

Management Discussion and Analysis of the audited Annual Consolidated Financial Statements  
For the year ended September 30, 2015

**Kilo Goldmines Ltd.**

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## AMENDED

This Management Discussion and Analysis of the audited Annual Consolidated Financial Statements for the year ended September 30, 2015 is amended to reflect that the MDA is prepared as at January 27, 2016, the date of filing.

The initial filing reflected a date of January 21, 2015. No other information has been amended.

**KILO GOLDMINES LTD.  
MANAGEMENT DISCUSSION & ANALYSIS  
For the year ended September 30, 2015**

*This Management Discussion and Analysis (“MD&A”) of Kilo Goldmines Ltd. (“Kilo” or the “Company”) is prepared as at January 27, 2016 and provides an analysis of the Company’s performance and financial condition for the year ended September 30, 2015 (“the Year”).*

*This MD&A should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended September 30, 2015, including the related note disclosure. The Company’s audited annual financial statements are presented on a consolidated basis with its subsidiaries Kilo Goldmines Inc. and KGL Somituri SPRL and the partnership interests described in the notes to the financial statements, and are prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar figures included therein and in the following discussion and analysis are quoted in the functional currency of Canadian dollars unless otherwise specified. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company’s website at [www.kilogoldmines.com](http://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. is a junior resource company with gold exploration properties in the Democratic Republic of the Congo (“DRC”). The Company is currently engaged in exploration and evaluation of its properties and has no producing asset as yet. The Company’s Somituri Project delivered its maiden NI 43-101 report in 2011 on the Adumbi Prospect. Continuing ongoing exploration to date has culminated in an updated resource on Adumbi as well as a new NI 43-101 resource on the Kitenge and Manzako Prospects, released on January 30, 2014. The Company’s longer term objective is to create a multi-pit operating mine of regional significance. The Company is also engaged in a joint venture with Randgold Resources Ltd. (“Randgold”) for gold exploration on certain of the Company’s other properties, initially held in the KGL-ERW SPRL entity and, for purposes of the current Randgold joint venture, now held in KGL Isiro SARL. Due to capital market constraints, the Company is evaluating financing alternatives including other possible joint ventures for ongoing development of its DRC projects.

**Principal Business and Corporate History**

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

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

## **Amalgamation**

On September 27, 2007, Old Kilo announced that it had entered into a Letter Agreement (the “Agreement”) with Blue Ribbon, a public corporation formed as a capital pool company. Pursuant to the Agreement, Blue Ribbon was able to acquire all of the issued and outstanding shares of Old Kilo (the “Going Public Transaction”).

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

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

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

## **Corporate Developments**

Mr Michael Skead, who served as Interim President and CEO from October 8, 2014, resigned with effect from May 31, 2015. The current CFO, Philip Gibbs, is serving as Interim CEO from that date.

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

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

The terms of the agreement are:

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

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

The transaction involves an aggregate of 635 000 USD in cash and 35,600 shares (post-consolidation) over a 6 year period. To date the Company has acquired 14% of Suez's (25%) interest through the payment of \$75,000 and the issuance of 30,000 shares , and has commenced the process of acquiring a further 15% by issuance of 5,600 shares and a payment of \$25,000 with a further payment of \$75,000 still required to complete this portion of the buyout. All share issuances in terms of the transaction have now been fulfilled. The transaction has been approved by the TSXV.

As disclosed in 2014, the Company received a notice of claim to recover the exploration permits registered in the name of KGL Isiro Sarl. We are of the opinion that this claim has no merit and is of a vexatious and opportunistic nature and the claim has not advanced.

On January 19, 2016 the Company announced that it has entered into a definitive joint venture agreement with Randgold DRC Ltd (Randgold) on the Somituri licences.

