Kalimantan GOLD Corporation Limited

Annual Report

Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

and Auditors’ Report to the Shareholders

Kalimantan GOLD
Corporation Limited

Management Discussion and Analysis

For the year ended December 31, 2014

(In United States dollars, unless otherwise noted)

Date

The following discussion is management's assessment and analysis of the results of operations and financial conditions ("MD&A") of Kalimantan Gold Corporation Limited (the "Company" or "Kalimantan Gold") and should be read in conjunction with the accompanying consolidated financial statements and related notes thereto for the year ended December 31, 2014, (the "Financial Report") which are available on the SEDAR website at www.sedar.com.

All financial information in this MD&A related to 2014 and 2013 has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in US dollars unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

The effective date of this MD&A is April 29, 2015.

Overview

Description of the Business

Kalimantan Gold Corporation Limited is incorporated in Bermuda and is an exploration stage company engaged in the business of acquiring and exploring mineral properties in Indonesia. The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades in Canadian dollars on the TSX Venture Exchange in Canada and in British Pounds Sterling on the AIM Market in London under the symbol KLG.

The Company has three principal areas of interest: the KSK Contract of Work ("KSK CoW") in Central Kalimantan with multiple copper and gold prospects; the Beutong Izin Usaha Pertambangan ("Beutong IUP") on the island of Sumatra, Indonesia which covers two porphyry copper-gold-molybdenum prospects - West and East Porphyries and the Beutong Skarn (copper-gold) prospect; and the Jelai Izin Usaha Pertambangan ("Jelai IUP") epithermal gold prospect in North Eastern Kalimantan.

KSK CoW:

The holder of the KSK CoW is PT Kalimantan Surya Kencana ("KSK"). KSK is owned 75% by Indokal and 25% by PT Pancaran Cahaya Kahayan ("PCK"). Kalimantan Gold holds 100% of the shares of Indokal Limited ("Indokal") and Indokal owns 100% of PCK.

The KSK CoW was granted to KSK on April 28, 1997 by the Republic of Indonesia under the 6th generation of CoW's issued. The terms of the KSK CoW defines several periods under which certain types of work on the KSK CoW are to be undertaken. The KSK CoW is now confirmed as commencing the 5th year of the Exploration Period from the date the extension of the forestry permit has been issued, which is expected shortly. The Company under Article 23 of the KSK CoW has the right to request further extensions of the exploration period. The period following Exploration is the Feasibility Study Period which runs for not less than two years, is extendable, and provides time to complete studies and identify the area for mining.

A portion of the KSK CoW is within Hutan Lindung or protected / reserved forest area. The KSK CoW was granted prior to the enactment of the 1999 Government of Indonesia Law No. 41 on Forestry which prohibits open pit mining in Hutan Lindung areas. A subsequent Presidential Decree has confirmed that when the Company's property meets the necessary criteria it may apply for a permit to exploit that portion of the properties within the KSK CoW that fall within the Hutan Lindung, either by underground mining or by applying to change the forestry permit. On March 12, 2012 (as amended April 8, 2013), KSK received a 2-year forestry permit granting permission to explore certain areas of the KSK COW. On December 2, 2013, the Company applied for a 2-year renewal of the forestry permit for a total area of 7,688ha of which 170.25ha falls within the Hutan Lindung. This 7,688ha area covers all of the main prospect areas within the KSK CoW. This renewal has been processed and is expected to be issued shortly.

On April 18, 2011, as amended on May 31, 2012, the Company entered into a joint venture agreement (the "KSK Agreement") with Surya Kencana LLC ("SK LLC"), a wholly-owned subsidiary of Freeport-McMoRan

Exploration Corporation ("Freeport") in relation to the KSK CoW. Notice was received from SK LLC on December 30, 2013, of their withdrawal from the KSK Agreement effective January 31, 2014. SK LLC has therefore forfeited its right to the shares of Indokal. However, SK LLC will retain the right to a royalty of 1% over the property, capped to a maximum of the total expenditures of approximately US$35 million made by SK LLC on the project.

