b>	<b>41,366,458</b>	<b>326,142</b>	<b>41,692,600</b>

The currency translation adjustments reflects movements in the CAD\$/US\$ exchange rate on translating values from the partnership accounts, expressed in the functional currency of United States dollars, into the presentation currency of these interim consolidated financial statements which is Canadian Dollars.

## RESULTS OF OPERATIONS

The Company is currently engaged in mineral exploration and evaluation, and does not generate revenues from operations. Costs related to the acquisition and exploration of mineral properties are capitalized by property, whilst regulatory and other expenditures incurred to maintain the administrative infrastructure required to operate in Canada are expensed.

The operating loss for the three months ended March 31, 2015 was \$136,904 as compared to a loss of \$53,901 for the three months March 31, 2014 which included a gain from disposal of equipment of \$230,000 and a write-off of exploration expenses of \$10,734. Favourable foreign exchange movements account for a movement of \$110,809. Management and consulting fees increased by \$50,200 due to a higher level of compensation for the Interim CEO and the prior year comparison included a 20% cut-back in compensation. Shareholder communication increased by \$22,566.

The movement in the currency translation adjustment reflects the appreciation of the US dollar against the Canadian dollar during the twelve month period.

	Six months ended		Three months ended	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
Amortization	46,475	86,086	17,605	43,043
Foreign exchange	(370,194)	(142,162)	(210,103)	(99,294)
Office and miscellaneous	60,565	77,792	24,307	31,205
Management and consulting fees	272,000	153,600	126,000	76,800
Professional fees	35,079	68,022	21,817	32,808
Directors' fees	80,000	64,000	40,000	32,000
Shareholder communication	95,186	58,981	51,874	29,308
Share-based payments	50,334	87,636	10,244	43,253
Transfer agent and regulatory fees	26,465	43,911	30,354	41,478
Travel and promotion	46,629	77,592	24,476	40,922
Exploration expenses written off	-	10,734	-	10,734
Gain from sale of equipment	-	(230,000)	-	(230,000)
Banking fees	4,240	3,686	1,965	1,716
Interest income	(2,077)	(2,379)	(1,634)	(72)
<b>Gain/(Loss) for the period</b>	<b>(344,701)</b>	<b>(357,499)</b>	<b>(136,904)</b>	<b>(53,901)</b>
<b>Currency translation adjustment</b>	<b>5,445,254</b>	<b>2,787,161</b>	<b>3,698,453</b>	<b>1,556,731</b>
<b>Total Comprehensive Gain/(Loss) for the Period</b>	<b>5,100,553</b>	<b>2,429,662</b>	<b>3,561,549</b>	<b>1,502,830</b>



## Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the current quarter ending March 31, 2015 and historically for the preceding eight quarters:

Financial Year \$'000	2015		2014				2013		
	Mar	Dec	Sept	June	Mar	Dec	Sept	June	Mar
	2015	2014	2014	2014	2014	2013	2013	2013	2013
Net revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gain/ (Loss) before other items	(137)	(208)	(1,509)	(717)	(54)	(304)	(709)	(433)	(2,393)
Currency translation adjustment	3,699	1,747	1,214	(978)	1,557	1,230	(879)	1091	665
Comprehensive Gain/ (Loss)	1,557	1,539	(288)	(1,695)	1,503	926	(1588)	658	(1728)
Net gain/ loss, per share basic and diluted	Nil	Nil	Nil	(0.04)	0.05	Nil	Nil	0.02	0.01

## Factors Affecting Quarterly Results

September quarters of 2014 and 2013 as well as March quarter of 2013 reflect the write-down of resource properties. Other fluctuations in quarterly results arise mainly from timing of expensing costs related to the issuance of stock option compensation and to foreign exchange fluctuations. Other administrative cost variations are generally not significant, with the exception of March quarter 2014 and December quarter 2013 which reflect cost savings implemented over these periods, including reductions affecting director and senior management compensation.

## Liquidity and Capital Resources

As at March 31, 2015, the Company had cash resources of \$3,812,513 compared to \$5,917,032 at September 30, 2014. The Company had working capital of \$3,041,198 compared to working capital amounting to \$5,103,757 as at September 30, 2014.

Management believes the Company's cash position will be sufficient to meet current planned operating expenditures and anticipates raising further funds to meet future phases of exploration and development.

As a mineral exploration and development company with no current production or revenue from mining operations, the Company's cash flows consist of cash outflows for exploration and evaluation, administrative expenses, salaries, property acquisition, and expenditures for depreciable equipment. Financing activities, such as share issuances and shareholder loans, result in cash inflows to the Company. Since its inception, the Company has relied on capital markets (and in particular, equity markets) to fund its exploration and evaluation activities as well as its investments in machinery and equipment. The Company is dependent on obtaining future financing for exploration and evaluation of its resource properties and for any new projects

The longer term continuation of the Company as a going concern necessitates the creation of a revenue stream from its mineral assets.

## CAPITAL DISCLOSURES

Canadian Institute of Chartered Accountants ("CICA") Handbook, requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied,

the consequences of such non-compliance. The Company's capital is composed of shareholders' equity. The Company's objective is to raise sufficient capital to execute its exploration plan. The Company does not use any capital-based metrics. The Company does not have any externally imposed capital requirements. There have not been any changes to the overall capital risk management strategy during the three and six months ended March 31, 2015.

