
Consolidated Financial Statements

Kilo Goldmines Ltd.

For the Years Ended September 30, 2014 and 2013
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kilo Goldmines Ltd.

We have audited the accompanying consolidated financial statements of Kilo Goldmines Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2014 and September 30, 2013 and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years ended September 30, 2014 and September 30, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kilo Goldmines Ltd. and its subsidiaries as at September 30, 2014 and September 30, 2013, and its financial performance and its cash flows for the years ended September 30, 2014 and September 30, 2013 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
January 28, 2015
Toronto, Ontario

Kilo Goldmines Ltd.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	September 30, 2014 \$	September 30, 2013 \$
Assets		
Current Assets		
Cash and cash equivalents	5,917,032	4,322,879
Receivables	158,011	395,465
Prepaid expenses	65,056	41,416
	6,140,099	4,759,760
Non-Current Assets		
Resource Properties (note 5)	41,992,601	37,186,185
Property, Plant and Equipment (note 4)	483,646	539,512
Reclamation Bonds (note 6)	70,610	66,454
	48,686,956	42,551,911
	48,686,956	42,551,911
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	813,275	1,063,487
Non-current Liabilities		
Deferred Lease Inducement (note 7)	13,867	17,167
	827,142	1,080,654
Shareholders' Equity		
Share Capital (note 8)	58,918,266	54,431,426
Warrants (note 9)	2,455,916	1,163,274
Stock Options (note 10)	1,948,321	2,084,405
Contributed Surplus	12,252,813	11,946,028
Cumulative Translation Reserve	3,663,355	640,045
Deficit	(31,378,857)	(28,793,921)
	47,859,814	41,471,257
	48,686,956	42,551,911

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

Commitments (Note 16)

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 Years Ended September 30, 2014 and 2013
(Expressed in Canadian Dollars)

	2014	2013
Expenses		
Corporate and administrative expenses	\$ 752,461	\$ 1,745,682
Share-based compensation (note 10)	136,683	274,700
Amortisation	169,141	210,908
Write-down of resource properties (note 5(b) and note 5(d))	1,765,532	1,887,197
Less:		
Gain from sale of equipment	(230,000)	-
Interest Income	(8,881)	(14,650)
Loss for the year	<u>(2,584,936)</u>	<u>(4,103,837)</u>
Other Comprehensive Income (Loss) for the period		
Currency Translation Adjustment (note 3(a))	3,023,310	1,243,194
Total Comprehensive Income (Loss) for the period	<u>\$ 438,374</u>	<u>\$ (2,860,643)</u>
Income (Loss) per Share - basic and diluted	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>
Weighted Average Number of Common Shares Outstanding* - basic and diluted	<u>42,147,006</u>	<u>27,240,833</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 Years Ended September 30, 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, 2013	31,904,989	\$ 54,431,426	\$ 1,163,274	\$ 2,084,405	\$ 11,946,028	\$ 640,045	\$ (28,793,921)	\$ 41,471,257
Expired warrants	-	-	(20,676)	-	20,676	-	-	-
Common shares and warrants issued for cash	24,000,000	4,800,000	1,200,000	-	-	-	-	6,000,000
Broker compensation shares and warrants	740,880	148,176	224,314	-	-	-	-	372,490
Common shares issued related to resource properties	35,000	7,050	-	-	-	-	-	7,050
Stock options granted	-	-	-	150,025	-	-	-	150,025
Stock options expired	-	-	-	(286,109)	286,109	-	-	-
Issuance costs	-	(468,386)	(110,996)	-	-	-	-	(579,382)
Foreign currency translation adjustment	-	-	-	-	-	3,023,310	-	3,023,310
Net loss	-	-	-	-	-	-	(2,584,936)	(2,584,936)
Balance - September 30, 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