The Beruang Kanan Copper Project (BK) is situated within the eastern part of the KSK CoW area, in Gunung Mas Regency. The project is accessible by sealed and unsealed road, from Palangkaraya the capital city of Central Kalimantan. The forestry status of the BK is production forest, and a forestry permit is required to conduct exploration activities.

BK comprises four prospects, namely Beruang Kanan Main (BKM), Beruang Kanan South (BKS), Beruang Kanan West (BKW) and Beruang Kanan Polymetallic Zone (BKZ). The most advanced project is BKM. The Company recently announced an independently estimated maiden Mineral Resource for BKM as: an Inferred Resource of 47 million tonnes averaging 0.6% Cu or 621,700,000 pounds of copper.

A technical report in accordance with NI 43-101 in respect of the Mineral Resource estimate discussed in this report is titled "Beruang Kanan Main Zone, Kalimantan Indonesia: 2014 Resource Estimate Report" dated effective September 2014, written by Duncan Hackman, B. App. Sc., MSc. MAIG of Hackman and Associates Pty. Ltd, and is filed on SEDAR.

Beutong Project:

The holder of the Beutong IUP is an Indonesian company, PT Emas Mineral Murni, ("PT EMM"). PT EMM is owned 80% by Beutong Resources Pte Ltd. ("Beutong Singapore") a Singapore company. Beutong Singapore is owned 50% by Tigers Copper Singapore No. 1 Pte Ltd. ("Tigers Singapore"). Tigers Singapore is owned 100% by Kalimantan Gold Corporation Limited. Therefore, Kalimantan Gold holds an effective 40% interest in the Beutong IUP at this stage (80% x 50% x 100% = 40%). PT Media Mining Resources ("PTM") owns the remaining 20% of the shares of PT EMM.

Pursuant to a joint venture agreement between PTM and Tigers Singapore dated February 11, 2011, as most recently amended November 19, 2014 (the "Option Agreement"), Tigers Singapore can increase its shareholding in Beutong Singapore from its current 50% ownership to 100% by completing expenditure and development milestones thus ultimately holding an effective 80% interest in the Beutong IUP.

The Beutong Project is located within the Beutong IUP in the province of Aceh, Indonesia, some 60 kilometres inland from the coastal city of Meulaboh on the island of Sumatra. Excellent infrastructure exists with major road, grid power and a port located nearby.

The forestry status of the IUP comprises 3,617 Ha classified as Areal Penggunaan Lain (APL) or land allocated for other purposes (also known as non-forest area) and the remaining 6,383 Ha is classified as Hutan Lindung (HL) or protected forest. The Beutong Copper Project comprises three prospects, namely the Beutong East ("BEP") and Beutong West ("BWP") Porphyries and the Beutong Skarn. All fall within forest areas classified as APL, and therefore do not require a forestry permit to conduct exploration activities. The Company has defined a maiden NI 43-101 mineral resource estimate for the Beutong Project as follows:

Beutong Mineral Resource on a 100% basis comprises:

- Measured and Indicated Resources of 93Mt at 0.61% Cu, 0.13ppm Au, 1.97ppm Ag and 97ppm Mo (0.3% Cu Reporting Cut) for contained metal of 1,241Mlbs copper, 373koz gold, 5,698koz silver and 20Mlbs molybdenum (0.3% Cu Reporting Cut); and

- Inferred Resources of 418Mt at 0.45% Cu, 0.13ppm Au, 1.11ppm Ag and 129ppm Mo (0.3% Cu Reporting Cut) for contained metal of 4,092Mlbs copper, 1,746koz gold, 14,903koz silver and 112Mlbs molybdenum (0.3% Cu Reporting Cut).

