Consolidated Financial Statements

Kilo Goldmines Ltd.

For the Years Ended September 30, 2012 and 2011
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kilo Goldmines Ltd.

We have audited the accompanying consolidated financial statements of Kilo Goldmines Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010 and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years ended September 30, 2012 and September 30, 2011 and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kilo Goldmines Ltd. and its subsidiaries as at September 30, 2012, September 30, 2011, and October 1 2010, and its financial performance and its cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
January 22, 2013
Toronto, Ontario

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Kilo Goldmines Ltd.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	September 30, 2012	September 30, 2011	October 1, 2010
		(note 18)	**(note 18)**
Assets			
Current Assets			
Cash and cash equivalents	$ 5,172,059	$ 3,973,264	$ 152,129
Receivables	62,679	233,054	401,791
Prepaid expenses	298,466	336,413	140,236
	5,533,204	4,542,731	694,156
Non-Current Assets			
Resource Properties (note 5)	29,933,662	24,080,176	14,493,752
Property, Plant and Equipment (note 4)	724,097	1,085,781	1,296,523
Reclamation Bonds (note 6)	65,603	129,420	126,000
	$ 36,256,566	$ 29,838,108	$ 16,610,431
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	$ 1,326,552	$ 1,880,001	$ 3,721,605
Non-current Liabilities			
Deferred Lease Inducement (note 7)	20,467	23,767	-
	1,347,019	1,903,768	3,721,605
Shareholders' Equity			
Share Capital (note 8)	46,461,706	36,036,143	22,851,681
Warrants (note 9)	3,221,248	3,627,402	3,361,653
Stock Options (note 10)	2,533,547	2,787,669	2,984,078
Contributed Surplus (note 11)	7,986,279	6,617,767	1,734,673
Cumulative Translation Reserve	(603,149)	830,568	-
Deficit	(24,690,084)	(21,965,209)	(18,043,259)
	34,909,547	27,934,340	12,888,826
	$ 36,256,566	$ 29,838,108	$ 16,610,431

Subsequent Events (note 20)

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

Approved on behalf of the Board

Signed "Alex van Hoeken" , Director

Signed "James Mustard" , Director

Kilo Goldmines Ltd.

Consolidated Statements of Comprehensive Loss
For the Years Ended September 30, 2012 and 2011
(Expressed in Canadian Dollars)

	2012	2011
		(note 18)
Expenses		
Corporate and administrative expenses	$ 1,770,122	$ 2,621,119
Share-based compensation (note 10)	599,138	1,067,072
Amortization	236,173	242,707
Write-down of resource properties (note 5)	166,806	-
Less		
Interest Income	(47,364)	(8,948)
Loss for the Period	(2,724,875)	(3,921,950)
Other Comprehensive Income (Loss) for the Period		
Currency Translation Adjustment (note 3(a))	(1,433,717)	830,568
Total Comprehensive Loss for the Period	$ (4,158,592)	$ (3,091,382)
Income (Loss) per Share - basic and diluted	$ (0.01)	$ (0.03)
Weighted Average Number of Common Shares Outstanding - basic and diluted	212,515,967	130,607,153

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

Kilo Goldmines Ltd.

Consolidated Statements of Changes in Equity
For the Years Ended September 30, 2012 and 2011
(Expressed in Canadian Dollars)

	Common Stock					Cumulative		
	Shares	Amount	Warrants	Stock Options	Contributed Surplus	Translation Reserve	Accumulated Deficit	Total
Balance - October 1, 2011	164,228,984	$ 36,036,143	$ 3,627,402	$ 2,787,669	$ 6,617,767	$ 830,568	$ (21,965,209)	$ 27,934,340
Common shares issued for cash	51,950,000	10,390,000	-	-	-	-	-	10,390,000
Issuance costs	-	(478,000)	-	-	-	-	-	(478,000)
Common shares issued related to								
resource properties	2,670,994	513,563	-	-	-	-	-	513,563
property acquisition	-	-	20,676	-	-	-	-	20,676
Expired warrants	-	-	(426,830)	-	426,830	-	-	-
Stock options granted	-	-	-	687,560	-	-	-	687,560
Stock options expired	-	-	-	(941,682)	941,682	-	-	-
Foreign Currency Translation Adjustment	-	-	-	-	-	(1,433,717)	-	(1,433,717)
Net loss	-	-	-	-	-	-	(2,724,875)	(2,724,875)
Balance - September 30, 2012	218,849,978	$ 46,461,706	$ 3,221,248	$ 2,533,547	$ 7,986,279	$ (603,149)	$ (24,690,084)	$ 34,909,547

	Common Stock					Cumulative		
	Shares	Amount	Warrants	Stock Options	Contributed Surplus	Translation Reserve	Accumulated Deficit	Total
Balance - October 1, 2010	71,254,284	$ 22,851,681	$ 3,361,653	$ 2,984,078	$ 1,734,673	$ -	$ (18,043,259)	$ 12,888,826
Common shares and warrants issued for								
cash	92,054,700	14,768,478	3,642,462	-	-	-	-	18,410,940
Issuance costs	-	(1,349,608)	(325,508)	-	-	-	-	(1,675,116)
Agent's options granted	-	(519,617)	(126,061)	645,678	-	-	-	-
Common shares and warrants issued								
pursuant to exercise of stock options	420,000	83,700	24,300	(24,000)	-	-	-	84,000
Common shares issued pursuant to								
exercise of warrants	500,000	201,509	(51,509)	-	-	-	-	150,000
Expired warrants	-	-	(2,897,935)	-	2,897,935	-	-	-
Stock options granted	-	-	-	1,167,072	-	-	-	1,167,072
Stock options expired	-	-	-	(1,985,159)	1,985,159	-	-	-
Foreign Currency Translation Adjustment	-	-	-	-	-	830,568	-	830,568
Net loss	-	-	-	-	-	-	(3,921,950)	(3,921,950)
Balance - September 30, 2011	164,228,984	$ 36,036,143	$ 3,627,402	$ 2,787,669	$ 6,617,767	$ 830,568	$ (21,965,209)	$ 27,934,340

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

Kilo Goldmines Ltd.

