Management Discussion and Analysis of the unaudited Consolidated Financial Statements
For the three and six month periods ended March 31, 2014

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KILO GOLDMINES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
For the three and six month periods ended March 31, 2014

This Management Discussion and Analysis ("MD&A") of Kilo Goldmines Ltd. ("Kilo" or the "Company") is prepared as at May 13, 2014 and provides an analysis of the Company's performance and financial condition for the three and six months ended March 31, 2014 ("the Quarter"). The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee.

This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements for the period ended September 30, 2013, including the related note disclosure. The Company's interim unaudited 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*** *or the Company's website at* ***www.kilogold.net****.*

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

Executive Summary

Kilo Goldmines Ltd. is a junior resource company with gold exploration properties in the Democratic Republic of the Congo ("DRC"). The Company is currently engaged in exploration and evaluation of its properties and has no producing asset as yet. The Company's Somituri Project delivered its maiden NI 43-101 report in 2011 on the Adumbi Prospect. Continuing ongoing exploration to date has culminated in an updated resource on Adumbi as well as a new NI 43-101 resource on the Kitenge and Manzako Prospects, released on January 30, 2014. The Company is engaged in a joint venture with Randgold Resources Ltd. for gold exploration on certain of the Company's properties.

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".

Corporate Developments

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.

Subsequent to the end of the reporting period, the Company closed a non-brokered private placement for gross proceeds of $6.0 million on May 2, 2014. Further particulars of this financing are provided in the 'Capital Stock and Financing' section below.

The recent key developments have been the release of the Kitenge/Manzako NI 43-101 resource report and the updating of the Adumbi resource announced in January 2014. In addition, encouraging results have been received from work carried out by Randgold Resources plc ("RRL") under the Joint Venture ("JV") on the KGl 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
- 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 buyout is simultaneous for Suez' gold interest in the Isiro licences, as well as Suez' interest in a Kilo DRC subsidiary, KGL ERW Sprl, which holds permit PR 2274.
The transaction involves an aggregate of 635 000 USD in cash and 356 000 shares over a 6 year period. To date the Company has acquired 6% of Suez's (25%) interest through the payment of $25,000 and the issuance of 250,000 shares. (Share numbers are reflected on a pre-consolidation basis and are subject to consolidation). The transaction has been approved by the TSXV.

The Company has received a notice of claim to recover the exploration permits presently 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.

Overall Performance

The Company's activities are focused on continuing its exploration and evaluation programs on its existing properties in the Democratic Republic of the Congo, investing approximately net $1.7 million in the six month period ended March 31, 2014. The Exploration section below sets out in greater detail the activities on the various properties during the period. The operating loss for the three month period ended March 31, 2014 was $53,901 compared to a loss of $593,011 for the three months ended March 31, 2013.

Capital Stock and Financing

In November 2013 the Company issued 300,000 (pre-consolidation) shares to Masters SPRL in fulfillment of final obligations relating to the now discontinued KGL Masters SPRL project.

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

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

EXPLORATION AND OPERATIONS DURING THE THREE AND SIX MONTHS ENDED MARCH 31, 2014.

KGL SOMITURI SPRL

The Somituri Project consists of eight *Permis d'Exploitation* ("PE") (Exploitation Licence), held 71.25% by KGL Somituri Sprl and valid until 2039, covering 606 square kilometres of the Ngayu Archaean Greenstone Belt in Oriental Province of the Democratic Republic of Congo.
Each permit has been allocated a name, and is referenced in the exploration discussion below accordingly as follows: Gambi (PE137), Boroda (PE138), Nane (PE140), Imbo (PE9691), Ngazi (PE9692), Mpaka (PE9693), Embolim (PE9694) and Dhahabau (PE9695). The properties are underlain by Upper Kibalian, clastic and chemical metasedimentary rocks including banded iron formation ("BIF"), metavolcanics, schists, localized dioritic intrusives and the occasional felsic dyke, with the exception of the Mpaka and Embolim Licences. The western half of the Embolim Licence is underlain with the Upper Kibalian rocks, and the eastern half is underlain with basement granitic rocks. The Mpaka Licence is entirely underlain by basement granitic rocks.