- Beutong Mineral Resource on a relevant attributable 40% interest basis comprises:

  - Measured and Indicated Resources of 38Mt at 0.61% Cu, 0.13ppm Au, 1.97ppm Ag and 97ppm Mo (0.3% Cu Reporting Cut) for contained metal of 496Mlbs copper, 149koz gold, 2,279koz silver and 8Mlbs molybdenum (0.3% Cu Reporting Cut); and

  - Inferred Resources of 167Mt at 0.45% Cu, 0.13ppm Au, 1.11ppm Ag and 129ppm Mo (0.3% Cu Reporting Cut) for contained metal of 1,637Mlbs copper, 698koz gold, 5,961koz silver and 45Mlbs molybdenum (0.3% Cu Reporting Cut).

The technical report supporting this Resource is titled "The Beutong copper-gold-silver-molybdenum mineralization, Aceh Indonesia" dated effective November 2014, written by Duncan Hackman, B. App. Sc., MSc. MAIG of Hackman and Associates Pty. Ltd. This report is available from the Company's website at www.kalimantan.com.

Porphyry copper-gold-molybdenum mineralization at Beutong extends from surface in the BEP to depths greater than 800 meters vertically. The significant portion of the Resource outlined to date occurs in the top 500 meters of the two porphyry bodies (BEP and BWP) and better results from near surface within the BEP include:

Hole	From	Interval	Cu(%)	Au(ppm)	Mo(ppm)
BC001-02	2.50	147.50	1.32	0.25	145
BC001-04	2.70	147.60	0.92	0.26	78
BC004-03	10.50	140.00	0.94	0.08	137
BEU0800-01	3.25	217.25	1.18	0.20	96
BEU0800-02	2.80	347.10	1.06	0.18	133
BEU0800-03	5.00	330.90	0.79	0.15	106
BEU0900-01	5.30	374.20	0.89	0.13	117
BEU0900-02	5.30	173.70	0.78	0.08	124
BEU0900-03	4.50	300.00	0.65	0.14	63
BEU0900-05	5.50	224.50	0.71	0.14	44
BEU1000-02	154.00	252.70	0.67	0.05	87

The mineral deposit remains open to the east, west and at depth. Targets for additional shallow mineralization occur immediately to the east of section 0700 on the BEP where drill intersections of 384.7m at 0.67%Cu, 0.21g/t Au, 100ppm Mo (BEU700-03 from 74.5m) and 224m at 0.73% Cu, 0.12g/t Au and 74ppm Mo (BEU700-04 from 136m) remain open.

A strongly mineralized copper-gold skarn is located 200 meters north of the BEP and also remains open in all directions. Drill intercepts to date include 33m at 2.31% Cu, 1.23g/t Au from 2.5m depth with soil geochemistry and drilling indicate potential dimensions of 60m width over greater than 2km.

Jelai IUP:

The holder of the Jelai IUP is PT Jelai Cahaya Minerals ("JCM"). A wholly-owned subsidiary of the Company, KLG Singapore Private Limited, holds 99.3% of the shares of JCM. The remaining 0.7% of JCM shares continues to be held for the benefit of Kalimantan Gold by the same two nominee shareholders who previously held 100% of JCM.

The Jelai Gold Project (Jelai) is located approximately 500 kilometres north of Balikpapan, and 45 kilometres east of the town of Sekatak. The IUP is 5,000ha in size and contains twelve (12) mineral prospects, but the major focus has always been on the Mewet Prospect (Mewet). The forestry classification of the IUP area is production forest, and the Company announced that the Indonesian Ministry of Forestry renewed the IPPKH, which authorizes the Company to conduct exploration activities until December 16, 2015. The IPPKH covers 11 of the 12 gold – silver prospects in Jelai IUP, including the flagship Mewet Project.