Under the terms of the agreement Randgold will manage exploration activities, and a joint venture committee with representation from both parties will direct the project. Randgold will manage and fund all exploration of the permit areas until the completion of a prefeasibility study. Once the Joint Venture has determined to move ahead with a full feasibility study, a special purpose vehicle ("SPV") would be created to hold the specific discovery areas. Subject to the DRC's carried interest, Randgold would retain 65% of the SPV with KGL's DRC 71.25% subsidiary, KGL-Somituri SARL, holding the balance of 35%. Randgold can earn an additional 5% on completion of a bankable feasibility study should KGL choose not to co-fund the feasibility study. KGL will be required, from the completion of a feasibility study, to fund its pro-rata share of the SPV in order to maintain its interest or be diluted.

The agreement is subject to regulatory and shareholder approvals.

### **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 approximately net \$3,550,800 in the year ended September 30, 2015 (2014: \$3,404,464). During the year, the Company retrospectively amended its accounting policy for exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability which are now charged to operations as incurred. Under the previous accounting policy, exploration and evaluation expenditures were capitalized to the specific mineral property. The Exploration section below sets out in greater detail the activities on the various properties during the period. The operating loss for the year ended September 30, 2015 was \$4,266,655 compared to an operating loss of \$4,406,745 for the comparable period ended September 30, 2014.

### **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 Finders' fees, and issued 369,090 Finders' warrants, each exercisable to acquire one common share of the Company at a price of \$0.07 until December 24, 2017.

## EXPLORATION AND OPERATIONS

### KGL SOMITURI SPRL

Following relinquishment of 2 permits, 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. (PE's 9693 and 9694 were not renewed in 2015 and as a consequence a write-down of \$1,748,297 was recorded against Resource Properties in the year ended September 2014 under the accounting policy prevailing at that time.)

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 the occasional felsic dyke.

In April 2014, the Company engaged a new team of geologists who commenced an extensive review of the geological data and operational methodology to establish a sound base for further phases of exploration. This review process was completed in the year ended September 30, 2015.

During the year an extensive 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 completing the BLEG (Bulk Leach Extractable Gold) stream sediment sampling program and interpretation of the results, the Somituri exploration project was placed on care-and-maintenance in mid-June 2015 to conserve cash.

Exploration work conducted in the year to date, is summarised below.

#### ***Imbo***

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

Systematic bulk density determinations were completed on core from all Adumbi drill holes. Measurements were taken at 1 m intervals within the mineralized zones, and at 2 m intervals in unmineralized rock, resulting in a total of 5,360 readings all of which passed the company's QC criteria. Reliable data is now available for resource calculations for the oxide zone (1,384 measurements), transition zone (826 measurements) and sulphide zone (3,150 measurements). Bulk density determinations were also carried out within the main mineralized zone at Kitenge, resulting in 183 measurements in 29 drill holes.

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

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

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

A study was made of the multi-element data for the previously completed soil sampling survey, with the main objective of determining whether areas of transported and residual soil can be distinguished geochemically. It was found that: (a) the residual soils overlying the metasedimentary and metavolcanic terrains have very distinct geochemical characteristics, and (b) areas interpreted from airborne radiometrics and pitting to be covered by transported overburden, have elemental abundances indicating mixing of metasedimentary and metavolcanic components.

A detailed stream sediment sampling program over the whole of the Imbo licence was completed, with the objective of identifying and prioritising new targets outside the known areas of mineralization. A total of 216 sampling sites were selected using satellite imagery, to test drainage catchments with an average area of 0.75 km<sup>2</sup>. The results indicate a southeastward extension of the Adumbi-Kitenge-Manzako mineralized trend over a strike of 7km. This extension lies to the east of the Imbo River, in an area not previously explored by the Company.

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

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

No exploration was conducted on these licences during the year ended September 30, 2015.

#### **Other properties:**

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

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

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

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

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

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

## EXPLORATION EXPENDITURES

The table below sets out the expenditures for the year ended September 30, 2015:

Expenditure on the KGL-Somituri properties was \$3,550,800 (2014: \$3,404,464). Activities for the period are discussed in the exploration section above.