Consolidated Statements of Cash Flow
For the Years Ended September 30, 2012 and 2011
(Expressed in Canadian Dollars)

	2012	2011
Cash Flows from Operating Activities		
Net loss for the period	$ (2,724,875)	$ (3,921,950)
Items not involving cash		
Amortization	236,173	242,707
Stock-based compensation	599,138	1,067,072
Deferred lease inducement	(3,300)	23,767
Donation of land	75,000	-
Write-down of mineral properties	166,806	-
	(1,651,058)	(2,588,404)
Changes in non-cash working capital		
Receivables	170,375	168,737
Prepaid expenses and deposits	131,261	(40,086)
Accounts payable and accrued liabilities	(8,581)	114,980
	(1,358,003)	(2,344,773)
Cash Flows from Financing Activities		
Share capital - private placements	10,390,000	14,768,478
Warrants - private placements	-	3,642,462
Private placement costs	(478,000)	(1,675,116)
Exercise of stock options	-	84,000
Exercise of stock warrants	-	150,000
	9,912,000	16,969,824
Cash Flows from Investing Activities		
Resource property expenditures	(6,036,070)	(11,599,099)
Purchase of capital assets	-	(15,111)
Reclamation bonds	63,817	-
Effect of translation to presentation currency	(1,235,250)	783,694
	(7,207,503)	(10,830,516)
Change in cash	1,346,494	3,794,535
Effect of exchange rate changes on cash	(147,699)	26,600
Cash and cash equivalents - beginning of period	3,973,264	152,129
Cash and cash equivalents - end of period	$ 5,172,059	$ 3,973,264

Non-cash financing and investing activities		
Common shares issued pursuant to resource property acquisition	$ 513,563	$ -
Stock options issued for private placement commissions	$ -	$ 645,678

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

1. Nature of Operations

Kilo Goldmines Ltd.. (the "Company") is a publicly listed company incorporated pursuant to the provisions of the Business Corporations Act (Ontario). The Company's common shares are listed on the TSX Venture Exchange (TSXV: KGL).

The registered address, principal address and records office of the Company is located at 141 Adelaide Street West, Suite 1200, Toronto, Ontario.

The Company is in the process of exploring its mineral resource properties located principally in the Democratic Republic of Congo (the "DRC"). To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The realization of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to develop these properties, and future profitable production or proceeds of disposition from these properties.

2. Basis of Presentation

These consolidated financial statements include the accounts of the Company its subsidiary Kilo Goldmines Inc. ("Kilo Inc.") and the partnership interests described in note 5. All intercompany accounts and transactions have been eliminated.

a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee. These are the Company's first annual consolidated financial statements prepared in accordance with IFRS, and as such, IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied (note 18). Historically, the Company had presented its annual consolidated financial statements in accordance with pre-changeover Canadian generally accepted accounting principles ("Canadian GAAP").

The significant accounting policies (note 3) have been applied consistently to all periods presented in fiscal 2012, and were also applied in the preparation of the opening statement of financial position as at October 1, 2010 (the "Transition Date") for the purposes of transitioning to IFRS in accordance with IFRS 1. The impact of the transition from Canadian GAAP to IFRS is explained in note 18.

The policies applied in the Company's consolidated financial statements are based on IFRS effective as of September 30, 2012. The Board of Directors approved the statements on January 22, 2013.

b) Basis of Measurement

The Company's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value.

c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian Dollars. The functional currency of the Company and Kilo Inc. is the Canadian Dollar. The functional currency of the Company's partnership interests is the United States Dollar.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statements of financial position at October 1, 2010 for the purpose of transitioning to IFRS, unless otherwise indicated.

a) Foreign Currency Transactions

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

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

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

b) Cash and Cash Equivalents

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

c) Business Combinations

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

3. Significant Accounting Policies (continued)

d) Resource Properties

Pre-exploration Costs

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

Exploration and Evaluation Expenditures

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

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

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

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

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

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

Resource properties are classified as intangible assets.

e) Reclamation Bonds

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

3. Significant Accounting Policies (continued)

f) Property, Plant and Equipment

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

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

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

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

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

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

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

g) Impairment of Non-Financial Assets

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

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

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

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

3. Significant Accounting Policies (continued)

h) Income Taxes

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

i) Share-based Payments

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

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

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

j) Decommissioning Liabilities

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

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

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

As at September 30, 2012, September 30, 2011 and October 1, 2010, the Company is not committed to any decommissioning obligations in respect of its mineral exploration properties.

3. Significant Accounting Policies (continued)

k) Other Provisions

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

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

l) Leases

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

m) Other Comprehensive Income (Loss)

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

n) Loss Per Share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. During the years ended September 30, 2012 and 2011, all the outstanding stock options, warrants and brokers' compensation options were anti-dilutive.

o) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at fair value.

3. Significant Accounting Policies (continued)

p) Financial Instruments

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

Financial Assets

The Company recognizes all financial assets initially at fair value and classifies them into one of the following specified categories: fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), available-for-sale ("AFS") and loans and receivables. HTM instruments and loans and receivables are measured at amortized cost. AFS instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period.

The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) is based on quoted market prices at the date of the Statement of Financial Position. The quoted market price used for financial assets held by the Company is the current bid price.

Impairment of Financial Assets

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

Financial Liabilities and Equity Instruments

Financial liabilities

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

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

Offsetting financial instruments

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

3. Significant Accounting Policies (continued)

p) Financial Instruments (continued)

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

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

q) Equity instruments

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

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

r) Critical Accounting Judgments and Estimation Uncertainties

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

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

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

Recoverability of Resource Properties costs and Property, Plant and Equipment

The Company assesses all exploration and evaluation assets and property, plant and equipment at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs 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 Resource Property Interests

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

Property, Plant and Equipment - Estimated Useful Lives

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

3. Significant Accounting Policies (continued)

r) Critical Accounting Judgments and Estimation Uncertainties (continued)

Share-based Payment Transactions

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

s) 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 financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”), effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning October 1, 2013, and has not yet determined the potential impact on the Company's financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”), effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning October 1, 2013, and has not yet determined the potential impact on the Company's financial statements.

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”), effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning October 1, 2013, and has not yet determined the potential impact on the Company's financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13"), effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning October 1, 2013, and has not yet determined the potential impact on the Company's financial statements.

4. Property, Plant and Equipment

As at September 30, 2012	Land	Buildings	Vehicles	Furniture and Fixtures	Equipment	Computer Equipment	Total
Cost							
Balance, October 1, 2011	$ 213,799	$ 305,072	$ 828,472	$ 23,746	$ 301,987	$ 24,260	$ 1,697,336
Additions	-	-	-	-	-	-	-
Dispositions	(75,000)	-	-	-	-	-	(75,000)
Effects of Movements in Exchange Rates	(8,607)	(18,918)	(42,536)	-	(16,168)	-	(86,229)
Balance - September 30, 2012	130,192	286,154	785,936	23,746	285,819	24,260	1,536,107
Accumulated depreciation							
Balance, October 1, 2011	-	(38,000)	(429,835)	(14,647)	(105,513)	(23,560)	(611,555)
Depreciation	-	(11,336)	(162,072)	(4,748)	(57,317)	(700)	(236,173)
Effects of Movements in Exchange Rates	-	2,627	26,342	-	6,749	-	35,718
Balance - September 30, 2012	-	(46,709)	(565,565)	(19,395)	(156,081)	(24,260)	(812,010)
Net carrying amount as at September 30, 2012	$ 130,192	$ 239,445	$ 220,371	$ 4,351	$ 129,738	$ -	$ 724,097

