

Management Discussion and Analysis of the unaudited condensed interim Consolidated Financial Statements
For the three and six months ended March 31, 2017

Kilo Goldmines Ltd.

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**KILO GOLDMINES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
For the three and six months ended March 31, 2017**

This Management Discussion and Analysis (“MD&A”) of Kilo Goldmines Ltd. (“Kilo” or the “Company”) is prepared as at May 17, 2017 and provides an analysis of the Company’s performance and financial condition for the three and six months ended March 31, 2017 (“the Year”).

This MD&A should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the three and six months ended March 31, 2017, including the related note disclosure, as well as the Company’s audited annual financial statements for the year ended September 30, 2016. The financial statements are presented on a consolidated basis with its wholly owned subsidiaries Kilo Goldmines Inc. (“Kilo Inc.”) and Kilo Isiro Atlantic Ltd. and the 71.25% subsidiary KGL Somituri SARL, and its equity interest in Isiro (Jersey) Limited and KGL Isiro SARL, 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 or the Company’s website at www.kilogoldmines.com.

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. (“Kilo”, “the Company”) is a junior resource company with gold exploration properties in the Democratic Republic of the Congo (“DRC”). To date, the Company has 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 and continuing exploration 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.

Following the successful financing which raised gross proceeds of \$10.0 million in July and August 2016, the Company commenced its planned exploration program on three untested targets on the Somituri properties. The program included approximately 8,900 metres of drilling on the Imbo licence, to be followed by further mapping, soil sampling and trenching of the south-eastern portion of the licence where BLEG stream sediment sampling has previously been conducted. In addition the program includes stream sediment sampling on the other five licences which comprise the Somituri Project, which are as yet undrilled. Drilling commenced in October 2016, and to March 31, 2017 nine holes for a total of 1,406.6 metres have been completed at Adumbi South; fourteen holes for a total of 2,169.6 metres have been completed at Kitenge, and eleven holes for a total of 1,554.7 metres have been completed at Adumbi West.

At this stage it is not intended to conduct further drilling at the above three targets, and instead drilling has moved to the Adumbi Propect where four holes of approximately 470 metres each are planned to test the depth extensions of this body. As of May 17, 2017 one hole has been completed to a depth of 470.15 metres, and two holes are in progress, at 313.7 metres and 76.5 metres respectively..

Kilo entered into a joint venture agreement with Randgold for gold exploration on the Company's Isiro properties held in KGL Isiro SARL ("Isiro"). Subsequently the Company received a notice of claim to recover the exploration permits registered in the name of KGL Isiro Sarl. The court dismissed the claim on July 11, 2016. The Plaintiff subsequently appealed the Court's decision, and the Company filed a counter appeal for damages. The Appeal has been heard, and Summary Judgement was delivered on May 2, 2017 at which time the Appeal Court again ruled in favour of the Company. The Company has also made application for force majeure on the Isiro properties to extend the title and exploration period beyond February 2017 by the period that the properties have been under litigation.

Principal Business and Corporate History

Kilo Goldmines Ltd. 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.

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 Interim 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 June 30, 2014 on a consolidated basis under the new CUSIP number 49427Y503. The Company continues trading under the KGL symbol.

Corporate Developments

On the Isiro licences, Randgold is financing all exploration for which they will obtain incremental ownership based on milestone events. Randgold has up to five years to establish a pre-feasibility ("PFS") study to earn 51%, and 65% for the completion of a bankable feasibility ("BFS") should Kilo not contribute post PFS to maintain its interest. If diluted to 10% or less, Kilo's equity will convert to a 1.5% royalty. As disclosed in the MDA for the period ended March 31, 2014, the Company received a notice of claim to recover the exploration permits registered in the name of KGL Isiro Sarl, and work was temporarily suspended pending outcome of litigation. The court dismissed the claim on July 11, 2016. The Plaintiff subsequently appealed the Court's decision, and the Company filed a counter appeal

for damages. The Appeal has been heard, and Summary Judgement was delivered on May 2, 2017 in favour of the Company.