During the three and six month periods ended March 31st, 2014 the exploration program consisted of:

- bulk density determinations on drill core samples
- surface geological mapping,
- surveying of drill collars, drill section line profiles, roads, baselines and artisanal sites

- an independent soil geochemical data review
- and finalisation of the updated resource estimate calculations on the Somituri Project's Imbo Exploitation Licence.

In addition, analytical data was received for Ngazi and Nane soil samples; data compilation and interpretation is ongoing.

Imbo

Geological mapping was carried out over the Kitenge and Manzako deposits. The positions of outcrops, colonial-era and subsequent artisanal areas of exploitation were delineated, and drill collars, trenches and roads were recorded and plotted at a scale of 1:500.

Bulk density determinations, by the comparison of sample weight in water and sample weight in air method, were conducted either on site or by ALS Minerals. To date a total of 1,808 density determinations have been performed on the Adumbi deposit, 1,595 on the Kitenge deposit and 862 on the Manzako deposit.

The baseline established in 2010 from the Adumbi deposit southeast to the Kitenge deposit as well as the baseline on the Manzako deposit were re-established and concrete markers with a steel pin were placed every 200 metres. In addition, cut lines were established from each drill collar in the direction of drilling as well as several hundred metres in the opposite direction. Young, Stuart & Associates Inc., Topographical, Engineering and Land Surveyors based in Alberton, South Africa established three survey control stations, within the Somituri project exploration camp near the Adumbi deposit, under contract to Kilo. A national survey grid system has not been established in the northeastern DRC hence, coordinates of the control markers were tied into a recognizable feature on an orthorectified 1:1,000 scale satellite image. Following establishment of the survey control stations easting, northing and elevation coordinates for the 2010 to 2013 Kitenge and Manzako drill holes and trenches were obtained. Concrete markers with a steel pin were placed at each end of the trenches, wherever possible, prior to surveying. In addition, roads, drill section profiles and areas of exploitation were surveyed.

Analytical Solutions Ltd, a Toronto based consulting firm, reviewed the soil geochemical data for the Imbo Licence. The review concluded that the soil geochemical data supported the lithological interpretation based on an interpretation of the airborne magnetic and radiometric survey data; metasedimentary and metavolcanic domains were identifiable by the element associations and these domains coincided with the interpreted lithological domains. Analytical Solutions concluded that the medium sampled had undergone nil to minimal horizontal transport. Six exploration target areas, void of any known historical or current exploitation, were defined by anomalous gold-in-soil values overlying metavolcanic rocks. In addition, two areas underlain by metasedimentary rocks were delineated as gold-in-soil anomaly exploration targets.

The London UK office of Roscoe Postle Associates Inc ("RPA"), a Toronto based consulting firm, finalised mineral resource estimates for the Imbo licence gold deposits, and an updated NI 43-101 report was released on January 30, 2014. The RPA report concluded 20.78 million tonnes grading 2.5 g/t Au for 1.675 million ounces gold in three deposits, namely Adumbi, Kitenge and Manzako. RPA considered Adumbi exploitable as an open pit operation and both Kitenge and Manzako exploitable as underground operations. Further details are presented in the press release dated January 30, 2014, and the full report may be found on SEDAR and on the Company's website, www.kilogoldmines.com.

All of the 2010 and 2011 drill core and trench sample rejects that were in storage at ALS Minerals in Mwanza, Tanzania were transported back to a Kilo site in the DRC.

Ngazi

Analytical data for the 4,500 in-fill soil samples collected during April to June 2013 was received near the end of 2013. In February 2014, a data compilation concluded the delineation of a four kilometre long gold-in-soil anomaly along the margin of banded iron formation ("BIF") that intersects a cluster of anomalous gold-in-soil values analogous to gold-in-soil values over the Adumbi deposit. The structures are interpreted as intersecting shear zones at a fold nose in BIF. Multiple additional anomalous gold-in-soil values within BIF and metasedimentary/metavolcanic rocks were also delineated. Further details are presented in a press release dated February 18th, 2014.

Nane

Analytical data for the reconnaissance soil samples collected during June and July 2013 was received near the end of 2013. Data compilation and interpretation is underway.

Exploration was not carried out on the Gambi, Boroda, Mpaka, Embolim and Dhahabau Licences during the three and six month periods ended March 31st, 2014.