	Common Stock		Warrants	Stock Options	Contributed Surplus	Cumulative Translation Reserve	Accumulated Deficit	Total
	Shares*	Amount						
Balance - October 1, 2012	21,884,989	\$ 46,461,706	\$ 3,221,248	\$ 2,533,547	\$ 7,986,279	\$ (603,149)	\$ (24,690,084)	\$ 34,909,547
Common shares and warrants issued for cash	10,000,000	8,900,000	1,100,000	-	-	-	-	10,000,000
Issuance costs	-	(953,280)	(118,660)	-	-	-	-	(1,071,940)
Broker warrants	-	-	161,258	-	-	-	-	161,258
Common shares issued related to resource properties	20,000	23,000	-	-	-	-	-	23,000
Expired warrants	-	-	(3,200,572)	-	3,200,572	-	-	-
Stock options granted	-	-	-	310,035	-	-	-	310,035
Stock options expired	-	-	-	(759,177)	759,177	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	1,243,194	(1,389,540)	(146,346)
Net loss	-	-	-	-	-	-	(2,714,297)	(2,714,297)
Balance - September 30, 2013	31,904,989	\$ 54,431,426	\$ 1,163,274	\$ 2,084,405	\$ 11,946,028	\$ 640,045	\$ (28,793,921)	\$ 41,471,257

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 Years Ended September 30, 2014 and 2013
(Expressed in Canadian Dollars)

	2014	2013
Cash Flows from Operating Activities		
Net loss for the period	\$ (2,584,936)	\$ (4,103,837)
Items not affecting cash:		
Amortisation	169,141	210,908
Stock-based compensation	136,683	274,700
Deferred lease inducement	(3,300)	(3,300)
Foreign exchange gain on write down of resource properties	(169,536)	-
Write down of resource properties	1,765,532	1,887,197
	<u>(686,416)</u>	<u>(1,734,332)</u>
Net Changes in non-cash working capital:		
Receivables	237,454	(332,786)
Prepaid expenses	(23,640)	9,740
Accounts payable and accrued liabilities	6,221	(438,065)
	<u>(466,381)</u>	<u>(2,495,443)</u>
Cash Flows from Financing Activities		
Share capital	4,800,000	8,900,000
Warrants	1,200,000	1,100,000
Share and warrant issuance costs	(206,892)	(910,682)
	<u>5,793,108</u>	<u>9,089,318</u>
Cash Flows from Investing Activities		
Mineral properties and deferred exploration costs	(3,699,497)	(7,523,381)
Reclamation bonds	(4,156)	(851)
Equipment	(74,571)	-
	<u>(3,778,224)</u>	<u>(7,524,232)</u>
Change in Cash	1,548,503	(930,357)
Effect of exchange rate changes on cash	45,651	81,176
Cash and Cash Equivalents - Beginning of year	4,322,878	5,172,059
Cash and Cash Equivalents - End of year	<u>\$ 5,917,032</u>	<u>\$ 4,322,878</u>
Supplemental Cash Flow Information		
Non- cash financing and investing activities		
Common shares issued pursuant to resource property	\$ 7,050	\$ 23,000

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 consolidated 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. These policies are based on IFRS effective as of September 30, 2014. The Board of Directors approved the statements on January 23, 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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

a) Foreign Currency Transactions

Items included in the financial statements of the Company and its subsidiary (the "Group") are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's consolidated financial statements are presented in Canadian Dollars. Costs of the Company and Kilo Inc. are primarily incurred in Canadian dollars. Costs of the Company's partnership interests are primarily incurred in United States Dollars.

The Company translates monetary assets and liabilities at the rate of exchange in effect at the statement of financial position date and non-monetary assets and liabilities at historical exchange rates. Income and expenses are translated at average rates in the month they occur. Gains and losses on translation are recorded in profit and loss.

The Company translates the assets and liabilities of its partnership interests at the rate of exchange in effect at the statement of financial position date. Income and expenses are translated at the rate of exchange prevailing at the date of the transaction. All resulting exchange differences are recognized in other comprehensive income and accumulated in a separate component of shareholders' equity called Cumulative Translation Reserve.

b) Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid short-term money market investments such as bankers acceptance notes, treasury bills and guaranteed investment certificates with maturities of 90 days or less.

c) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Any excess of the purchase price over fair value is recorded as goodwill. Acquisition-related costs are recognized in profit or loss as incurred.

d) Resource Properties

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project, or a portion thereof, is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures relating thereto of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

3. Significant Accounting Policies (continued)

d) Resource Properties (continued)

Exploration and Evaluation Expenditures (continued)

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a development property and is classified as 'mines under construction'. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Resource properties are classified as intangible assets.

e) Reclamation Bonds

Cash which is subject to contractual restrictions on use is classified separately as reclamation bonds. Reclamation bonds are classified as loans and receivables.

f) Property, Plant and Equipment

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is provided over the estimated useful lives of the assets on the following basis and rates per annum:

Building	25 years on a straight line basis
Vehicles	5 years on a straight line basis
Furniture and fixtures	5 years on a straight line basis
Equipment	5 years on a straight line basis
Computer equipment	3 years on a straight line basis

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

An item of property, plant and equipment is derecognized upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in income or loss for the period.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property, plant and equipment and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

3. Significant Accounting Policies (continued)

g) Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

h) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the statement of financial position and their corresponding tax value, using the substantively enacted tax rates expected to apply when these temporary differences are reversed. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

i) Share-based Payments

Equity-settled share based payments to employees (including directors and senior executives) and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of the share-based payment is measured by reference to the fair value of the equity instrument granted, which in turn is determined using the Black-Scholes option-pricing model on the date of the grant, with management's assumptions for the risk-free rate, dividend yield, volatility factors of the expected market price of the Company's common shares, and the expected life of the options.

The fair value of the equity-settled share based payments is expensed over the period in which the performance and/or service conditions are fulfilled, ending on the date in which the grantee becomes fully entitled to the award, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. Vesting assumptions are reviewed at each reporting date to ensure they reflect current expectations.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

3. Significant Accounting Policies (continued)

j) Decommissioning Liabilities

The Company's mining exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations or constructive obligations.

Accrued site closure costs are recorded at the time an environmental disturbance occurs, and are measured at the Company's best estimate of the expected value of future cash flows required to reclaim the disturbance upon site closure, discounted to their net present value. The net present value is determined using a pre-tax discount rate that is specific to the liability. The estimated net present value is re-measured on an annual basis or when changes in circumstances occur and/or new material information becomes available. Increases or decreases to the provision arise due to changes in legal or regulatory requirements, the extent of environmental remediation required and cost estimates. The net present value of the estimated costs of these changes is recorded in the period in which the change is identified and quantifiable.

Upon initial recognition of site closure costs, there is a corresponding increase to the carrying amounts of related assets and the cost is amortized as an expense on a unit-of-production basis over the life of the related assets. The value of the provision is progressively increased over the life of the operation as the effect of discounting unwinds, such increase is recognized as interest expense.

As at September 30, 2014 and 2013, the Company is not committed to any decommissioning obligations in respect of its mineral exploration properties.

k) Other Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

l) Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

m) Other Comprehensive Income (Loss)

Other Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit or loss such as foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

n) Loss Per Share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. During the years ended September 30, 2014 and 2013, all the outstanding stock options, warrants and brokers' compensation options were anti-dilutive.

3. Significant Accounting Policies (continued)

o) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

p) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss are recognized immediately in the Consolidated Statement of Comprehensive Loss.

Financial Assets

The Company recognizes all financial assets initially at fair value and classifies them into one of the following specified categories: fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), available-for-sale ("AFS") and loans and receivables. HTM instruments and loans and receivables are measured at amortized cost. AFS instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the year. The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) is based on quoted market prices at the date of the Statement of Financial Position. The quoted market price used for financial assets held by the Company is the current bid price.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period. Other financial liabilities including borrowings are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. Significant Accounting Policies (continued)

p) Financial Instruments (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company's financial assets and liabilities are classified and subsequently measured as follows:

Asset/Liability	Classification	Subsequent Measurement
Cash and cash equivalents	FVTPL	Fair value through profit or loss
Receivables	Loans and receivables	Amortized cost
Reclamation bonds	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

q) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the Statement of Comprehensive Loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

r) Valuation of Equity Instruments in Private Placements

The Company adopted a relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued using the Black-Scholes option pricing model and the share price at the time of financing. The shares are valued based on quoted market price. The proceeds from the issue of units are allocated between share capital and reserve for warrants. If and when the warrants are exercised, the applicable amounts of reserve for warrants are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to capital stock. For those warrants that expire after vesting, the recorded value is transferred to share-based payment reserve.

s) Critical Accounting Judgments and Estimation Uncertainties

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.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

3. Significant Accounting Policies (continued)

s) Critical Accounting Judgments and Estimation Uncertainties (continued)

Recoverability of Resource Properties costs and Property, Plant and Equipment

The Company assesses all exploration and evaluation assets 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 of disposal 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 Resource Property Interests

Although the Company has taken steps to verify title to resource 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 amortization 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, forfeiture rate 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 Note 9.