As at September 30, 2011	Land	Buildings	Vehicles	Furniture and Fixtures	Equipment	Computer Equipment	Total
Cost							
Balance, October 1, 2010	$ 210,132	$ 281,794	$ 810,345	$ 23,746	$ 295,097	$ 24,260	$ 1,645,374
Additions	-	15,111	-	-	-	-	15,111
Effects of Movements in Exchange Rates	3,667	8,167	18,127	-	6,890	-	36,851
Balance - September 30, 2011	213,799	305,072	828,472	23,746	301,987	24,260	1,697,336
Accumulated depreciation							
Balance, October 1, 2010	-	(25,269)	(253,299)	(9,898)	(42,361)	(18,024)	(348,851)
Depreciation	-	(11,334)	(162,069)	(4,749)	(59,019)	(5,536)	(242,707)
Effects of Movements in Exchange Rates	-	(1,397)	(14,467)	-	(4,133)	-	(19,997)
Balance - September 30, 2011	-	(38,000)	(429,835)	(14,647)	(105,513)	(23,560)	(611,555)
Net carrying amount as at September 30, 2011	$ 213,799	$ 267,072	$ 398,637	$ 9,099	$ 196,474	$ 700	$ 1,085,781
Net carrying amount as at October 1, 2010	$ 210,132	$ 256,525	$ 557,046	$ 13,848	$ 252,736	$ 6,236	$ 1,296,523

5. Resource Properties

	October 1, 2011	Net Additions (Recoveries)	Write-Offs	Currency Translation Adjustments	September 30, 2012
KGL-Somituri (a)	$ 20,626,100	$ 8,499,799	$ -	$ (1,188,209)	$ 27,937,690
KGL-ERW (b)	1,850,688	(1,354,112)	(166,806)	(87,803)	241,967
KGL-Sihu (c)	1,603,388	254,392	-	(103,775)	1,754,005
KGL-Masters (d)	-	-	-	-	-
KGL-Poko (e)	-	-	-	-	-
	$ 24,080,176	$ 7,400,079	$ (166,806)	$ (1,379,787)	$ 29,933,662

	October 1, 2010	Net Additions (Recoveries)	Write-Offs	Currency Translation Adjustments	September 30, 2011
KGL-Somituri (a)	$ 11,258,231	$ 8,651,412	$ -	$ 716,457	$ 20,626,100
KGL-ERW (b)	1,744,428	56,201	-	50,059	1,850,688
KGL-Sihu (c)	1,491,093	68,517	-	43,778	1,603,388
KGL-Masters (d)	-	-	-	-	-
KGL-Poko (e)	-	-	-	-	-
	$ 14,493,752	$ 8,776,130	$ -	$ 810,294	$ 24,080,176

Mining activities in the DRC are governed by the Mining Code 2002 and the Mining Regulations of the DRC's Ministry of Mines. The Mining Code 2002 provides three types of licenses or permits that may be granted by the Minister of Mines. A Prospecting Certificate allows the holder to prospect plots of land as specified by the Prospecting Certificate for a period of two years but does not indicate a mineral or mining right.

Exploration Licenses entitle the holder to the exclusive right to carry out exploration activity for mineral substances on a specified plot of land. This exclusive right is indicated by a mining title called "Exploration Certificate" or "Research Permit" which is valid for five years and is renewable for two additional five-year periods.

Once the holder of an Exploration License can prove the existence of an economically exploitable deposit to the Ministry of Mines, the holder can convert the Exploration License to an Exploitation License. This Exploitation License is evidenced by a mining title called an "Exploitation Certificate" or "Exploitation Permit", and entitles the holder to the exclusive right to carry out exploitation, construction and exploration of mineral substances on the licensed areas for a period of thirty years, renewable several times for periods of fifteen years.

a) KGL-Somituri SPRL

The Company’s interest in the KGL-Somituri SPRL properties were acquired through an option agreement for twenty Research Permits previously held by Somituri SPRL. The Research Permits were subsequently converted into eight Exploitation Permits and registered in the name of KGL-Somituri SPRL, an entity in which the Company holds a 71.25% interest and the Somituri partners hold 23.75%. In accordance with DRC legislation, the DRC government holds the balance, a 5% free carried interest.

On April 29, 2010, the Company signed a new Partnership Agreement (the "2010 Partnership Agreement"), as well as an Assignment Agreement providing for the transfer of the eight Exploitation Permits to KGL-Somituri SPRL. The DRC government is entitled to a 5% equity interest in KGL-Somituri SPRL. The Company committed to paying 75,000 Euros, 200,000 Euros (or an equivalent value in Company common shares) and 250,000 Euros (or an equivalent value in Company common shares), on the Effective Date, three days following the Effective Date, and three days following the property assignment Registration Date, respectively. The Company has also committed to investing 2,000,000 Euros during the three years following the Effective Date with a minimum of 1,000,000 Euros during the first year. During the year ended September 30, 2010, the Company issued 520,915 common shares at a fair value of $0.482 per share to satisfy the Company's obligation to pay 200,000 Euros three days following the Effective Date as described above.

5. Resource Properties (continued)

a) KGL-Somituri SPRL (continued)

During the year ended September 30, 2012, the acquisition of the properties was finalised through registration of title to the licences in the name KGL-Somituri SPRL, and the Company satisfied its contractual commitments to the Somituri partners in this respect through settlement of the final payment of 250,000 Euros due upon registration of the title to the licenses in the name of KGL-Somituri SPRL. This was effected by paying 30,000 Euros in cash and issuing 1,405,777 common shares of the Company (see note 7).

Under the Partnership Agreement, the Company agreed to finance all activities of KGL-Somituri, until the filing of a bankable feasibility study, by way of loans which bear interest at the rate of 5%. Within thirty days of the receipt of a bankable feasibility study, the minority partners may collectively elect to exchange their equity participation for either a 2% net smelter royalty, or a 1% net smelter royalty plus an amount equal to 2 Euros per ounce of proven mineral reserves.

b) KGL-ERW SPRL

On November 17, 2006, the Company acquired an option to acquire a 75% interest in twenty Research Permits for mineral properties in the DRC, comprising approximately 7,000 square kilometres. The KGL-ERW SPRL partnership was created on July 4, 2007 to hold these permits, and is 75% owned by the Company. As of November 30, 2012, several permits have been relinquished, title to two permits is held by KGL-ERW SPRL, and ten permits are held in the entity KWR Iron SPRL (see note below). The Research Permits currently have an expiration date of February 2, 2017.