Kilo continues with its agreement for a progressive buy out of its 25% minority partner in the Isiro properties, Suez Holdings Ltd, which has a free carried interest through production for non-iron commodities in the Isiro licences under the current Kilo – Suez agreement. As of March 31, 2017 Kilo has a beneficial interest of 78.5% of the gold interest. In 2016, the Company issued 10,600 shares followed by payments totaling USD\$70,000, leaving a payment of USD\$30,000 which, when paid, will complete the acquisition of an 82.25% beneficial interest. The Company may make further cash payments of USD\$490,000 over the next 3 years to complete the buy-out of the 25% gold interest initially held by Suez. Should Kilo Goldmines Inc. not acquire the residual gold interests, Suez has the ability to convert their remaining interest into a royalty. All share issuances in terms of the transaction have now been fulfilled. The transaction has been approved by the TSXV.

Overall Performance

The Company's activities focused on continuing its exploration and evaluation programs on its existing properties in the Democratic Republic of the Congo, investing net \$2,788,944 in the six months ended March 31, 2017 (2016: \$1,056,491) on Exploration and Evaluation ("E&E"). E&E expenditures incurred prior to the establishment of technical feasibility and commercial viability are charged to operations as incurred. The Exploration section below sets out in greater detail the activities during the period. The comprehensive loss for the six months ended March 31, 2017 was \$4,135,749 compared to a loss of \$1,644,551 for the comparable period in 2016, reflecting the increase in exploration activity.

Capital Stock and Financing

In November 2015 the Company issued 10,600 shares to complete the share issuances payable to Suez described in the Corporate Developments section above.

On December 24, 2015 the Company completed a non-brokered private placement, for gross proceeds of \$909,537. The offering consisted of 12,993,386 Units, each unit comprising one common share and one common share purchase warrant to acquire one additional common share until December 24, 2017. Warrants are exercisable at \$0.095. In connection with the offering the Company paid \$36,171 as broker fees, legal fees of \$31,577, and issued 369,090 broker warrants with a fair value of \$20,721, each exercisable to acquire one common share of the Company at a price of \$0.07 until December 24, 2017.

On July 25, 2016 the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$930,000. The tranche consisted of 9,300,000 Units, each unit comprising one common share and one common share purchase warrant to acquire one additional common share until July 24, 2018. Warrants are exercisable at \$0.135.

On August 25, 2016 the Company closed the second and final tranche of a non-brokered private placement for gross proceeds of \$9,070,000. The tranche consisted of 90,700,000 Units, each unit comprising one common share and one common share purchase warrant to acquire one additional common share until August 25, 2018. Warrants are exercisable at \$0.135.

In connection with the offering the Company paid broker fees of \$450,030 and legal and other fees of \$146,919.

EXPLORATION AND OPERATIONS

KGL SOMITURI SPRL

The Somituri Project now consists of six *Permis d'Exploitation* ("PE") (Exploitation Licence), held 71.25% by KGL Somituri Sprl and valid until 2039, covering 361 square kilometres of the Ngayu Archaean Greenstone Belt in Oriental Province of the Democratic Republic of Congo.

Each of the Company's permits has been assigned a name, which is referenced in the exploration discussion below accordingly as follows: Gambi (PE137), Boroda (PE138), Nane (PE140), Imbo (PE9691), Ngazi (PE9692), and Dhahabau (PE9695).

The properties are underlain by Upper Kibalian, clastic and chemical metasedimentary rocks including banded iron formation ("BIF"), metavolcanics, schists, localized dioritic intrusives and occasional felsic dykes.

During 2015 an extensive Bulk Leach Extractable Gold("BLEG") stream sediment sampling program was undertaken over previously unexplored areas of the Imbo licence. Results of this program indicate a south-eastward extension of the Adumbi-Kitenge-Manzako mineralized trend over a strike of 7 km. Rock chip sampling delivered values of up to 15.1g/t Au. Upon completion of the BLEG program and interpretation of the results, the Somituri exploration project was placed on care-and-maintenance in mid-June 2015.