Changes in accounting standards

On October 1, 2013, the Company adopted the following new standards, amendments to standards and interpretations:

- IFRS 10 Consolidation
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements
- IAS 28 Investment in Associates and Joint Ventures

The adoption of these accounting standards had no impact on these financial statements.

t) 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 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

As at September 30, 2013	Land	Buildings	Vehicles	Furniture and Fixtures	Equipment	Computer Equipment	Total
Cost							
Balance, October 1, 2012	\$ 130,192	\$ 286,154	\$ 785,936	\$ 23,746	\$ 285,819	\$ 24,260	\$ 1,536,107
Additions	-	-	-	-	-	-	-
Effects of Movements in Exchange Rates	6,237	13,709	30,823	-	11,716	-	62,485
Balance, September 30, 2013	136,429	299,863	816,759	23,746	297,535	24,260	1,598,592
Accumulated depreciation							
Balance, October 1, 2012	-	(46,709)	(565,565)	(19,395)	(156,081)	(24,260)	(812,010)
Depreciation	-	(12,996)	(130,357)	(3,439)	(64,116)	-	(210,908)
Effects of Movements in Exchange Rates	-	(1,000)	(26,754)	-	(8,408)	-	(36,162)
Balance, September 30, 2013	-	(60,705)	(722,676)	(22,834)	(228,605)	(24,260)	(1,059,080)
Net carrying amount as at September 30, 2013	\$ 136,429	\$ 239,158	\$ 94,083	\$ 912	\$ 68,930	\$ -	\$ 539,512

5. Resource Properties

	October 1, 2013	Net Additions (Recoveries)	Write-Off's	Transfer of Licences	Currency Translation Adjustments	September 30, 2014
KGL-Somituri (a)	\$ 36,908,069	\$ 3,292,167	\$ (1,748,297)	\$ -	\$ 3,119,363	\$ 41,571,302
KGL-Isiro (c)	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

	October 1, 2012	Net Additions (Recoveries)	Write-Off's	Transfer of Licences	Currency Translation Adjustments	September 30, 2013
KGL-Somituri	\$ 27,937,690	\$ 7,841,292	\$ -	\$ -	1,129,087	\$ 36,908,069
KGL-ERW	241,967	23,000	(73,194)	(229,517)	37,744	-
KGL-Isiro	-	58,555	-	229,517	(9,956)	278,116
KGL-Sihu	1,754,005	-	(1,814,002)	-	59,997	-
	\$ 29,933,662	\$ 7,922,847	\$ (1,887,196)	\$ -	1,216,872	\$ 37,186,185

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)

a) KGL-Somituri (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 commenced the process of acquiring a further 4% interest by effecting a cash payment of \$25,000. The issuance of 5,000 shares in the Company was effected in April 2014 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.

d) KGL-Sihu SPRL

On November 15, 2006, the Company acquired an option to acquire a 100% interest in twelve Research Permits for mineral properties in the DRC comprising approximately 370 square kilometres. The KGL-Sihu SPRL partnership was created on July 23, 2007, and is 99% owned by the Company; the remaining 1% is held by a former director of the Company.

Registration of the Research Permits in the name of KGL-Sihu SPRL was concluded in the year ended September 30, 2011. The Company's obligations with respect to the acquisition of the properties were concluded with payment of 40,000 United States Dollars during the year ended September 30, 2011, and the issuance of 1,265,217 common shares of the Company during the year ended September 30, 2012 (see note 8).

The Research Permits had an April 6, 2013 expiry, at which time the permits were not renewed as the Company determined that it did not have any further plans to explore or develop the KGL-SIHU properties. The Company has written off all acquisition and exploration costs associated with the properties in the amount of \$1,814,002 during the year ended September 30, 2013.

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.

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 September 30, 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 September 30, 2014 on the resource properties in the DRC, the Company's management estimates that no future obligations for site restoration costs exist as at September 30, 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, 2012 to September 30, 2014. Share numbers* are expressed as new (post-consolidation) shares.

	Number* of Shares		Amount
Balance - September 30, 2012	21,884,989	\$	46,461,706
Issued for cash	10,000,000		8,900,000
Issued related to resource properties	20,000		23,000
Issuance costs			(953,280)
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	56,680,869	\$	58,918,266

8. Share Capital (continued)

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.