	KGL-Somituri	KGL Isiro	Total
Acquisition and sustaining costs	244,935	52,450	297,385
Drilling	-	-	-
Helicopter support	-	-	-
Project Camp	729,453	-	729,453
Sampling	139,399	-	139,399
Professional fees	376,451	-	376,451
Project management/ Administration	805,161	-	805,161
Geological and Geochemical	999,765	-	999,765
Travel	188,208	-	188,208
Other	14,977	-	14,977
<b>Net spend</b>	<b>3,498,350</b>	<b>52,450</b>	<b>3,550,800</b>

For the comparable period ending September 30, 2014 the project expenditures were as follows:

	<b>KGL- Somituri</b>	<b>KGL Isiro</b>	<b>Total</b>
Acquisition and sustaining costs	477,945	26,050	503,995
Drilling	-	-	-
Helicopter support	58,210	-	58,210
Project Camp	818,285	-	818,285
Sampling	98,731	-	98,731
Professional fees	788,791	80,240	869,031
Project management/ Administration	312,770	-	312,770
Geological and Geochemical	386,300	-	386,300
Travel	162,793	-	162,793
Other	175,001	19,348	194,349
<b>Net spend</b>	<b>3,278,826</b>	<b>125,638</b>	<b>3,404,464</b>

## 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, restated for the change to the accounting policy regarding exploration and evaluation expenditures:

<b>Financial Year:</b>	2015				2014			
	<b>Sept</b>	<b>June</b>	<b>Mar</b>	<b>Dec</b>	<b>Sept</b>	<b>June</b>	<b>Mar</b>	<b>Dec</b>
	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
<b>\$'000</b>								
Net revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gain/(Loss) before other items	(508)	(1,381)	(1,423)	(954)	(736)	(1,370)	(1,217)	(1,084)
Currency translation adjustment	22	(12)	40	16	25	(17)	19	12
Comprehensive Gain/(Loss)	(486)	(1,393)	(1,383)	(938)	(711)	(1,387)	(1,198)	(1,072)
Loss per share basic and diluted	(0.01)	(0.03)	(0.02)	(0.02)	(0.01)	(0.02)	(0.04)	(0.03)



## Factors Affecting Quarterly Results

Quarterly fluctuations mainly reflect the level of exploration activity as well as foreign exchange fluctuations arising from movements of the CAD exchange rate against British pounds sterling and the United States dollar. Other administrative cost variations are generally not significant, with the exception of March quarter 2014 and December quarter 2013 which reflected cost savings implemented over these periods, including reductions affecting director and senior management compensation.

The operating loss for the year ended September 30, 2015 was \$4,266,655 as compared to a loss of \$4,406,745 for the year ended September 30, 2014.

	Year ended		Three months ended	
	30-Sep-15	30-Sep-14	30-Sep-15	30-Sep-14
Amortization	50,776	169,141	(9,848)	42,387
Foreign exchange	(446,448)	(471,004)	(154,916)	(355,882)
Office and miscellaneous	115,906	156,479	27,300	35,733
Management and consulting fees	410,459	330,600	37,650	81,000
Professional fees	58,816	165,755	16,570	8,165
Directors' fees	160,000	144,000	40,000	40,000
Shareholder communication	146,864	147,090	17,338	42,065
Share-based payments	83,421	136,683	27,935	23,324
Transfer agent and regulatory fees	32,694	105,044	3,603	3,551
Travel and promotion	78,734	166,723	1,957	21,344
Exploration expenses	3,570,911	3,587,341	498,573	753,592
Gain from sale of equipment	-	(230,000)	-	-
Banking fees	7,116	7,774	1,498	1,812
Interest income	(2,594)	(8,881)	-	(4,602)
<b>Gain/(Loss) for the period</b>	<b>(4,266,655)</b>	<b>(4,406,745)</b>	<b>(507,661)</b>	<b>(692,492)</b>
<b>Currency translation adjustment</b>	<b>66,298</b>	<b>38,704</b>		
<b>Total Comprehensive Gain/(Loss) for the Period</b>	<b>(4,200,357)</b>	<b>(4,368,041)</b>	<b>(507,661)</b>	<b>(692,492)</b>

