**Interim Condensed Consolidated Financial Statements**

# Kilo Goldmines Ltd.

**For the Three Months ended December 31, 2019 and 2018**
**(Expressed in Canadian Dollars)**

| **INDEX** | **Page** |
|---|---|


## NOTICE TO READER

The accompanying unaudited condensed interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

# Kilo Goldmines Ltd.
# Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| | December 31, 2019 $ Unaudited | September 30, 2019 $ Audited |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | 154,872 | 318,645 |
| Advances and receivables | 9,829 | 31,040 |
| Prepaid expenses | 20,480 | 1,746 |
| | 185,182 | 351,431 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | 474,104 | 542,919 |
| Unsecured loans (note 5) | 130,000 | 130,000 |
| | 604,104 | 672,919 |
| **Shareholders' Equity (Deficiency)** | | |
| Share capital (note 6) | 64,797,488 | 64,797,488 |
| Stock options (note 8) | 737,830 | 785,505 |
| Contributed surplus | 21,478,216 | 21,430,541 |
| Deficit | (87,432,457) | (87,335,022) |
| | (418,923) | (321,488) |
| | 185,182 | 351,431 |

Commitments (Note 12)

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

*Signed: "DG Netherway",* Director

*Signed: "J Mustard",* Director

# Kilo Goldmines Ltd.
# Consolidated Statements of Comprehensive Loss

For the three months ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

| | Three months ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| **Expenses** | | |
| Corporate and administrative | $ 97,435 | $ 154,481 |
| Exploration and evaluation | - | 196,292 |
| Amortization | - | 7,460 |
| (Gain) Loss on foreign exchange | - | (14,392) |
| **Loss for the period** | (97,435) | (343,839) |
| **Other Comprehensive Income (Loss) for the period** | | |
| Items that may be reclassified to profit or loss: | | |
| Currency Translation Adjustment | - | 23,308 |
| **Total Comprehensive Loss for the period** | $ (97,435) | $ (320,531) |
| **Loss per Share - basic and diluted** | $ (0.00) | $ (0.00) |
| **Weighted Average Number of Common Shares Outstanding - basic and diluted** | 169,699,855 | 169,699,855 |

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

# Kilo Goldmines Ltd.
## Consolidated Statements of Changes in Equity (Deficiency)
For the Three Months Ended December 31, 2019 and 2018
(expressed in Canadian dollars)

| | Note 6 Common Stock | | Note 7 | Note 8 | | Cumulative | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Warrants | Stock Options | Contributed Surplus | Translation Reserve | Accumulated Deficit | Total |
| **Balance - October 1, 2019** | 169,699,855 | $ 64,797,488 | $ - | $ 785,505 | $ 21,430,541 | $ - | $ (87,335,022) | $ (321,488) |
| Stock options expiry | - | - | - | (47,675) | 47,675 | - | - | - |
| Net loss | - | - | - | - | - | - | (97,435) | (97,435) |
| **Balance - December 31, 2019** | 169,699,855 | $ 64,797,488 | $ - | $ 737,830 | $ 21,478,216 | $ - | $ (87,432,457) | $ (418,923) |
| | | | | | | | | |
| **Balance - October 1, 2018** | 169,699,855 | $ 64,797,488 | $ 1,746,048 | $ 936,206 | $ 19,533,792 | $ 88,061 | $ (86,713,283) | $ 388,312 |
| Warrants expired | - | - | (458,023) | - | 458,023 | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - | 23,308 | - | 23,308 |
| Net loss | - | - | - | - | - | - | (343,839) | (343,839) |
| **Balance - December 31, 2018** | 169,699,855 | $ 64,797,488 | $ 1,288,025 | $ 936,206 | $ 19,991,815 | $ 111,369 | $ (87,057,122) | $ 67,781 |

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

# Kilo Goldmines Ltd.

## Consolidated Statements of Cash Flows

For the Three Months Ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Net loss for the period | $ | (97,435) | $ | (343,839) |
| Items not affecting cash: | | | | |
| Amortization | | - | | 7,460 |
| | | (97,435) | | (336,379) |
| Net changes in non-cash working capital: | | | | |
| Receivables | | 21,211 | | (10,699) |
| Prepaid expenses | | (18,734) | | (2,923) |
| Accounts payable and accrued liabilities | | (68,815) | | 5,830 |
| | | (163,773) | | (344,171) |
| **Cash Flows from Financing Activities** | | | | |
| Secured loans | | - | | 255,584 |
| **Cash Flows from Investing Activities** | | | | |
| Reclamation bonds | | - | | (20,406) |
| **Change in Cash** | | (163,773) | | (108,993) |
| **Effect of exchange rate changes on cash** | | | | - |
| **Cash and Cash Equivalents - Beginning of the year** | | 318,645 | | 350,886 |
| **Cash and Cash Equivalents - End of the year** | $ | 154,872 | $ | 241,893 |

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

## 1. Nature of Operations

Kilo Goldmines Ltd. (the "Company" or "KGL" or "Kilo") 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 340, Toronto, Ontario.