During the year ended September 30, 2013, the Company:

- a) Issued 10,000,000 units (pursuant to a prospectus) for proceeds of \$10,000,000, of which \$1,100,000 was allocated to warrants (see note 9).

Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$1.50 per share at any time on or before March 20, 2016.

In connection with the prospectus, the Company paid fees totaling \$1,071,940 of which \$118,660 was allocated to warrants, and issued 292,665 warrants to agents. The fair value of these warrants was estimated to be \$161,258, of which \$161,258 was allocated to issuance costs of warrants (see note 9).

- b) Issued 20,000 common shares at \$1.15 per share pursuant to a Letter Agreement as discussed in note 5 (b).

9. Warrants

	Number* of Warrants	Amount	Weighted Average Exercise Price
Balance - September 30, 2012	4,623,735	\$ 3,221,248	\$ 0.30
Expired	(4,598,735)	(3,200,572)	(0.30)
Issued March 2013	10,000,000	1,100,000	1.50
Issued to Agents	292,665	161,258	1.00
Issuance costs		(118,660)	
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	36,040,915	\$ 2,455,916	\$ 0.67

9. Warrants (continued)

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%

During the year ended September 30, 2013, the Company:

- i. Issued 100,000,000 warrants in connection with a prospectus as described in note 8(a). Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per share at any time on or before March 20, 2016. Subsequent to the share consolidation, ten (10) warrants exercised for a total of \$1.50 are required to purchase one new share.
The fair value of the warrants was estimated to be \$1,100,000 based on the examination of the prevailing market price of common share of the Company and discussion with various agents.
- ii. Issued 2,926,650 warrants to agents in connection with a prospectus as described in note 8(a). Each warrant 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 March 20, 2015. Subsequent to the share consolidation, ten (10) warrants exercised for a total of \$1.00 are required to purchase one new share.

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	\$0.09
Expected dividend yield	Nil
Risk-free interest rate	1.25%
Expected life	2 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 September 30, 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

- 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.
- 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.

- 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.

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

	Number* of Options	Amount	Weighted Average Exercise Price
Balance - September 30, 2012	2,037,128	\$ 2,533,547	\$ 2.80
Granted/vested	705,000	310,035	1.20
Expired	(615,728)	(759,177)	(2.10)
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

* Restated to reflect post share consolidation position

10. Stock Options and Agent Options (continued)

During the year ended September 30, 2013, the Company:

- (i) Issued 705,000 stock options to directors, employees and consultants. Each option entitles the holder to purchase one common share of the Company at a price of \$1.20 per share at any time on or before June 19, 2018.

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%

- a. As at September 30, 2014, the following stock options were outstanding:

		Number of Options*		
Exercise Price*		Unvested	Vested	Total
\$ 4.50	-	-	55,000	55,000
3.00	-	-	86,000	86,000
2.00	-	-	500,000	500,000
2.80	-	-	500,000	500,000
2.00	-	-	30,000	30,000
2.20	-	-	30,000	30,000
2.20	-	-	30,000	30,000
2.20	-	-	30,000	30,000
1.20	172,500	-	303,125	475,625
	172,500	-	1,564,125	1,736,625

*Adjusted to reflect 1:10 share consolidation March 2014

During the year ended September 30 2014, share based payments of \$6,643 (2013 - \$35,335) were capitalized to resource properties.

11. Income Taxes

(i) Income tax expense

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax recovery in the consolidated financial statements:

	<u>2014</u>	<u>2013</u>
Loss before income taxes	\$ (2,584,936)	\$ (4,103,837)
Statutory tax rate	<u>26.50%</u>	<u>26.50%</u>
Expected income tax recovery	(685,008)	(1,087,517)
Stock-based compensation	36,221	72,796
Non-deductible expenses	1,587	1,433
Share issuance costs	(29,747)	64,449
Change in loss carry forwards	87,647	-
Change in rates	<u>-</u>	<u>49,439</u>
	(589,300)	(899,400)
Change in deferred taxes not recognized	<u>589,300</u>	<u>899,400</u>
Net expected deferred income tax recover	<u>\$ -</u>	<u>\$ -</u>

(ii) Deferred Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	<u>2014</u>	<u>2013</u>
Deferred Tax Assets		
Resource Properties	\$ 3,138,585	\$ 2,720,213
Amounts related to tax loss and credit carry forwards	4,346,980	4,050,352
Capital assets	61,224	51,261
Share issuance costs	<u>335,991</u>	<u>471,674</u>
	7,882,780	7,293,500
Deferred taxes not recognized	<u>(7,882,780)</u>	<u>(7,293,500)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>
Net deferred tax liabilities	<u>\$ -</u>	<u>\$ -</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax liabilities result primarily from amounts not deductible for accounting purposes until future periods. Deferred income tax assets result primarily from operating tax loss carry forwards and have been offset against deferred income tax liabilities.