## Liquidity and Capital Resources

As September 30, 2015, the Company had cash resources of \$1,271,945 compared to \$5,355,444 at September 30, 2014. The Company had working capital of \$1,197,037 compared to working capital amounting to \$5,326,876 as at September 30, 2014.

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

As a mineral exploration and development company with no current production or revenue from mining operations, the Company's cash flows consist of cash outflows for exploration and evaluation, administrative expenses, salaries, property acquisition, and expenditures for depreciable equipment. Financing activities, such as share issuances and shareholder loans, result in cash inflows to the Company. Since its inception, the Company has relied on capital markets (and in particular, equity

markets) to fund its exploration and evaluation activities as well as its investments in machinery and equipment. The Company is dependent on obtaining future financing for exploration and evaluation of its resource properties and for any new projects

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

## CAPITAL DISCLOSURES

Canadian Institute of Chartered Accountants (“CICA”) Handbook, requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. The Company's capital is composed of shareholders' equity. The Company's objective is to raise sufficient capital to execute its exploration plan. The Company does not use any capital-based metrics. The Company does not have any externally imposed capital requirements. There have not been any changes to the overall capital risk management strategy during the year ended September 30, 2015.

### Treasury Summary

Following the share consolidation effected on March 28, 2014, and the private placement financing in May 2014, the Company had the following outstanding as at September 30, 2015:

Shares	56,680,869
Warrants	35,748,250
Options	1,301,625

Full details of share issuances as well as warrant and option transactions are provided in notes 10 and 11 to the audited annual consolidated financial statements for the year ended September 30, 2015.

## COURSE OF BUSINESS TRANSACTIONS

### Transactions with Related Parties

During the year ended September 30, 2015, transactions with related parties were:

	2015	2014
Directors fees	\$ 120,000	\$ 104,000
Management and consulting fees paid to CEO and CFO	\$ 348,000	\$ 249,600
Legal fees paid to BTM Lawyers and MBM-Conseils, legal firms of which a member is the spouse of the former CEO	\$ 26,820	\$ 104,441

Included in share-based compensation for the year ended September 30, 2015 is \$43,511 (2014 - \$136,683) related to stock options granted to management and directors.

### Off-Balance Sheet Transactions

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

## **Proposed Transactions**

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

## **CRITICAL ACCOUNTING ESTIMATES**

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

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

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

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

### **Title to Mineral Properties**

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

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

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

## Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in notes 9 and 10 of the Annual Financial Statements for the year ended September 30, 2015.

## International Financial Reporting Standards ("IFRS")

Note 3 to the audited consolidated financial statements for the year ended September 30, 2015 sets out significant accounting policies in accordance with IFRS.

### Change in accounting Policy

During the year ended September 30, 2015, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized acquisition costs and deferred exploration and evaluation expenditures of mineral properties to the specific mineral properties, net of recoveries received.

Under the new policy, acquisition costs and deferred exploration and evaluation expenditures 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 required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the Company included the restated consolidated statement of financial position as at October 1, 2013. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the Company's activities.