Whereas the Company previously had been exploring mineral resource properties located in the Democratic Republic of Congo (the "DRC"), as of September 27, 2019 the Company disposed of its subsidiaries and all its mineral properties and currently has no exploration properties. (See Note 4)

The Company's continued existence is dependent upon its ability to raise additional financing, to identify and acquire properties of interest, and then to discover economically recoverable reserves and achieve profitable operations.

## 2. Basis of Presentation and Going Concern

These financial statements reflect the accounts of the Company and of its wholly owned subsidiary Kilo Isiro Atlantic Ltd., and include, for periods prior to date of disposition on September 27, 2019, those of its previously held interests in Kilo Goldmines Inc. ("Kilo Inc."), and KGL Somituri SARL and its 49% equity interest in Isiro (Jersey) Limited and KGL Isiro SARL. All intercompany accounts and transactions have been eliminated.

a) Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). The IAS 34 condensed interim consolidated financial statements do not include all of the information required for annual financial statements, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee.

The significant accounting policies (note 3) have been applied consistently to all periods. These policies are based on IFRS effective as of December 31, 2019. The Board of Directors approved the statements on February 17, 2020.

b) Basis of Measurement

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

c) Going concern of operations

These consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business. The Company will have to raise funds to continue operations and there is no assurance it will be able to do so in the future. In addition the Company will have to identify and obtain new projects which in themselves will then require the discovery of economically recoverable reserves, and if successful, will then necessitate that the Company obtain the necessary financing to develop the projects to a stage of future profitable production. These factors create material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

The Company has not generated revenue from operations, and incurred a comprehensive loss of $97,435 during the three months ended December 31, 2019 (2018: $320,531) and as of that date the Company's accumulated deficit was $87,432,457 (September 30, 2019: $87,335,022). The Company intends to seek further financing through private placements.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian Dollars. The functional currency of the Company is the Canadian Dollar. The functional currency of Kilo Isiro Atlantic Ltd. is the United States Dollar.

## 3. Significant Accounting Policies

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

a) Foreign Currency Transactions

Items included in the financial statements of the Company and its previously held subsidiaries and equity interest 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 KGL Somituri SARL, Isiro (Jersey) Limited, KGL Isiro SARL and Kilo Isiro Atlantic Ltd are primarily incurred in United States Dollars.

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

Where applicable the Company translates the assets and liabilities of its subsidiaries and equity interest 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 includes bank deposits and highly liquid short-term money market investments maturities of 90 days or less.

c) 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 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.

d) Exploration and Evaluation of Mineral Resources

Exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and prior to a decision to proceed with mine development are charged to operations as incurred. Once technical feasibility and commercial viability has been established, related development expenditures are capitalized. These include costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

## 3. **Significant Accounting Policies** (continued)

e) Impairment of Non-Financial Assets

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

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

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

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

f) Income Taxes

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

g) 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.

Upon expiry or cancellation of unexercised options, the recorded fair value of the options is transferred to contributed surplus, or when exercised, to share capital.

## 3. Significant Accounting Policies (continued)

h) 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 December 31, 2019, the Company is not committed to any decommissioning obligations in respect of mineral resource properties.

i) 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.

j) 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.

k) 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 three months ended December 31, 2019 and 2018, all the outstanding stock options and warrants were anti-dilutive.

## 3. Significant Accounting Policies (continued)

l) 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.

m) Financial Instruments

Financial assets are required to be initially measured at fair value and subsequently classified at amortized costs or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial assets include cash, cash equivalents and reclamation bonds and are classified as amortized cost because the Company's business model is to hold these financial instruments to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Financial liabilities include accounts payable and accrued liabilities, secured loans and unsecured loans and are initially measured at fair value and subsequent classified as amortized cost.

n) 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 profit and loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

o) Valuation of Equity Instruments in Private Placements

The Company adopted a relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued using the Black-Scholes option pricing model and the share price at the time of financing. The shares are valued based on quoted market price. The proceeds from the issue of units are allocated between share capital and reserve for warrants, as well as the associating issuance costs. If and when the warrants are exercised, the applicable amounts of reserve for warrants are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to capital stock. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus. When a warrant expiry date is extended, the incremental fair value of the warrant extension is estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision is taken to extend the warrants.