11. Income Taxes (continued)

(iii) Loss Carry Forwards

The Company has non-capital losses of approximately \$16,328,943 available for carry forward. Potential income tax benefits of the losses have not been recorded in the financial statements. These losses expire as follows:

2026	\$	148,018
2027		981,026
2028		1,717,728
2029		1,716,700
2030		2,127,010
2031		2,945,072
2032		2,359,757
2033		2,880,923
2034		<u>1,452,709</u>
	\$	<u>16,328,943</u>

12. Related Party Transactions

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

During the year ended September 30, 2014 the Company entered into the following related party transactions:

	2014	2013
Directors fees	\$ 144,000	\$ 190,000
Management and consulting fees paid to CEO and CFO	\$ 345,600	\$ 384,000
Legal fees paid to Miranda Alliance, Etude Kabinda, and MBM-Conseils, legal firms of which a member is the spouse of the then incumbent CEO	\$ 156,511	\$ 63,960

During the year ended September 30, 2013 the Company granted 5,900,000 stock options to management and directors. Included in share-based compensation for the year ended September 30, 2014 is \$136,683 (2013 - \$270,644) related to stock options granted to management and directors. Included in the additions to resource properties during the year ended September 30, 2014 is \$6,643 (2013- \$32,498) related to stock options granted to management.

As at September 30, 2014, accounts payable and accrued liabilities included \$Nil (September 30, 2013 - \$12,291) related to various related parties disclosed above.

13. 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 September 30, 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 September 30, 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 September 30, 2014, the Company has current assets of \$6,140,099 (September 30, 2013- \$4,759,760) and current liabilities of \$813,275 (September 30, 2013 - \$ 1,063,487). 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 \$5,326,824 as at September 30, 2014 (September 30, 2013 - \$3,696,273).

Market risk

(iv) 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.

(v) 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 September 30, 2014, the Company had cash of \$4,440,189, accounts receivable of \$142,500 and accounts payable and accrued liabilities of \$540,578 denominated in United States Dollars. As at September 30, 2014, the Company had accounts payable of 74,533 United Kingdom Pounds Sterling and accounts payable of 22,322 South African Rand.

13. Financial Instruments and Other Risks (continued)

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 September 30, 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 \$3,375 over a three month period.

As at September 30, 2014, cash and cash equivalents include \$4,440,189 United States Dollars, accounts receivable include \$142,500 United States dollars, and accounts payable and accrued liabilities include \$540,578 United States Dollars, 74,533 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 \$416,843.

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 \$13,548.

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.

14. Capital Disclosures

The company's objective when managing capital is to raise sufficient funds to execute its exploration plan. At September 30, 2014, the company's capital consists of shareholder's equity in the amount of \$47,859,814.

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 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 year ended September 30, 2014.

15. Commitments

- a. 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.
- b. 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

- c. Additional commitments are disclosed in note 5.
- d. Subsequent to year end, the Company was served with a claim filed in connection with the termination of a consulting agreement during the year ended September 30, 2014. The claim calls for damages totaling \$321,000 plus undetermined special damages. The Company is currently assessing its options and believes it is too early to assess the outcome and therefore has not recorded any provision in these financial statements.

16. 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	\$ -	\$ 41,992,601
Property, Plant and Equipment	2,651	480,995
Reclamation Bonds	-	70,610
September 30, 2014	\$ 2,651	\$ 42,544,206
Resource Properties	\$ -	\$ 37,186,185
Property, Plant and Equipment	913	684,945
Reclamation Bonds	-	66,454
September 30, 2013	\$ 913	\$ 37,937,584

17. Subsequent events

Subsequent to September 30, 2014:

- The Company 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.
- The Company granted 1,460,000 stock options to directors, officers, consultants and contractors to purchase common shares of the Company under its Employee Stock Option Plan. Each option is exercisable for a five year period to acquire one common share at a price of \$0.10 per share.