Pursuant to a Partnership Amending Agreement entered into on December 7, 2009 (the "Effective Date"), the Company became obligated to cash payments of 200,000 United States Dollars and the issuance of 1,050,000 common shares of the Company upon signing, the issuance of warrants to purchase 500,000 common shares of the Company upon the first anniversary, and the issuance of warrants to purchase 250,000 common shares of the Company on the second anniversary of the Effective Date of the Partnership Amending Agreement. Obligations in this respect have been met in full (see note 8).

The Partnership Agreement requires the Company to finance all activities of KGL-ERW SPRL by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-ERW SPRL from revenues it generates to the extent of 75% of available funds, with the remaining 25% to be distributed to the equity holders. As of September 30, 2012 interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

Other terms and conditions of the original agreement remain unchanged, including the Company’s right to exercise one of several funding and net smelter royalty conversion options available.

Subsequent to the year ended September 30, 2012, KGL-ERW SPRL commenced the process of relinquishing title to ten Research Permits which the Company had determined it had no further interest in, and accordingly, wrote off $166,806 relating to costs incurred to acquire and maintain these properties.

During the year ended September 30, 2009, the Company signed an agreement with Rio Tinto Mining and Exploration Limited ("Rio") granting Rio an earn-in with respect to iron ore mineral rights on the KGL-ERW SPRL properties. As a vehicle to facilitate this earn-in transaction, the 11 properties subject to the Rio agreement were transferred into a separate entity, KWR Iron SPRL, ownership of which is held in the same 75%/25% proportion as KGL-ERW SPRL. Under terms of the Rio agreement, Rio had the ability to earn up to a 75% interest in the mineral rights of KWR Iron SPRL by making a combination of cash payments and exploration expenditures.

Pursuant to the KGL-ERW SPRL Agreement, 40% of the cash payments received from Rio, less all reasonable costs and expenses associated with the Rio agreement, are payable to the minority interest. In December 2011, the Company received a discounted amount of 1,428,125 United States Dollars (net of the portion due to the minority shareholder), in full satisfaction of the $1,500,000 obligation due by Rio on or before December 2012.

In December 2012, the Company announced that Rio intends to withdraw from the agreement for iron ore on the KWR Iron SPRL licences. The Company and Rio are inventorising all data and joint venture assets to be handed over to the Company, and discussions about the withdrawal process are in progress, which will include Rio's interests in the KWR Iron SPRL properties.

5. Resource Properties (continued)

b) KGL-ERW SPRL (continued)

Subsequent to the year ended September 30, 2012, the Company entered into a Letter Agreement to acquire an additional 25% ownership interest in KWR-ERW SPRL, as well as the outstanding 25% gold interest in the properties owned by KWR Iron SPRL. In exchange for the above interest, the Company has agreed to make cash payments totalling 635,000 United States Dollars and issue a total of 356,000 common shares of the Company in various increments within six years of the date of the Letter Agreement. The Company may, at any time but with good reason, discontinue the payments and issuance of shares as set forth in the Letter Agreement.

Subsequent to the year ended September 30, 2102, the Company and KWR Iron SPRL entered into a Joint Venture Agreement with Randgold Resources Limited ("Randgold") with respect to certain properties owned by KWR Iron SPRL. Pursuant to the Joint Venture Agreement, Randgold agrees to fund, through its wholly-owned subsidiary Randgold Resources (DRC) Limited ("Randgold DRC"), a Phase One Exploration Program within 36 months of the effective date of the Joint Venture Agreement and a Phase Two Exploration Agreement within 60 months of the effective date of the Joint Venture Agreement leading to a pre-feasibility study. The Joint Venture Agreement allows for withdrawal of Rangold subject to various termination criteria.

Delivery of a pre-feasibility study entitles Randgold to a 51% interest in the properties which can increased to 65% upon delivery of a bankable feasibility study should Kilo not contribute proportionately to the Exploration Program post pre-feasibility study.

c) KGL-Sihu SPRL

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

The Research Permits have been renewed until April 6, 2013.

Registration of the Research Permits in the name of KGL-Sihu SPRL was concluded in the year ended September 30, 2011. The Company's obligations with respect to the acquisition of the properties were concluded with payment of 40,000 United States Dollars during the year ended September 30, 2011, and the issuance of 1,265,217 common shares of the Company during the year ended September 30, 2012 (see note 7).

d) KGL-Masters SPRL

On November 15, 2006, the Company acquired an option to acquire a 90% interest in eight Research Permits for mineral properties in the DRC, comprising approximately 3,170 square kilometres. The Research Permits expired on various dates up to October 9, 2011 and have not been renewed. The Company has written off all acquisition and exploration costs associated with the properties in the year ended September 30, 2010, as the Company does not have any further plans to explore the properties.

e) KGL-Poko SPRL

On July 9, 2007, the Company acquired an 82.5% interest in fourteen Research Permits for mineral properties in the DRC, comprising approximately 4,100 square kilometres, for consideration of 91,400 United States Dollars. The Research Permits expired on October 9, 2011 and have not been renewed. The Company has written off all acquisition and exploration costs associated with the properties in the year ended September 30, 2010, as the Company does not have any further plans to explore the properties.

The rights to the Somituri, Masters and Sihu properties, (collectively the "West Kilo Project") were acquired from Moto Goldmines Limited ("Moto") pursuant to an agreement dated November 15, 2006. Moto has the right, exercisable at its option when a bankable feasibility study is concluded, (if at that stage the measured resources exceed two million ounces) to acquire a 10% equity interest in the West Kilo Project for consideration of 5,000,000 United States Dollars.

6. Reclamation Bonds

Amounts recorded as reclamation bonds represent deposits on restoration costs to be incurred in the future to restore the resource properties to a specified state. During the year ended September 30, 2008, the Company paid $126,000 in reclamation bonds as required by the DRC's Ministry of Mines. During the year ended September 30, 2012, this amount was refunded to the Company. Also during the year ended September 30, 2012, the Company paid 64,500 United States Dollars in new reclamation bonds. Based on the exploration work performed to September 30, 2012 on the resource properties in the DRC, the Company's management estimates that no future obligations for site restoration costs exist as at September 30, 2012.

7. Deferred Lease Inducement

During the year ended September 20, 2011, the Company received a lease inducement of $23,767 which is being amortized to occupancy expense on a straight-line basis over the term of the lease which will expire during the year ended September 30, 2018.