Other properties:

Kilo – Randgold jv

Under a joint venture agreement, Randgold optioned 12 Exploration Licences covering 2,056.76 km^2 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 during the three month period ended December 31st 2013 and continued into the March 2014 quarter. Kilo provided technical and casual labour as well as logistical support to Randgold, the project operator. A total of 2,414 samples were collected at a grid spacing of 400 metres by 200 metres covering 210 km^2 of the Ngayu Greenstone Belt. Analytical data for some of the 2013 samples was received by RRL in January 2014 and three gold-in-soil anomalies were delineated. During the three months ended March 31, 2014 a total of 1,983 in-fill soils samples were collected over one of these gold-in-soil anomalies covering 15 km^2. In addition soil sampling was carried out over a portion of the optioned licences covering the Isiro Greenstone Belt. Further details are presented in a press release dated February 3, 2014.

Exploration and Operations results obtained during the three and six month periods ended March 31st, 2014 and detailed in Press Releases issued during the period are available on the Kilo website as well as on SEDAR.

EXPLORATION EXPENDITURES

The table below sets out the expenditures for the three months ended March 31, 2014:

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

For the three months ended March 31, 2014, expenditure on the KGL-Somituri properties was $953,501 compared with a spend of $1,747,563 during the comparable period in 2013. Activities included sample analysis, surface mapping and resource report preparation as discussed in the exploration section.

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

RESULTS OF OPERATIONS

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

	Six months ended		Three months ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Amortization	86,086	114,046	43,043	58,204
Foreign exchange	(142,162)	73,822	(99,294)	18,259
Office and miscellaneous	77,792	152,932	31,205	84,672
Management and consulting fees	153,600	192,000	76,800	96,000
Professional fees	68,022	141,395	32,808	69,540
Directors' fees	64,000	95,000	32,000	47,500
Shareholder communication	58,981	114,039	29,308	41,835
Share-based payments	87,636	120,779	43,253	59,525
Transfer agent and regulatory fees	43,911	34,047	41,478	28,517
Travel and promotion	77,592	121,288	40,922	87,304
Exploration expenses written off	-	1,799,853	-	1,799,853
Disposal of assets	(219,266)	-	(219,266)	-
Banking fees	3,686	6,462	1,716	2,755
Interest income	(2,379)	(3,652)	(72)	(1,100)
Gain/(Loss) for the period	(357,499)	(2,962,011)	(53,901)	(2,392,864)
Currency translation adjustment	2,787,161	1,030,712	1,556,731	665,044
Total Comprehensive Gain/(Loss) for the Period	2,429,662	(1,931,299)	1,502,830	(1,727,820)

The operating loss for the three month period ended March 31, 2014 was $53,901 as compared to a loss of $2,392,864 for the three month period ended March 31, 2013 which included a write down of resource properties in the amount of $1,799,853.
The decrease is further attributable to foreign exchange fluctuations - $117,553; management and director fees arising from a 20% reduction implemented October 1, 2013 - $35,421; reductions in services for legal and investor relations - $48,147, proceeds from the disposal of assets of $219,266, and a general focus on cost savings in other areas. The movement in the currency translation adjustment increased by $891,687 over the comparative quarter due to the continued strong movement in the US$/CAD exchange rate.

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the current quarter ending March 31, 2014 and historically for the preceding eight quarters:

Financial Year	2014		2013				2012		
$'000	Mar 2014	Dec 2013	Sept 2013	June 2013	Mar 2013	Dec 2012	Sept 2012	June 2012	Mar 2012
Net revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gain/(Loss) before other items	(54)	(304)	(709)	(433)	(2,393)	(569)	(779)	(305)	(881)
Currency translation adjustment	1,557	1,230	(879)	1091	665	366	(822)	594	(505)
Comprehensive Gain/(Loss)	1,503	927	(1588)	658	(1728)	(203)	(1,601)	289	(1,386)
Net gain/loss, per share basic and diluted	0.05	Nil	Nil	Nil	0.01	Nil	0.01	Nil	0.01

Factors Affecting Quarterly Results

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

Liquidity and Capital Resources

As at March 31, 2014, the Company had cash resources of $2,432,350 compared to $4,322,879 at September 30, 2013. The Company had working capital of $1,783,993 compared to working capital amounting to $3,696,273 as at September 30, 2013.