p) Critical Accounting Judgments and Estimation Uncertainties

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

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

## 3. Significant Accounting Policies (continued)

Recoverability of Property, Plant and Equipment

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

Title to Resource Property Interests

The Company currently has no interests in resource properties. When applicable, the Company takes steps to verify title to resource properties in which it has an interest, though such procedures do not guarantee the Company's title. Properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Property, Plant and Equipment - Estimated Useful Lives

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

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, forfeiture rate and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

Warrants

Management uses judgement to determine the inputs to the Black-Scholes option pricing model including the expected life of the warrant, volatility, and dividend yield and making assumptions about them.
Determination of control of subsidiaries and joint arrangements

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

For periods prior to disposition : - Management determined that it controlled KGL Somituri SARL as the Company directed the business of the partnership and no one investee could effect a change in this control. Accordingly the operations of KGL Somituri SARL are consolidated in these financial statements; Management determined that the Company had significant influence in Isiro (Jersey) Limited and KGL Isiro SARL based on their ownership interest in these entities and their ability to affect the operating and capital decision-making, and have accounted for the operations of these entities using the equity method of accounting; Management determined that the Company did not have joint control due to the terms of the Joint Venture Agreement with Barrick (previously Randgold Resources Limited), relating to Isiro (Jersey) Limited and KGL Isiro SARL.

## 3. **Significant Accounting Policies** (continued)

q) Significant new standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2019. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below. The following has been adopted with effect from October 1, 2019 and has had no impact on the reporting of the Company.

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

## 4. **Secured Loan and Deconsolidation of Subsidiary**

The Company entered into an AUD$750,000 secured credit facility agreement with Resolute Treasury Pty Ltd., ("Resolute"), a subsidiary of Resolute Mining Limited. The credit facility was secured against all assets of the Company, including a pledge of the shares in Kilo Goldmines Inc. Draws under the credit facility bore interest at the rate of 10% per annum, subject to reduction at the discretion of Resolute. The initial repayment date was December 14, 2018. The Company had the right to extend repayment for a period of 30 days for a fee of AUD$10,000. On December 13, 2018 the terms of the loan agreement were extended for a period of three months to March 14, 2019, with the Company's right to extend for 30 days to April 14, 2019.The Company made an initial draw of AUD$500,000. A further draw of the remaining AUD$250,000 was approved by Resolute in December 2018.

The loan entered into default on March 14, 2019, and in September 2019, the Company entered into an agreement with Resolute and Loncor Resources Inc. ("Loncor") whereby all amounts owing under the delinquent credit facility would be extinguished. Under the agreement, the Company consented to the assignment of the credit facility and related security from Resolute to Loncor, following which Loncor would realize its security against the shares of Kilo Goldmines Inc.

On September 27, 2019 Loncor exercised its security and acquired all of the shares of Kilo Goldmines Inc. In consideration for its cooperation, the Company received a payment of $130,000 from Loncor. The following information summarizes the deconsolidation of Kilo Goldmines Inc. as at September 27, 2019, which is the date of deconsolidation.

| | | |
|---|---|---|
| Net assets of Kilo Goldmines Inc | | |
| Cash | $ | (94,323) |
| Receivables | | (25,399) |
| Property, plant and equipment | | (395,097) |
| Accounts payable and accrued liabilities | | 375,541 |
| Net assets of subsidiary | $ | (139,278) |
| Derecognition of foreign exchange amount in other comprehensive income | | 99,196 |
| Secured loan and accrued interest forgiven | | 740,413 |
| Cash proceeds on disposition of Kilo Inc. | | 130,000 |
| Gain on loss of control of subsidiary | $ | 830,331 |

## 5. Unsecured loans

Kilo has also received unsecured loans for working capital purposes from Loncor and an arm's length third party in the amount of C$65,000 each (C$130,000 in the aggregate) bearing interest at 8% per annum and repayable 12 months from the date of the loan. Kilo will have the option on maturity to convert all or any part of the outstanding principal amount and accrued and unpaid interest thereon into common shares of Kilo based on the then current market price.

## 6. 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. There were no changes in common share capital from September 30, 2018 to December 31, 2019 and as at September 30, 2018 and December 31, 2019 there were 169,699,855 shares issued and outstanding.

## 7. Warrants

During the year ended September 30, 2019 all outstanding warrants expired unexercised.