8. Share Capital

The Company is authorized to issue an unlimited number of common shares.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of changes in common share capital from October 1, 2010 to September 30, 2012:

	Number	Amount
Balance - October 01, 2010	71,254,284	$ 22,851,681
Issued for cash	92,054,700	14,768,478
Issued pursuant to exercise of stock options	420,000	83,700
Issued pursuant to exercise of warrants - cash proceeds	500,000	201,509
Issuance costs		(1,869,225)
Balance - September 30, 2011	164,228,984	36,036,143
Issued for cash	51,950,000	10,390,000
Issued pursuant to property acquisition	2,670,994	513,563
		-
Issuance costs		(478,000)
Balance - September 30, 2012	218,849,978	$ 46,461,706

During the year ended September 30, 2012, the Company:

i) Issued 51,950,000 common shares of the Company pursuant to private placements for gross proceeds of $10,390,000. In connection with these private placements, the Company paid fees of $478,000.

ii) Issued 1,265,217 common shares at $0.18 per share pursuant to a Memorandum of Agreement as discussed in note 5(c).

iii) Issued 1,405,777 common shares at $0.20 per share in satisfaction of a property commitment as discussed in note 5(a).

8. Share Capital (continued)

During the year ended September 30, 2011, the Company:

i) Issued 18,314,700 units (pursuant to private placements) for proceeds of $3,662,940, of which $824,162 was allocated to common share purchase warrants (“warrants”) (see note 9).

Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time on or before October 7, 2012.

In connection with these private placements, the Company paid fees totalling $360,907, of which $79,700 was allocated to warrants, and issued 1,247,029 stock options. The fair value of these stock options was estimated to be $124,703, of which $28,058 was allocated to warrants (see note 10).

ii) Issued 23,740,000 units (pursuant to private placements) for proceeds of $4,748,000, of which $1,068,300 was allocated to common share warrants (see note 9).

Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time on or before November 5, 2012.

In connection with these private placements, the Company paid fees totalling $305,550, of which $68,749 was allocated to warrants, and issued 1,475,250 stock options. The fair value of these stock options was estimated to be $147,525, of which $33,193 was allocated to warrants (see note 10).

iii) Issued 50,000,000 units (pursuant to a prospectus) for proceeds of $10,000,000, of which $1,750,000 was allocated to warrants (see note 9).

Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time on or before May 12, 2013.

In connection with the prospectus, the Company paid fees totalling $1,008,659 of which $176,515 was allocated to warrants, and issued 3,395,000 stock options. The fair value of these stock options was estimated to be $373,450, of which $65,354 was allocated to warrants (see note 10).

iv) Issued 420,000 common shares pursuant to the exercise of stock options for cash proceeds of $65,100. The fair value of the stock options was estimated at $18,600 as of the grant date and this amount has been reallocated from stock options to share capital upon the exercise of the stock options (see note 10).

v) Issued 500,000 common shares pursuant to the exercise of warrants for cash proceeds of $150,000. The fair value of the warrants was estimated at $51,509 as of the issue date and this amount has been reallocated from warrants to share capital upon the exercise of the warrants (see note 9).

9. Warrants

	Number	Amount	Weighted Average Exercise Price
Balance - October 1, 2010	21,605,050	$ 3,361,653	$ 0.55
Issued for cash	46,027,350	3,642,462	0.30
Issued pursuant to exercise of stock options	210,000	24,300	0.30
Exercised	(500,000)	(51,509)	(0.30)
Expired	(17,762,400)	(2,897,935)	(0.60)
Issuance costs		(451,569)	
Balance - September 30, 2011	49,580,000	3,627,402	0.30
Issued	250,000	20,676	0.18
Expired	(3,592,650)	(426,830)	(0.47)
Balance -September 30, 2012	46,237,350	$ 3,221,248	$ 0.30

9. Warrants (continued)

During the year ended September 30, 2012, the Company:

i) Issued 250,000 warrants pursuant to a Partnership Amending Agreement (see note 5(b)). Each warrant entitles the holder to purchase one common share of the Company at a price of $0.18 per share at any time on or before December 7, 2013.

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	$0.16
Expected dividend yield	Nil
Risk-free interest rate	1.10%
Expected life	2 years
Expected volatility	104%

During the year ended September 30, 2011, the Company:

i) Issued 9,157,350 warrants in connection with a private placement as described in note 7. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before October 7, 2012.

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	$0.155
Expected dividend yield	Nil
Risk-free interest rate	1.21%
Expected life	2 years
Expected volatility	148%

ii) Issued 11,870,000 warrants in connection with a private placement as described in note 7. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before November 5, 2012.

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	$0.156
Expected dividend yield	Nil
Risk-free interest rate	1.27%
Expected life	2 years
Expected volatility	135%

iii) Issued 25,000,000 warrants in connection with a prospectus as described in note 7. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before May 12, 2013.

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	$0.16
Expected dividend yield	Nil
Risk-free interest rate	1.37%
Expected life	2 years
Expected volatility	106%

9. Warrants (continued)

iv) Issued 131,250 warrants in connection with the exercise of stock options as described in note 9. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before October 7, 2012. The fair value of the stock options was estimated at $3,375 as of the grant date and this amount has been reallocated from stock options to warrants upon the exercise of the stock options (see note 10).

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	$0.31
Expected dividend yield	Nil
Risk-free interest rate	1.21%
Expected life	2 years
Expected volatility	148%

v) Issued 78,750 warrants in connection with the exercise of stock options as described in note 9. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before November 5, 2012. The fair value of the stock options was estimated at $2,025 as of the grant date and this amount has been reallocated from stock options to warrants upon the exercise of the stock options (see note 10).

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	$0.31
Expected dividend yield	Nil
Risk-free interest rate	1.27%
Expected life	2 years
Expected volatility	135%

As at September 30, 2012, the following common share purchase warrants (“warrants”) were issued and outstanding:

Number		Exercise Price	Expiry
9,288,600	$	0.30	October 7, 2012
11,698,750	$	0.30	November 5, 2012
25,000,000	$	0.30	May 12, 2013
250,000		0.60	December 7, 2013
46,237,350			

10. Stock Options and Agent Options

a) The Company has adopted a stock option plan for the Company (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares to directors, officers, employees and consultants of the Company, and its subsidiary. Under the Plan, the aggregate number of shares to be issued upon the exercise of outstanding options granted thereunder may not exceed 15% of the number of issued and outstanding shares. Expiry dates and exercise prices shall be determined by the Board of Directors. The exercise price shall not be less than the market price.

10. Stock Options and Agent Options (continued)

b) Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

c) A summary of changes to stock options is as follows:

	Number	Amount	Weighted Average Exercise Price
Balance - October 01, 2010	9,036,554	$ 2,984,078	$ 0.59
Granted	18,337,279	1,812,750	0.21
Exercised [1]	(420,000)	(24,000)	(0.20)
Expired	(6,126,700)	(1,985,159)	(0.55)
Balance - September 30, 2011	20,827,133	2,787,669	0.28
Granted	2,150,000	687,560	0.22
Expired	(2,605,854)	(941,682)	-
Balance - September 30, 2012	20,371,279	$ 2,533,547	$ 0.28

[1] The weighted average share price at the time of exercise was $0.31 per share.