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

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

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

CAPITAL DISCLOSURES

Canadian Institute of Chartered Accountants ("CICA") Handbook, requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. The Company's capital is composed of shareholders' equity. The Company's objective is to raise sufficient capital to execute its exploration plan. The Company does not use any capital-based metrics. The Company does not have any externally imposed capital requirements. There have not been any changes to the overall capital risk management strategy during the three months ended March 31, 2014.

Treasury Summary

Following the share consolidation effected on March 28, 2014, the Company had the following outstanding as at March 31, 2014:

Shares	31,934,998
Warrants	10,292,665
Options	2,096,400

Full details of share issuances as well as warrant and option transactions are provided in notes 8, 9 and 10 to the unaudited financial statements for the three and six months ended March 31, 2014.

COURSE OF BUSINESS TRANSACTIONS

Transactions with Related Parties

During the six months ended March 31, 2014, transactions with related parties were:

	2014	2013
Directors fees	$ 64,000	$ 95,000
Management and consulting fees paid to CEO and CFO	$ 153,600	$ 192,000

Included in share-based compensation for the six months is $87,636 (2013 - $120,779) related to stock options granted to management and directors, and included in the additions to resource properties for the six months is an allocation of $20,192 (2013 – $20,530) related to stock options granted to management.

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 3(i), 9 and 10 of the Annual Financial Statements for the year ended September 30, 2013.

International Financial Reporting Standards ("IFRS")

Note 3 to the audited consolidated financial statements for the year ended September 30, 2013 sets out significant accounting policies in accordance with IFRS.

BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), and in compliance 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 financial statements were authorized for issue by the Board of Directors on May 13, 2014.

The accounting policies applied in these interim condensed consolidated financial statements are consistent with the policies and methods of computation applied in the most recent annual consolidated financial statements for the year ending September 30, 2013. These interim condensed consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2013 together with the notes thereto.

Accounting policies have been applied consistently to all periods presented, unless otherwise stated.

The policies applied in the Company's unaudited consolidated financial statements for the six months ended March 31, 2014, are based on IFRS effective as of March 31, 2014.

The Company's unaudited consolidated financial statements have been prepared on the historical cost basis.

The unaudited consolidated financial statements for the three and six months ended March 31, 2014, are presented in Canadian Dollars. The functional currency of the Company is the Canadian Dollar.

The unaudited consolidated financial statements for the three and six months ended March 31, 2014, 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, 2014, the Company incurred a comprehensive gain of $2,429,662 (2013 – Loss of $1,931,299), and as of that date, the Company's deficit was $29,124,408 (September 30, 2013 - $28,793,921). The Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. The Company has been successful in the past in raising funds, though 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:

Financial Instrument	Classification
Cash and cash equivalents	FVTPL
Reclamation bonds	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Fair Values

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

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

Credit risk

The Company is not exposed to any significant credit risk as at March 31, 2014. The Company's cash and cash equivalents are on deposit with a highly rated banking group in Canada and holds limited funds in a reputable financial institution in the DRC.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2014, the Company had current assets of $2,671,803 and current liabilities of $887,810. 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 $1,783,993 as at March 31, 2014. As disclosed in the Capital Stock and Financing section, the Company raised a further $6.0 million gross in May 2014, through a private placement.

Market risk

(i) Interest rate risk

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

(ii) Foreign currency risk

The Company's functional currency is primarily the Canadian dollar. The majority of the Company's operating expenses are transacted in Canadian dollars, and the majority of the Company's resource property costs are transacted in United States dollars. As at March 31, 2014, the Company had cash of $1,520,052 United States Dollars and accounts payable and accrued liabilities of $71,525 United

States Dollars. As at March 31, 2014, the Company had accounts payable of 113,729 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, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning October 1, 2015, and has not yet determined the potential impact on the Company's consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The CEO and CFO have evaluated whether there were changes to the ICFR during the three months ended March 31, 2014, 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 months ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

OTHER MD&A REQUIREMENTS

As at May 13, 2014 the Company had 56,680,878 common shares outstanding. If the Company were to issue 36,040,915 common shares upon conversion of all its outstanding warrants and 2,096,400 common shares upon conversion of all its outstanding options it would raise $31,898,108.

QUALIFIED PERSON

The scientific and technical data included in this MD&A has been reviewed by Stanley Robinson, M.Sc., F.GAC., P.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.