Mineralization at Mewet comprises multiple veins and vein splays of the low sulphidation epithermal style and is hosted within a sequence of porphyritic andesite, intrusion breccias and diorite dykes. Grid soils, surface mapping and drilling have confirmed a cumulative vein strike length of 6.0 km, which includes the three major north-south trending Mewet, Sembawang and Nyabi veins and their Lipan, Salam, Adau, Tigalima and Obi vein splays. The highest grade gold - silver mineralization is associated with finely banded quartz-adularia and zones of multiphase brecciation of the colloform-crustiform quartz, generally with a weak sericitic / silicified alteration halo.

The Mewet system represents several phases of sealing and re-brecciation with a number of phases of colloform-crustiform quartz clasts observed in the chalcedonic quartz. The occurrence of adularia and coarse bladed calcite in high-grade zones and the presence of hydrothermal breccias and chalcedonic quartz are consistent with boiling.

A total 140 drill holes (16,786.15 metres) have been drilled at Mewet, all within the Mewet Prospect area.

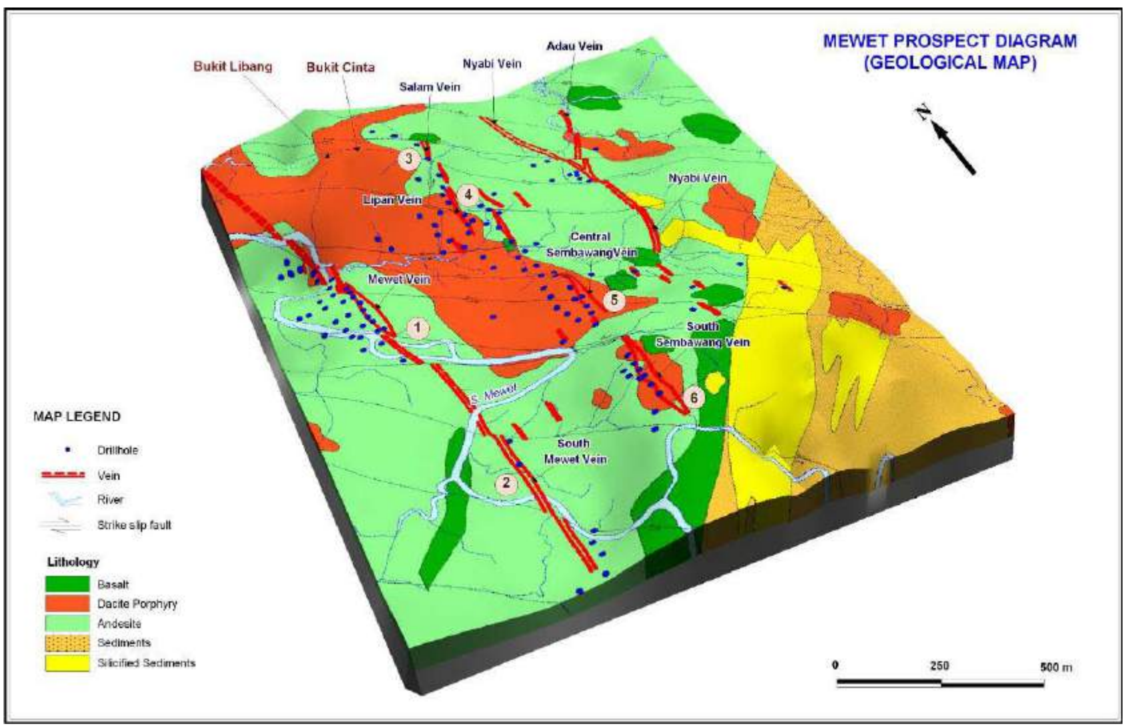

Figure 1: Mewet Prospect, Major N-S veins and associated splays

Table 1 – Mewet, select significant drilled intercepts (>1.0g/t Au)