During the year ended September 30, 2012, the Company:

i) Granted 300,000 stock options to a director. Each option vests immediately and allows the holder to purchase one common share of the Company at a price of $0.20 per share for a period of three years from January 3, 2012, the date of grant.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Share price	$0.17
Expected dividend yield	Nil
Risk-free interest rate	0.98%
Expected life	3.0 years
Expected volatility	121%

ii) Granted 300,000 stock options to the Vice-President Operations. Each option vests on the date that is six months following the date of grant and allows the holder to purchase one common share of the Company at a price of $0.20 per share for a period of three years from January 15, 2012, the date of grant.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions and an estimated forfeiture rate of 12%:

Share price	$0.20
Expected dividend yield	Nil
Risk-free interest rate	0.98%
Expected life	3.0 years
Expected volatility	117%

10. Stock Options and Agent Options (continued)

iii) Granted 300,000 stock options to a director. Each option vests immediately and allows the holder to purchase one common share of the Company at a price of $0.22 per share for a period of three years from March 9, 2102, the date of grant.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Share price	$0.22
Expected dividend yield	Nil
Risk-free interest rate	1.08%
Expected life	3.0 years
Expected volatility	117%

iv) Granted 300,000 stock options to a director. Each option vests immediately and allows the holder to purchase one common share of the Company at a price of $0.22 per share for a period of three years from March 21, 2012, the date of grant.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Share price	$0.22
Expected dividend yield	Nil
Risk-free interest rate	1.10%
Expected life	3.0 years
Expected volatility	117%

v) Granted 950,000 stock options to a consultant and an officer. Each option vests as to one-third immediately, one-third on the first anniversary of the date of grant, and a further one-third on the second anniversary of the date of grant. Each option allows the holder to purchase one common share of the Company at a price of $0.22 per share for a period of three years from March 21, 2102, the date of grant.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions and an estimated forfeiture rate of 12%:

Share price	$0.22
Expected dividend yield	Nil
Risk-free interest rate	1.08%
Expected life	3.0 years
Expected volatility	117%

During the year ended September 30, 2011, the Company:

i) Granted 2,220,000 stock options to directors, officers, employees and consultants of the Company, all of which vest immediately. Each option entitles the holder to purchase one common share at a price of $0.30 per share at any time on or before November 19, 2015.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Share price	$0.15
Expected dividend yield	Nil
Risk-free interest rate	1.39%
Expected life	5.0 years
Expected volatility	120%

10. Stock Options and Agent Options (continued)

ii) Granted 1,247,029 fully vested stock options to an agent in connection with private placements as described in note 7. Each option entitles the holder to purchase one unit at a price of $0.20 per unit at any time on or before October 7, 2012. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time on or before October 7, 2012.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Share price	$0.27
Expected dividend yield	Nil
Risk-free interest rate	1.21%
Expected life	2.0 years
Expected volatility	148%

iii) Granted 1,475,250 fully vested stock options to an agent in connection with private placements as described in note 7. Each option entitles the holder to purchase one unit at a price of $0.20 per unit at any time on or before November 5, 2012. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time on or before November 5, 2012.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Share price	$0.30
Expected dividend yield	Nil
Risk-free interest rate	1.27%
Expected life	2.0 years
Expected volatility	135%

iv) Granted 3,395,000 fully vested stock options to an agent in connection with private placements as described in note 7. Each option entitles the holder to purchase one unit at a price of $0.20 per unit at any time on or before May 12, 2013. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time on or before May 12, 2013.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Share price	$0.19
Expected dividend yield	Nil
Risk-free interest rate	1.37%
Expected life	2.0 years
Expected volatility	106%

10. Stock Options and Agent Options (continued)

v) Granted 5,000,000 stock options to a director, 3,000,000 of which vest immediately, with a further 666,667, 666,667 and 666,666 options vesting on each of the twelve, twenty-four and thirty-six month anniversaries of the grant date respectively. Each option entitles the holder to purchase one common share at a price of $0.20 per share at any time on or before July 7, 2016.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions and an estimated forfeiture rate of 18%:

Share price	$0.19
Expected dividend yield	Nil
Risk-free interest rate	1.25%
Expected life	5.0 years
Expected volatility	132%

vi) Granted 5,000,000 stock options to an officer, 1,000,000 of which vest immediately, with a further 1,333,334, 1,333,333 and 1,333,333 options vesting on each of the twelve, twenty-four and thirty-six month anniversaries of the grant date respectively. Each option entitles the holder to purchase one common share at a price of $0.20 per share at any time on or before September 1, 2016.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions and an estimated forfeiture rate of 18%:

Share price	$0.20
Expected dividend yield	Nil
Risk-free interest rate	0.90%
Expected life	5.0 years
Expected volatility	119%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

d) As at September 30, 2012, the following stock options were outstanding:

		Number of Options		Weighted Average
	Exercise Price	Unvested	Vested	Remaining Contractual Life
$	0.45	-	250,000	0.25 years
$	0.45	-	804,000	2.00 years
$	0.30	-	210,000	0.25 years
$	0.30	-	1,260,000	3.25 years
$	0.20	-	984,529	0.25 years
$	0.20	-	1,317,750	0.25 years
$	0.20	-	3,395,000	0.75 years
$	0.20	1,333,333	3,666,667	3.75 years
$	0.20	2,666,666	2,333,334	4.00 years
$	0.20	-	300,000	2.25 years
$	0.20	-	300,000	2.25 years
$	0.22	-	300,000	2.50 years
$	0.22	-	300,000	2.50 years
$	0.22	633,333	316,667	2.50 years
		4,633,332	15,737,947	

During the year ended September 30, 2012, $88,422 (2011- $473,450) of share-based compensation was capitalized to the resource properties.

11. Contributed Surplus

Contributed surplus consists of cancelled and expired stock options. A summary of changes to contributed surplus is as follows:

Balance - October 1, 2010	$	1,734,673
Options expired		1,985,159
Warrants expired		2,897,935
Balance - September 30, 2011		6,617,767
Options expired		941,682
Warrants expired		426,830
Balance - September 30, 2012	$	7,986,279

12. Community- Based Initiatives in the DRC

The Company had committed to spending $230,000 on community-based initiatives in the DRC to improve the lives of the inhabitants of the areas in which the Company is focusing its exploration efforts. During the year ended September 30, 2012, the Company donated land for community development projects valued at $75,000, the Company's cost. Including the value of the land, as at September 30, 2012, the Company had spent approximately $329,464 in connection with this commitment.