Subsequent to the closing of the financing in August 2016 described in the section Capital Stock and Financing above, the Company embarked on a new phase of exploration, commencing with a diamond drill programme targeting three coincident geochemical and geophysical anomalies in the vicinity of the Company's Adumbi prospect. This programme commenced in October 2016 and was completed in March 2017. Drilling to test down-dip extensions of relatively high grade mineralization at the Adumbi prospect is currently in progress. Further investigation of the southeastern BLEG anomaly, initially by means of detailed mapping, soil sampling and trenching is scheduled to commence in May 2017. Stream sediment (BLEG) sampling will also be carried out over the Gambi, Boroda, Nane, Ngazi and Dhahabau licences later in the year.

Imbo

Drilling on the Imbo licence between October 2016 and March 2017 was designed to test coincident soil geochemical and geophysical anomalies on the following three targets located within 4 km of the Company's Adumbi prospect (Inferred Resource of 19.11 Mt @ 2.2 g/t Au for 1.362 M oz of gold):

Adumbi South Target:

This target lies 480 m to the south of the Adumbi prospect, and is defined by a 1.4 km-long magnetic anomaly that appears to be demagnetized in places, and a >200 ppb gold-in-soil anomaly. Nine drill holes (1,407 m) on 3 traverses have been completed. The drilling has shown that the linear magnetic feature is caused by magnetite-bearing chlorite schist, and supports the interpretation that the lithologies at Adumbi South are similar to those at the Canal prospect, which forms the southeastern extension of the main Adumbi mineralization. Hydrothermal alteration comprises zones of foliation-parallel quartz veining up to 11 m in width, with individual veins <1 m across; pyrite, +/- pyrrhotite, +/- arsenopyrite occurs locally within the veins and sheared country rock, and pyrite also locally replaces magnetite in the chlorite schist. However, gold mineralization was restricted to low-grade and/or narrow zones (e.g. 1 m @ 3.85 g/t Au) and no further drilling is planned.

Adumbi West Target:

This target is defined by a 1.7 km-long linear magnetic anomaly and a coincident gold-in-soil anomaly with values of 50 ppb – 1,000 ppb. This magnetic feature is similar to that which defines the banded ironstone formation (BIF) at the Adumbi prospect. Eleven holes totalling 1,555 m were drilled on two traverses.

Drilling has shown that the strong magnetic anomaly is caused by chlorite schist with abundant disseminated magnetite, rather than the expected BIF. The magnetite-chlorite schist is probably a facies equivalent of the Adumbi BIF, and represents an area where a greater proportion of clastic material was deposited with the chemically precipitated iron oxide. Intersections of 1.45 m @ 8.53 g/t Au and 1.30 m @ 2.31 g/t Au were drilled in Holes AWDD002 and AWDD004, associated with a zone of quartz veining, silicification and pyritization, on strike with artisanal workings to the northwest. This zone probably represents the northwestern strike extension of the Adumbi structure, and indicates that the structure is cross-cutting the lithological strike at an acute angle. Whereas at Adumbi the structure is hosted by the chemically reactive BIF, at Adumbi West it is within quartz-carbonate schist in the hangingwall of the Fe-rich horizon. No further drilling is planned at Adumbi West at this stage.

Kitenge Extension Target:

This target lies to the northwest of the Kitenge prospect, and is defined by an approximately 2 km-long magnetic feature with a coincident gold-in-soil anomaly with values from 50 ppb to 450 ppb. A total of 14 holes (2,170 m) were completed on 6 traverses.

The drilling has shown that the linear magnetic feature is caused by magnetite-bearing chlorite schist within a package of quartz-carbonate schist, and the lithological sequence is similar to the Canal prospect southeast of Adumbi. Hydrothermal alteration is associated with strike-parallel shear zones, some of which affect earlier breccia zones containing clasts of vein quartz and country rock, indicating several phases of tectonism and alteration. The hydrothermal activity has caused a general “bleaching” of the sheared host rock, and quartz veins parallel to the foliation are common. Disseminated sulphides (pyrite, +/- pyrrhotite, +/- arsenopyrite) are locally associated with the veins and sheared host rock. In general low-grade gold mineralization was found to occur over narrow widths, although several relatively high grade intersections were drilled (1.60 m @ 10.52 g/t Au, and 0.80 m @ 23.90 g/t Au). No further drilling is planned.