The consolidated financial statement impact as at October 1, 2013 is as follows:

	As previously reported	Effect of change in accounting policy	As restated
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>			
Resource properties	37,186,185	(37,186,185)	-
Total assets	42,551,911	(37,186,185)	5,365,726
Cumulative translation reserve	640,045	(647,379)	(7,334)
Deficit	(28,793,921)	(36,538,806)	(65,332,727)
Total shareholders' equity	41,471,257	(37,186,185)	4,285,072
Total liabilities and shareholders equity	42,551,911	(37,186,185)	5,365,726

The consolidated financial statement impact as at September 30, 2014 is as follows:

	As previously reported	Effect of change in accounting policy	As restated
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>			
Resource properties	41,992,601	(41,992,601)	-
Total assets	48,686,956	(41,992,601)	6,694,355
Cumulative translation reserve	3,663,355	(3,631,986)	31,369
Deficit	(31,378,857)	(38,360,615)	(69,739,472)
Total shareholders' equity	47,859,814	(41,992,601)	5,867,213
Total liabilities and shareholders equity	48,686,956	(41,992,601)	6,694,355
<b>CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS</b>			
Exploration and evaluation expenditures	-	3,417,805	3,417,805
Write-down of resource properties	1,765,532	(1,765,532)	-
Loss for the year	(2,584,936)	(1,821,809)	(4,406,745)
Currency translation adjustment	3,023,310	(2,984,606)	38,704
Total comprehensive income/(loss) for the year	438,374	(4,806,415)	(4,368,041)
Basic and diluted loss per share	(0.06)	(0.04)	(0.10)
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>			
Net loss for the year	(2,584,936)	(1,821,809)	(4,406,745)
Write-down of resource properties	1,765,532	(1,765,532)	-
Mineral properties and deferred exploration costs	(3,699,497)	3,699,497	-

## BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated annual financial statements were authorized for issue by the Board of Directors on January 22, 2016.

The accounting policies applied in these condensed consolidated financial statements have been applied consistently in all periods presented unless otherwise stated, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2015 together with the notes thereto.

The policies applied in the Company's annual consolidated financial statements for the year ended September 30, 2015, are based on IFRS effective as of that date. Consolidated financial statements have been prepared on the historical cost basis and are presented in Canadian Dollars. The functional currency of the Company is the Canadian Dollar.

The consolidated financial statements for the year ended September 30, 2015, have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not generated revenue from operations. During the year ended September 30, 2015, the Company reflected an operating loss of \$4,266,655 (2014: Loss \$4,406,745), and as of that date, the Company's deficit was \$74,006,127 (September 30, 2014 - \$69,739,472). The Company intends to raise financing

to fund further exploration and operating activities. Whilst the Company has been successful in the past in raising funds, there is no assurance it will be able to do so in the future.

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

## FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

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

### Fair Values

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

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

### Credit risk

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 September 30, 2015. 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 September 30, 2015, the Company had current assets of \$1,399,912 and current liabilities of \$202,875. 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 \$1,197,037 as at September 30, 2015. As disclosed in the Capital Stock and Financing section, the Company raised \$6.0 million gross in May 2014, and in December 2015 a further \$909,000 gross through private placements.

## **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 September 30, 2015, the Company had cash of \$878,686 and accounts receivable of \$13,635 United States Dollars and accounts payable and accrued liabilities of \$21,043 United States Dollars. As at September 30, 2015, the Company also had accounts payable of 66,180 United Kingdom Pounds Sterling; and accounts payable of 22,322 South African Rand.

### (iii) Price risk

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

## **Future Accounting Changes**

IFRS 9 (Financial Instruments: Classification and Measurement), effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. IFRS 9 also replaces the models for measuring the equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

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

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

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

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

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

The CEO and CFO have evaluated whether there were changes to the ICFR during the year ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the ICFR. As a result, no such significant changes were identified through their evaluation.

There have been no material changes in the Company's internal control over financial reporting during the year ended September 30, 2015, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

#### **OTHER MD&A REQUIREMENTS**

As at January 22, 2016 the Company had 69,684,855 common shares outstanding. If the Company were to issue 49,110,726 common shares upon conversion of all its outstanding warrants and 1,215,625 common shares upon conversion of all its outstanding options it would raise \$25,291,108.

#### **QUALIFIED PERSON**

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

#### **ADDITIONAL INFORMATION**

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