## 8. Stock 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 16,900,000. Expiry dates and exercise prices shall be determined by the Board of Directors. The exercise price shall not be less than the market price.

b. No stock options have been issued in the period October 1, 2018 to December 31, 2019. A summary of changes to stock options is as follows:

| | Number of Options | Amount | Weighted Average Exercise Price |
|---|---|---|---|
| **Balance - September 30, 2018** | 10,400,000 | $ 936,206 | 0.10 |
| Cancelled | (1,800,000) | (150,701) | 0.10 |
| **Balance - September 30, 2019** | 8,600,000 | $ 785,505 | $ 0.10 |
| Expired | (570,000) | (47,675) | 0.10 |
| **Balance - December 31, 2019** | 8,030,000 | $ 737,830 | $ 0.097 |

As at September 30, 2019, the following stock options were fully vested and outstanding:

| Expiry date | Number of Options | Exercise price |
|---|---|---|
| June 3, 2020 | 200,000 | $ 0.08 |
| March 16, 2026 | 1,680,000 | $ 0.09 |
| January 30, 2027 | 6,150,000 | $ 0.10 |
| | 8,030,000 | |

## 9. Related Party Transactions

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

During the three months ended December 31, 2019 the Company entered into the following related party transactions:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Directors fees accrued | $ | 40,000 | $ | 47,500 |
| Management and consulting fees paid or accrued to CEO and CFO | $ | 36,000 | $ | 36,000 |
| | $ | 76,000 | | 83,500 |

Since January 1, 2018 directors' fees have been accrued but not paid. As at December 31, 2019, accounts payable and accrued liabilities included $410,400 (September 30, 2019 - $374,920) due to various related parties disclosed above.

No stock options were granted during the three months ended December 31, 2019 and December 31, 2018 to management and directors.

## 10. 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.

Fair Values

Except as disclosed elsewhere in these financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items. Reclamation bonds, which are long term, are valued at amortized cost which approximates their fair value.

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

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company is not exposed to any significant credit risk as at September 30, 2019. The Company's cash and cash equivalents are on deposit with highly rated banking groups.

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 December 31, 2019, the Company has current assets of $185,182 (September 2019 - $351,431) and current liabilities of $604,104 (September 2019 - $672,919). 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. The working capital deficiency of the Company is $418,923 as at December 31, 2019 (September 2019 - $321,488).

## 10. Financial Instruments and Other Risks (continued)

Market risk

Interest rate risk

The Company has cash and cash equivalents balances. The Company's current policy is to invest its excess cash in highly liquid money market investments such as banker's acceptance notes, treasury bills and guaranteed investment certificates. These short term money market investments are subject to interest rate fluctuations.

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. As at December 31, 2019, the Company had cash of $45,823 (September 2019 - $45,823) denominated in United States Dollars. As at December 31, 2019, the Company also had accrued liabilities of 35,786 (September 2019 – 35,786) denominated in United Kingdom Pounds Sterling.

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 December 31, 2019, approximately 2.5% of the Company's cash and cash equivalents is at fixed interest rates beyond the next three months and is not subject to interest rate fluctuations within the next three months. The balance of the Company's cash and cash equivalents is subject to interest rate fluctuations. Sensitivity to a plus or minus 25 basis points change in rates would increase (or decrease) the Company's net loss by approximately $97 over a three month period.

As at December 31, 2019, cash and cash equivalents include $45,823 (September 2019 - $45,823) United States Dollars, and 35,786 (September 2019 – 35,786) United Kingdom Pounds Sterling.

If the Canadian Dollar weakens (or strengthens) 10% against the United States Dollar with other variables held constant, the effect on the Company's expenses would be negligible.

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 $6,129 (2018 - $6,263).

## 11. Capital Disclosures

The company's objective when managing capital is to raise sufficient funds to execute its corporate plans. At December 31, 2019, the company's capital consists of shareholder's equity (deficit) in the amount of ($418,923). (September 2019 – ($321.488)).

The Company is dependent on external financing to fund its activities. In order to embark on new projects and pay for administrative costs, the Company need to raise additional capital.

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

There were no changes in the Company's approach to capital management during the three months ended December 31, 2019.

## 12. Commitments

a) The Company has monthly commitments of $12,000 pursuant to a consulting agreement with the Interim CEO and CFO. The agreement is subject to automatic annual renewal unless terminated. The minimum commitment under this agreement as at December 1, 2019 is $144,000.

b) Change of control provisions entered into in agreements with various directors and officers provide for payments totaling $506,000 upon termination of the parties following a change of control.