Adumbi Prospect:

At the main Adumbi prospect, a program of four drill holes totalling approximately 1,900 m commenced in late March 2017, to test the depth extensions of a zone of high grade mineralization termed the Replaced Rock Zone (“RP Zone”). This zone is associated with intense alteration and structural deformation that has completely destroyed the primary lithological characteristics of the host rock. Previous drilling shows that the RP Zone continues along strike for 840 m and down dip to 275 m below surface. The average true width and weighted average grade of all previous drill hole intersections of the RP Zone is 4.91 meters at 5.44 g/t Au. In the central 480 m portion of the Adumbi prospect the average is 6.41 meters @ 6.25 g/t Au. The RP zone is seen to have potential for underground exploitation, and establishing depth continuity could add significantly to the Company’s resource base. The current four drill holes are targeting the down-plunge extensions of relatively high grade shoots within the RP zone, with the aim of intersecting the mineralization about 100 m below the previous deepest drilling

Reconnaissance East of the Imbo River:

Preparations are in progress for the recommencement of exploration in the eastern part of the Imbo Licence area, where stream sediment and rock chip sampling indicate an extension of the Adumbi/Kitenge/Manzako mineralized trend over a strike of about 7 km. The programme is expected to start in May 2017, and will entail soil sampling at 40 m intervals along 160 m-spaced lines, over an area of 4 km x 1.5 km in the central part of the target. Rock chip sampling and mapping will be carried out at the same time as the soil programme, with anomalies followed up initially by trenching and/or augering.

Ngazi, Nane, Gambi, Boroda, and Dhahabau

In preparation for the stream sediment (BLEG) sampling program on these licences, PhotoSat Information Ltd was contracted to compile hydrography vector maps using WorldView-3 satellite imagery. The technique provides accurate maps of the drainage systems, which are normally invisible on standard satellite images and aerial photographs due to the dense forest cover.

Other properties:

Isiro

Under a joint venture agreement, Randgold optioned 12 Exploration Licences covering 2,056.76 km² 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.

To date, a soil geochemical survey has been conducted, followed by mapping, pitting and trenching.

On three of the five 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 gold-in-soil geochemical anomalies of which five have received follow up work in the form of detailed mapping, pitting and trenching.

A total of 8,870 soil samples have been collected on a staggered 400 metre by 200 metre grid on five of the seven Isiro Greenstone Belt Exploration Licences. Five 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.

No field work has been carried out on the joint venture properties during 2016/ 2017 pending finalization of the litigation over the affected properties. Application has been made for force majeure over the properties to extend the licences by the period under litigation.

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

EXPLORATION EXPENDITURES

Total expenditures on the properties during the three months ended March 31, 2017 were \$2,083,636 (2016: \$703,668). Activities for the period are discussed in the exploration section above.

	KGL- Somituri	KGL Isiro	Total
Acquisition and sustaining costs	255,000	3,177	258,177
Drilling	1,289,869	-	1,289,869
Project Camp	123,621	37,483	161,104
Sampling	71,985	-	71,985
Professional fees	76,439	-	76,439
Project management/ Administration	102,536	-	102,536
Geological and Geochemical	84,414	-	84,414
Travel	32,329	-	32,329
Other	6,783	-	6,783
Net spend March quarter 2017	2,042,976	40,660	2,083,636
Year to date spend 2017	2,702,293	86,651	2,788,944

For the comparable period ending March 31, 2016 the project expenditures were as follows:

	KGL- Somituri	KGL Isiro	Total
Acquisition and sustaining costs	333,336	27,504	360,840
Drilling	-	-	-
Helicopter support	-	-	-
Project Camp	126,386	-	126,386
Sampling	-	-	-
Professional fees	89,824	-	89,824
Project management/ Administration	65,449	-	65,449
Geological and Geochemical	18,579	-	18,579
Travel	23,111	-	23,111
Other	19,479	-	19,479
Net spend March Quarter 2016	676,164	27,504	703,668
Year to date 2016	1,003,086	53,405	1,056,491

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 and evaluation of mineral properties incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and prior to a decision to proceed with mine development are charged to operations as incurred, as are regulatory and other expenditures incurred to maintain the administrative infrastructure required to operate in Canada.