Hole	From	To	Metres	Au (g/t)	Ag (g/t)	Vein
JCM-50	26.5	34.5	8.1	4.52	2.74	Lipan
includes	26.5	27.8	1.4	15.40	6.00	
JCM-38	22.0	27.4	5.4	11.74	5.05	Lipan
includes	23.5	25.0	1.5	30.68	13.80	
JCM-01	21.6	24.7	3.2	5.76	2.60	Lipan
JCM-66	43.8	48.1	4.3	1.64	1.18	Sembawang
includes	46.7	48.1	1.4	2.99	1.90	
JCM-26	42.0	47.2	5.2	5.60	2.70	Sembawang
includes	43.4	44.6	1.2	17.33	7.50	
JCM-16	34.5	38.5	4.0	2.27	1.10	Sembawang
JCM-13	32.0	36.8	4.8	10.43	14.60	Sembawang
JCM-14	35.0	36.5	1.5	13.44	20.60	Sembawang
JCM-69	22.8	28.8	6.0	15.84	81.19	Mewet
JCM-68	36.7	39.1	2.5	4.45	11.03	Mewet
JM011	26.3	28.4	2.1	6.90	16.00	Mewet
JM012	57.0	58.7	1.7	11.10	10.00	Mewet
JM013	38.3	40.2	1.9	7.50	13.00	Mewet
JM015	67.5	69.0	1.5	7.30	14.00	Mewet
and	69.3	70.8	1.5	7.40	20.00	
JM018	115.0	119.5	4.5	6.40	8.00	Mewet
JM019	185.1	191.2	6.1	5.70	15	Mewet

The overview and highlights for the year ended December 31, 2014 and up to the date of this report include:

Beutong Project

PT EMM lodged the initial IUP Production conversion application with Nagan Raya Regency in March 2013. In early 2014 Nagan Raya Regency sought clarification from the Central Government on the IUP Production "issuing authority". Formal confirmation was received, confirming the Minister of Energy and Mineral Resources (MEMR) within the Central Government in Jakarta is responsible for issuing an IUP Production license to an Indonesian company with foreign ownership (PMA Company). PT EMM's application was submitted to the Central Government MEMR and the application remains under process, with technical reviews ongoing. EMM continues to provide MEMR with supporting documentation as requested. A Production IUP is valid for 20 years and extendable for two subsequent periods, each of 10 years duration.

Due to the uncertainty related to determining the Government authority with responsibility for processing the IUP Production application, PT EMM was granted a one year suspension of the Beutong IUP exploration license on June 6, 2014. According to Law 4, 2009, suspension of mining business activities shall not reduce the validity period of Mining Permits and therefore the IUP Exploration license expiry date is pushed back one year to June 15, 2015, and the suspension is extendable one year.

Figure 2: Beutong project exploration camp, looking north.

Following a review of historical and the more recent 2011-2012 drill data, two deep holes were drilled into the BEP and BWP. The program completed in late January 2014 resulted in the discovery of additional copper – gold mineralization north of the BWP and at depth in both the BWP and BEP. The deepest hole drilled at BWP (1592.3m in hole BEU1700D-01) intersected two broad zones of copper mineralization with associated molybdenum and gold, including 205m @ 0.57% Cu, 0.11g/t Au and 221ppm Mo (from 150m) and 213m @ 0.47% Cu, 0.19g/t Au and 206ppm Mo (from 581m). The distribution of copper-gold-molybdenum mineralization can be generally defined by a dominant, high-sulphidation epithermal style telescoped over an earlier-formed porphyry style which is largely confined to zones of phyllic alteration (Figure 3)

Figure 3: (Left) High sulphidation veins telescoped over the BWP (2.5m @ 7.75% Cu)
(Right) Classic BWP stockwork mineralization (782 – 785m assayed 0.58% Cu and 0.34 g/t Au).

A second deep hole drilled at BEP (BEU0800D-01) also intersected broad zones of moderate to high-grade copper – gold mineralization, including 279m @ 0.54% Cu and 0.13g/t Au (from 111m) and 276m @ 0.60% Cu and 0.11g/t Au (from 452m).