13. Income Taxes

(i) Income Tax Expense

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

		2012		2011
Loss before income taxes	$	(2,724,875)	$	(4,057,148)
Statutory rate		26.88 %		28.76 %
Expected income tax recovery	$	(732,446)	$	(1,166,836)
Stock-based compensation		161,048		359,870
Non-deductible expenses		1,019		1,116
Tax expense (benefit) relating to the origination and reversal of temporary differences		8,100		105,400
Tax expense (benefit) resulting from increase in tax rates for future periods 25.0% to 26.5%		(322,600)		-
Share issuance costs		(126,700)		(418,800)
Other		(6,221)		(5,950)
		(1,017,800)		(1,125,200)
Change in deferred taxes not recognized		1,017,800		1,125,200
Net expected deferred income tax recovery	$	-	$	-

13. Income Taxes (continued)

(ii) Deferred Taxes

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

	2012	2011
Deferred Tax Assets		
Resource properties	$ 2,220,100	$ 2,052,700
Amounts related to tax loss and credit carry forwards	3,600,100	2,765,900
Capital assets	102,100	31,500
Share issuance costs	471,800	526,200
	6,394,100	5,376,300
Deferred taxes not recognized	(6,394,100)	(5,376,300)
Net deferred tax assets	$ -	$ -
Net deferred income tax liabilities	$ -	$ -

(ii) Deferred Taxes (continued)

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

(iii) Loss Carry Forwards

The Company has non-capital losses of approximately $13,585,413 available for carry forward. Potential income tax benefits of the losses have not been recorded in the financial statements. These losses expire as follows:

2026	$ 148,000
2027	1,107,400
2028	1,780,300
2029	2,268,800
2030	2,423,700
2031	3,335,521
2032	2,521,692
	$ 13,585,413

14. Related Party Transactions

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

During the year ended September 30, 2012 the Company entered into the following related party transactions:

	2012	2011
Directors fees	$ 167,500	$ 64,500
Management and consulting fees paid to key management	$ 374,000	$ 786,500
Fees paid to a former director and officer and related individuals	$ 74,315	$ 367,498
Publicity and advertising fees with companies controlled by an individual related to a former director and officer of the Company	$ 36,000	$ 72,976

During the year ended September 30, 2012, the Company granted 1,500,000 stock options (2011 - 11,620,000) to management and directors. Included in share-based compensation for the year ended September 30, 2012 is $599,138 (2011 - $985,000) related to stock options granted to management and directors. Included in the additions to resource properties during the year ended September 30, 2012 is $42,000 (2011- $Nil) related to stock options granted to management.

As at September 30, 2012, prepaid expenses included $14,813 (October 1, 2010 - $2,000, September 30, 2011 - $Nil), and accounts payable and accrued liabilities included $47,500 (October 1, 2010 - $302,304, September 20, 2011 - $59,000) related to various related parties disclosed above.

15. Financial Instruments and Other Risks

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1	quoted prices in active markets for identical assets or liabilities;
Level 2	inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices) and;
Level 3	inputs for the asset or liability that are not based upon observable market data

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at September 30, 2012, the Company's cash and cash equivalents are categorized as Level 1 measurement.

Fair Values

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

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

Credit risk

The Company is not exposed to any significant credit risk as at September 30, 2012. The Company's cash and cash equivalents are on deposit with highly rated banking groups in Canada and the DRC.

15. Financial Instruments and Other Risks (continued)

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, 2012, the Company has current assets of $5,533,204 (September 30, 2011 - $4,542,731, October 1, 2010 - $694,156) and current liabilities of $1,326,552 (September 30, 2011 - $1,880,001, October 1, 2010 - $3,721,605) . 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 $4,206,652 as at September 30, 2012 (September 30, 2011 - $2,662,730, October 1, 2010 - working capital deficiency of $3,027,449).

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 bankers acceptance notes, treasury bills 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, 2012, the Company had cash of 1,897,949 and accounts payable and accrued liabilities of 396,487 denominated in United States Dollars.

Price risk

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

Sensitivity analysis

Based on management's knowledge and experiences of the financial markets, the Company's management believes the following movements are "reasonably possible" over a three month period.

As at September 30, 2012, approximately 1% of the Company's cash and cash equivalents is at fixed interest rates beyond the next three months and is not subject to interest rate fluctuations within the next three months. The balance of the Company's cash and cash equivalents are subject to interest rate fluctuations. Sensitivity to a plus or minus 25 basis points change in rates would increase (or decrease) the Company's net loss by approximately $3,260 over a three month period.

As at September 30, 2012, cash and cash equivalents include 1,897,949 United States Dollars and accounts payable and accrued liabilities include 396,487 United States Dollars, 77,023 United Kingdom Pounds Sterling, 893 European Euros and 352,142 South African Rand.

If the Canadian Dollar weakens (or strengthens) 10% against the United States Dollar with other variables held constant, the Company's expenses would decrease (or increase) by approximately $147,624.

If the Canadian Dollar weakens (or strengthens) 10% against the United Kingdom Pound Sterling with other variables held constant, the Company's expenses would increase (or decrease) by approximately $12,223.

If the Canadian Dollar weakens (or strengthens) 10% against the European Euro with other variables held constant, the Company's expenses would increase (or decrease) by approximately $113.

If the Canadian Dollar weakens (or strengthens) 10% against the South African Rand with other variables held constant, the Company's expenses would increase (or decrease) by approximately $4,141.

16. Capital Disclosures

The Company's objective when managing capital is to raise sufficient funds to execute its exploration plan. At September 30, 2012, the Company's capital consists of shareholders' equity in the amount of $34,909,547.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company does not have any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended September 30, 2012.

17. Commitments

a) The Company has a monthly obligation of 5,000 United States Dollars pursuant to a consulting agreement. The agreement does not have a fixed term and can be cancelled by either party.

b) The Company has entered into leases for office premises and office equipment. The minimum lease commitments under these leases are as follows:

2013	$ 76,960
2014	$ 76,960
2015	$ 83,108
2016	$ 83,108
2017	$ 75,313
2018	$ 69,036

c) During the year ended September 30, 2009, the Company entered into an agreement for the provision of public and investor relations services for a period of six months commencing May 1, 2009 in exchange for a fee of 3,000 Euros payable upon the signing of the agreement and 3,000 Euros payable August 1, 2009. This agreement automatically renews for an additional six month period unless terminated by either party by way of written notice received no later than 30 days prior to the expiry of the original six month period of the agreement.

d) During the year ended September 30, 2011, the Company's Executive Chairman resigned from his position, thereby terminating his existing consulting agreement which included a monthly fee of $19,000. The Company entered into an agreement with this individual for the provision of consulting services for a period of six months in exchange for a monthly fee of $10,000, which expired February 29, 2012.

e) During the year ended September 30, 2011, the Company entered into an employment agreement with the CEO for a period of three years, effective September 1, 2011 at an annual salary of $240,000 paid in monthly installments. An extension or renewal of the agreement is to be evidenced in writing by both parties. The employment agreement includes the grant of 1,000,000 stock options which vest immediately, 1,333,333 stock options vesting 12 months following the grant date, 1,333,333 stock options vesting 24 months following the grant date and 1,333,333 stock options vesting 36 months following the grant date. Each option allows the holder to purchase one common share of the Company at a price of $0.20 per share. The agreement can be terminated at any time by either party giving to the other party not less than three months' written notice of termination, or in the case of the Company, payment of three months' salary in lieu of notice.

f) During the year ended September 30, 2012, the Company entered into an employment agreement with a new Vice-President Operations for a period of three years commencing January 15, 2012, with an annual salary of 200,000 United States Dollars. The agreement can be terminated by either party on 90 days written notice.

g) Additional commitments are disclosed in note 5.