### Treasury Summary

Following the share consolidation effected on March 28, 2014, and the private placement financing in May 2014, the Company had the following outstanding as at March 31, 2015:

Shares	56,680,869
Warrants	35,748,250
Options	2,354,750

Full details of share issuances as well as warrant and option transactions are provided in notes 8, 9 and 10 to the unaudited interim consolidated financial statements for the three and six months ended March 31, 2015.

## COURSE OF BUSINESS TRANSACTIONS

### Transactions with Related Parties

During the six months ended March 31, 2015, transactions with related parties were:

	2015	2014
Directors fees	\$ 80,000	\$ 64,000
Management and consulting fees paid to CEO and CFO	\$ 272,000	\$ 153,600
Legal fees paid to BTM Lawyers and MBM-Conseils, legal firms of which a member is the spouse of the former CEO	\$ 17,820	\$ 12,640

Included in share-based compensation for the six months ended March 31, 2015 is \$50,334 (2014 - \$87,636) related to stock options granted to management and directors, and included in the additions to resource properties is an allocation of \$20,193 (2014 - \$20,192) related to stock options granted to management and consultants.

### Off-Balance Sheet Transactions

The Company has not entered into any off-balance sheet arrangements.

### Proposed Transactions

The Company continues to review property and industry information in search of future opportunities in terms of new property acquisitions and business partnerships.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the consolidated financial statements in conformity with IFRS requires that the Company's management make critical judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively.

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

### **Recoverability of Mineral Properties and Deferred Exploration Costs**

The Company assesses all mineral property and deferred exploration costs and property, plant and equipment at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long term commodity prices, discount rates, foreign exchange rates, future capital requirements, exploration potential and operating performance.

### **Title to Mineral Properties**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### **Property, Plant and Equipment - Estimated Useful Lives**

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

### **Share-based Payment Transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in notes 9 and 10 of the Interim Financial Statements for the three and six months ended March 31, 2015.

## **International Financial Reporting Standards ("IFRS")**

Note 3 to the audited consolidated financial statements for the year ended September 30, 2014 sets out significant accounting policies in accordance with IFRS.

### **BASIS OF PRESENTATION**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated interim financial statements were authorized for issue by the Board of Directors on May 22, 2015.

The accounting policies applied in these condensed consolidated financial statements have been applied consistently in all periods presented unless otherwise stated, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2014 together with the notes thereto.

The policies applied in the Company's interim consolidated financial statements for the three and six months ended March 31, 2015, are based on IFRS effective as of that date. Consolidated financial statements have been prepared on the historical cost basis and are presented in Canadian Dollars. The functional currency of the Company is the Canadian Dollar.

The consolidated financial statements for the three and six months ended March 31, 2015, have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not generated revenue from operations. During the six months ended March 31, 2015, the Company reflected an operating loss of \$344,701 (2014: Loss \$357,499), and as of that date, the Company's deficit was \$31,723,558 (September 30, 2014 - \$31,378,857). The Company intends to raise financing to fund further exploration and operating activities. Whilst the Company has been successful in the past in raising funds, there is no assurance it will be able to do so in the future.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures.

### **FINANCIAL INSTRUMENTS**

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	FVTPL
Receivables	Loans and receivables
Reclamation bonds	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

## **Fair Values**

Except as disclosed elsewhere in these consolidated financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

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 March 31, 2015. The Company's cash and cash equivalents are on deposit with a highly rated banking group in Canada and holds limited funds in a reputable financial institution in 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 March 31, 2015, the Company had current assets of \$3,933,564 and current liabilities of \$892,366. 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 \$3,041,198 as at March 31, 2015. As disclosed in the Capital Stock and Financing section, the Company raised \$6.0 million gross in May 2014, through a private placement.

### **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 interest bearing deposit accounts 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 March 31, 2015, the Company had cash of \$2,704,393 and accounts receivable of \$32,641 United States Dollars and accounts payable and accrued liabilities of \$556,607 United States Dollars. As at March 31, 2015, the Company had accounts payable of 55,159 United Kingdom Pounds Sterling; and accounts payable of 22,322 South African Rand.

#### (iii) 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.

## **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. IFRS 9 also replaces the models for measuring the equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB in May 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management, including the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("ICFR") to provide reasonable assurance that all information prepared by the Company for external purposes is reliable and timely. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's Financial Statements. Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements.

The CEO and CFO have evaluated whether there were changes to the ICFR during the three and six months ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, the ICFR. As a result, no such significant changes were identified through their evaluation.

There have been no material changes in the Company's internal control over financial reporting during the three and six months ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## **OTHER MD&A REQUIREMENTS**

As at May 22, 2015 the Company had 56,680,869 common shares outstanding. If the Company were to issue 35,748,250 common shares upon conversion of all its outstanding warrants and 2,354,750 common shares upon conversion of all its outstanding options it would raise \$25,677,212.

## **QUALIFIED PERSON**

The scientific and technical data included in this MD&A has been reviewed by Howard Fall, B.Sc., Ph.D., MAusIMM CP (Geo), a consultant to the Company, and a Qualified Person pursuant to National Instrument 43-101.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).