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the preceding eight quarters:

Financial Year:	2017		2016				2015	
\$'000	Mar 2017	Dec 2016	Sept 2016	June 2016	Mar 2016	Dec 2015	Sept 2015	June 2015
Net revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gain/(Loss) before other items	(3,250)	(893)	(806)	(534)	(1,069)	(559)	(508)	(1,381)
Currency translation adjustment	(11)	18	(7)	-	(33)	18	22	12
Comprehensive Gain/(Loss)	(3,261)	(875)	(813)	(534)	(1,102)	(541)	(486)	(1,369)
Loss per share basic and diluted	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.03)

Factors Affecting Quarterly Results

Quarterly fluctuations mainly reflect the level of exploration expenditure, the expensing of stock based compensation, and foreign exchange fluctuations arising from movements of the CAD exchange rate against the United States dollar. Management and consultancy fees reflect that no CEO compensation is currently paid. Other administrative cost variations are generally not significant.

The operating loss for the six months ended March 31, 2017 was \$4,142,439 as compared to a loss of \$1,629,227 for the six months ended March 31, 2016 as detailed in the three and six month tables below:

	Six months ended		Three months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Amortization	13,417	13,417	6,708	6,709
Foreign exchange	143,429	32,838	154,888	20,965
Office and miscellaneous	64,233	64,804	30,613	31,861
Management and consulting fees	72,000	74,500	36,000	36,000
Professional fees	74,050	59,790	30,345	34,017
Directors' fees	80,000	80,000	40,000	40,000
Shareholder communication	36,531	33,421	20,771	16,471
Share-based payments	806,680	124,968	806,680	120,510
Transfer agent and regulatory fees	26,775	53,759	21,400	45,484
Travel and promotion	35,833	33,173	17,656	7,916
Exploration expenses	2,788,944	1,056,491	2,083,636	703,668
Banking fees	3,073	2,509	1,129	1,255
Interest income	(2,527)	(443)	-	-
Gain/(Loss) for the period	(4,142,439)	(1,629,227)	(3,249,827)	(1,064,856)
Currency translation adjustment	6,690	(15,324)	(11,168)	(33,032)
Total Comprehensive Gain/(Loss) for the Period	(4,135,749)	(1,644,551)	(3,260,995)	(1,097,888)

The increase over the prior year is largely due to the recommencement of exploration and evaluation activity, as well as the expensing of stock based compensation.

Liquidity and Capital Resources

As March 31, 2017, the Company had cash resources of \$5,210,757 compared to \$8,832,003 at September 30, 2016. The Company had working capital of \$5,177,677 compared to working capital amounting to \$8,674,023 as at September 30, 2016.

The Company raised total gross proceeds of \$10,909,000 through private placements during the year ended September 30, 2016. 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, 2017.

Treasury Summary

The Company had the following outstanding as at March 31, 2017:

Shares	169,684,855
Warrants	139,095,726
Options	11,750,000

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, 2017.

COURSE OF BUSINESS TRANSACTIONS

Transactions with Related Parties

During the six months ended March 31, 2017, transactions with related parties were:

	Six months ended March 31,			
	2017		2016	
Directors fees	\$	80,000	\$	80,000
Management and consulting fees paid to CEO/CFO	\$	72,000	\$	72,000

Included in share-based compensation for the six months ended March 31, 2017 is \$563,400 (2016 - \$106,800) related to stock options granted to management and directors. As at March 31, 2017, accounts payable and accrued liabilities included \$Nil (2016 - \$Nil) due to various parties disclosed above.

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 JUDGEMENTS 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.

Recoverability of Property, Plant and Equipment

The Company assesses all 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 note 10 of the Annual Consolidated Financial Statements for the year months ended September 30, 2016.