18. Segmental Reporting

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

As at September 30, 2012, the Company's non-current assets relate to the following areas:

	Canada	DRC
Resource Properties	$ -	$ 29,933,662
Property, Plant and Equipment	78,554	645,543
Reclamation Bonds	-	65,603
	$ 78,554	$ 30,644,808

19. Transition to IFRS

a) First-time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS on the first date at which IFRS was applied, which was October 1, 2010 ("Transition Date"). IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used in the preparation of the Company's opening IFRS statements of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

On the Transition Date, the Company has elected not to retrospectively apply IFRS 2, Share-based Payments ("IFRS 2") to all share-based transactions at the date of transition. IFRS 2 will only be applied to equity instruments issued on or after, and that have not vested by, the Transition Date.

The Company has elected not to retrospectively apply IFRS 3, Business Combinations ("IFRS 3"). IFRS 3 will only be applied to business combinations occurring on or after the Transition Date.

The Company has elected not to retrospectively apply IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21") for cumulative translation adjustments that existed at the date of transition to IFRS. Thus, the cumulative translation differences resulting from the conversion of the Company's partnership interests financial statements from their functional currency (United States Dollars) to the Company's presentation currency (Canadian Dollars) are deemed to be zero at the date of transition to IFRS.

While adoption of IFRS has not changed the Company's cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow users of the consolidated financial statements to better understand these changes, the Company's Canadian GAAP consolidated statement of financial position and consolidated statement of operations have been reconciled to IFRS with the resulting differences explained.

19. Transition to IFRS (continued)

The October 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
ASSETS				
Current Assets				
Cash and cash equivalents	$ 152,129			$ 152,129
Receivables	401,791			401,791
Prepaid expenses and deposits	140,236			140,236
	694,156			694,156
Non-Current Assets				
Resource Properties	14,493,752			14,493,752
Capital Assets	1,296,523			1,296,523
Reclamation Bonds	126,000			126,000
	$ 16,610,431	$ -		$ 16,610,431
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$ 3,721,605			$ 3,721,605
SHAREHOLDERS' EQUITY				
Share Capital	22,851,681			22,851,681
Warrants	3,361,653			3,361,653
Stock Options	2,984,078			2,984,078
Contributed Surplus	1,734,673			1,734,673
Deficit	(18,043,259)			(18,043,259)
	12,888,826			12,888,826
	$ 16,610,431	$ -		$ 16,610,431

19. Transition to IFRS (continued)

The September 30, 2011 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
ASSETS				
Current Assets				
Cash and cash equivalents	$ 3,973,264			$ 3,973,264
Receivables	233,054			233,054
Prepaid expenses and deposits	336,413			336,413
	4,542,731			4,542,731
Non-Current Assets				
Resource Properties	23,269,882	$ 810,294	(a)	24,080,176
Capital Assets	1,068,927	16,854	(a)	1,085,781
Reclamation Bonds	126,000	3,420	(a)	129,420
	$ 29,007,540	$ 830,568		$ 29,838,108
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$ 1,880,001			$ 1,880,001
Non-Current Liabilities				
Deferred Lease Inducement	23,767			23,767
	1,903,768			1,903,768
SHAREHOLDERS' EQUITY				
Share Capital	36,036,143			36,036,143
Warrants	3,627,402			3,627,402
Stock Options	2,922,867	$ (135,198)	(b)	2,787,669
Contributed Surplus	6,617,767			6,617,767
Cumulative Translation Reserve	-	830,568	(a)	830,568
Deficit	(22,100,407)	135,198	(b)	(21,965,209)
	27,103,772	830,568		27,934,340
	$ 29,007,540	$ 830,568		$ 29,838,108

19. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of operation and deficit for the year ended September 30, 2011has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
Expenses				
Corporate and administrative expenses	$ 2,621,119			$ 2,621,119
Share-based compensation	1,202,270	$ (135,198)	(b)	1,067,072
Amortization	242,707			242,707
Less:	-			-
Interest income	(8,948)			(8,948)
Loss for the Period	(4,057,148)	(135,198)		(3,921,950)
Other Comprehensive Income (Loss)				
Currency Translation Adjustment	-	830,568	(a)	830,568
Total Comprehensive Loss for the Period	$ (4,057,148)	$ 695,370		$ (3,091,382)
Income per share - basic and diluted	$ (0.03)			$ (0.03)

The following summarizes the significant changes to the Company's accounting policies upon adoption of IFRS:

a) Translation to the presentation currency

IFRS requires the results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy to be translated into the presentation currency using the following procedures:

i) assets and liabilities for each statement of financial position presented (ie including comparatives) shall be translated at the closing rate at the date of that statement of financial position;

ii) income and expenses for each statement of comprehensive income or separate income statement presented (ie including comparatives) shall be translated at exchange rates at the dates of the transactions; and

iii) all resulting exchange differences shall be recognized in other comprehensive income.

The translation of the Company's partnership interests from their functional currency of the United States Dollar to the Company's presentation currency of the Canadian Dollar has resulted in exchange differences which have been recognized in other comprehensive income in the period in which they arise and the cumulative differences have been accumulated in a separate component of shareholders' equity called Cumulative Translation Reserve.

b) Share-based payments

Under IFRS 2, share based payment transactions which are subject to graded vesting should have the separate tranches valued and amortized over the respective vesting periods separately as if each tranche was a separate award. Forfeiture estimates are recognized on the grant date and revised for actual forfeitures in subsequent periods. Pre transition Canadian GAAP allowed the entire award to be valued together and to be amortized on a straight-line basis over the vesting period of the entire award. Forfeitures of awards were recognized as they occurred.

20. Subsequent Events

Subsequent to September 30, 2012:

a) 20,987,350 warrants expired unexercised.

b) 1,925,000 options expired unexercised.

Additional subsequent events are disclosed in note 5.