Warrants

Management uses judgement to determine the inputs to the Black-Scholes option pricing model including the expected life of the warrant, volatility, and dividend yield and making assumptions about them. The assumptions used for estimating the fair value of warrants are disclosed in Note 9 of the Annual Consolidated Financial Statements.

Determination of control of subsidiaries and joint arrangements

Judgement is required to determine when the Company has control of subsidiaries or joint control of joint arrangements. This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making, financing of the investee, and the appointment, remuneration and termination of key management personnel; and when the decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors. Judgement is also required when determining the classification of a joint arrangement as a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement. Changes to the Company's access to those rights and obligations may change the classification of that joint arrangement.

Management has determined that it controls KGL Somituri SARL as the Company directs the business of the partnership and no one investee can effect a change in this control, and have consolidated the operations of KGL Somituri SARL in these financial statements. Management has determined that the Company has significant influence in Isiro (Jersey) Limited and KGL Isiro SARL based on their current ownership interest in these entities and their ability to affect the operating and capital decision-making and have accounted for the operations of these entities using the equity method of accounting. Management has determined that the Company does not have joint control due to the terms of the Joint Venture Agreement with Randgold Resources Limited, relating to Isiro (Jersey) Limited and KGL Isiro SARL. The Joint Venture Agreement sets out that the decision-making rights are based on voting interest; as a result no joint arrangement exists.

International Financial Reporting Standards ("IFRS")

Note 3 to the unaudited interim consolidated financial statements for the three and six months ended March 31, 2017 sets out significant accounting policies in accordance with IFRS.

BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, International Financial Reporting ("IAS 34"), and do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2016 and notes there to, which were prepared in accordance with International Financial Reporting Standards Board ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), as issued by the International Accounting Standards Board ("IASB"). The consolidated interim financial statements were authorized for issue by the Board of Directors on May 17, 2017.

The accounting policies applied in the Company's interim consolidated financial statements for the three and six months ended March 31, 2017, are based on IFRS effective as of that date, and have been applied consistently in all periods unless otherwise stated, and should be read in conjunction with the Company's interim consolidated financial statements for the three and six months ended March 31, 2017 together with the notes thereto. Consolidated financial statements have been prepared on the historical cost basis and are presented in Canadian Dollars. The functional currency of the Company and Kilo Inc. is the Canadian Dollar. The functional currency of KGL Somituri SARL, Isiro (Jersey) Limited, KGL Isiro SARL and Kilo Isiro Atlantic Ltd. is the United States Dollar.

The consolidated financial statements 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, 2017, the Company reflected an operating loss of \$4,142,439 (2016: Loss \$1,629,227), and as of that date, the Company's deficit was \$81,116,170 (September 30, 2016 - \$76,973,731). The Company intends to raise financing when needed in order to fund 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
Bid Bond	Loans and receivables
Receivables	Loans and receivables
Reclamation bonds	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Bid bond payable	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

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company is not exposed to any significant credit risk as at March 31, 2017. The Company's cash and cash equivalents and bid bond are on deposit with a highly rated banking group.

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, 2017, the Company had current assets of \$5,311,863 (September 30, 2016: \$8,832,003) and current liabilities of \$134,186 (September 30, 2016: \$157,980). 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. Working capital of the Company is \$5,177,677 as at March 31, 2107. As disclosed in the Capital Stock and Financing section, the Company raised \$10,909,000 in gross proceeds through private placements during the year ended September 30, 2016.

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, 2107, the Company had cash of \$2,773,542 United States Dollars, accounts receivable of \$45,599 United States Dollars and accounts payable and accrued liabilities of \$11,499 United States Dollars. As at March 31, 2017, the Company also had accounts payable of 35,787 United Kingdom Pounds Sterling.

(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 interim 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 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied.

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 / CFO has evaluated whether there were changes to the ICFR during the three and six months ended March 31, 2017 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, 2017, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

OTHER MD&A REQUIREMENTS

As at May 17, 2017, the Company had 169,684,885 common shares outstanding. If the Company were to issue 139,095,726 common shares upon conversion of all its outstanding warrants and 11,750,000 common shares upon conversion of all its outstanding options it would raise \$15,934,158.

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.