Deep drilling at BEP and BWP demonstrates vertical continuity of copper-gold mineralization to >800m depth. There are indications of potassic alteration (biotite and K-feldspar) at deeper levels in each hole and this style of alteration is typically associated with higher grade chalcopyrite- bornite mineralization (figure 4).

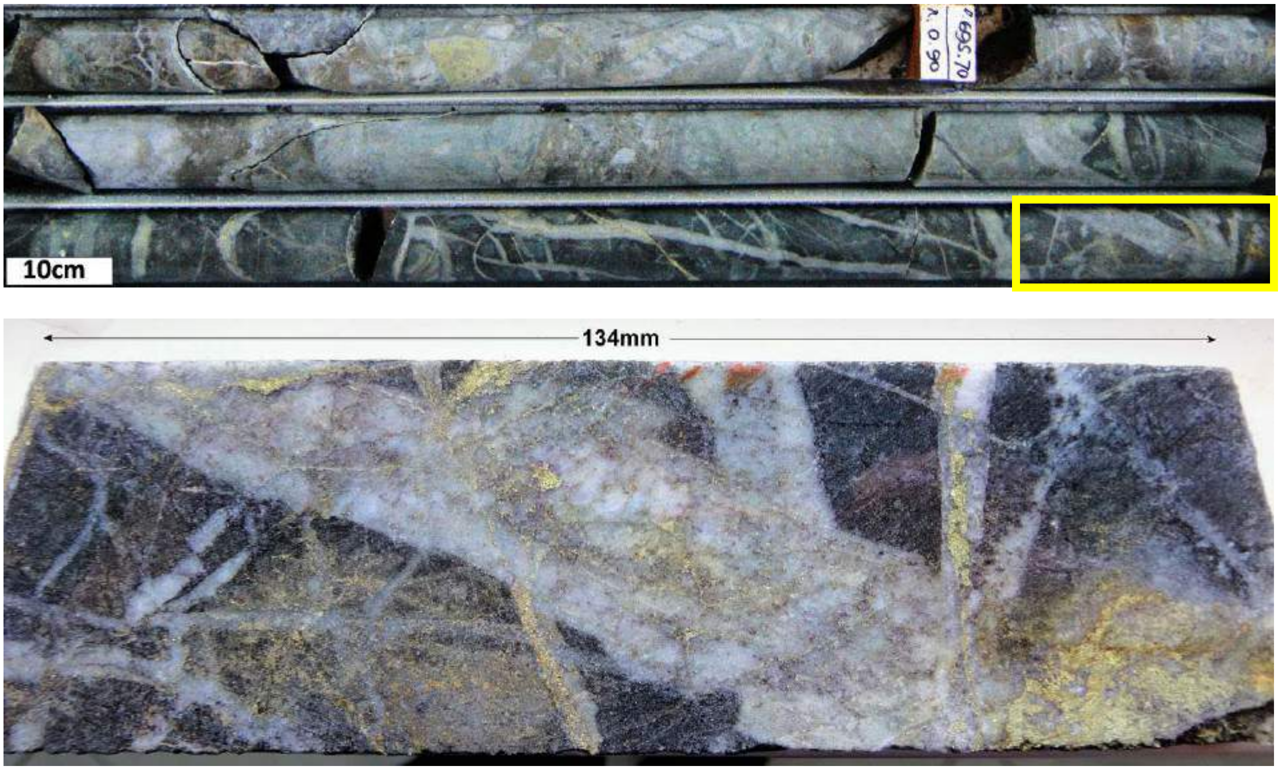

Figure 4: A 1.5m fragment of potassic altered diorite cut by >5 vol% quartz-chalcopyrite-bornite veins. This 3 meter zone (includes 1.5m of lower grade breccia) assayed 0.96% Cu, 0.25g/t Au and 183ppm Mo.

Beruang Kanan Copper Project

Historical exploration activities were predominantly centered on the BKM prospect, where strong copper in soil and stream sediment samples was identified.

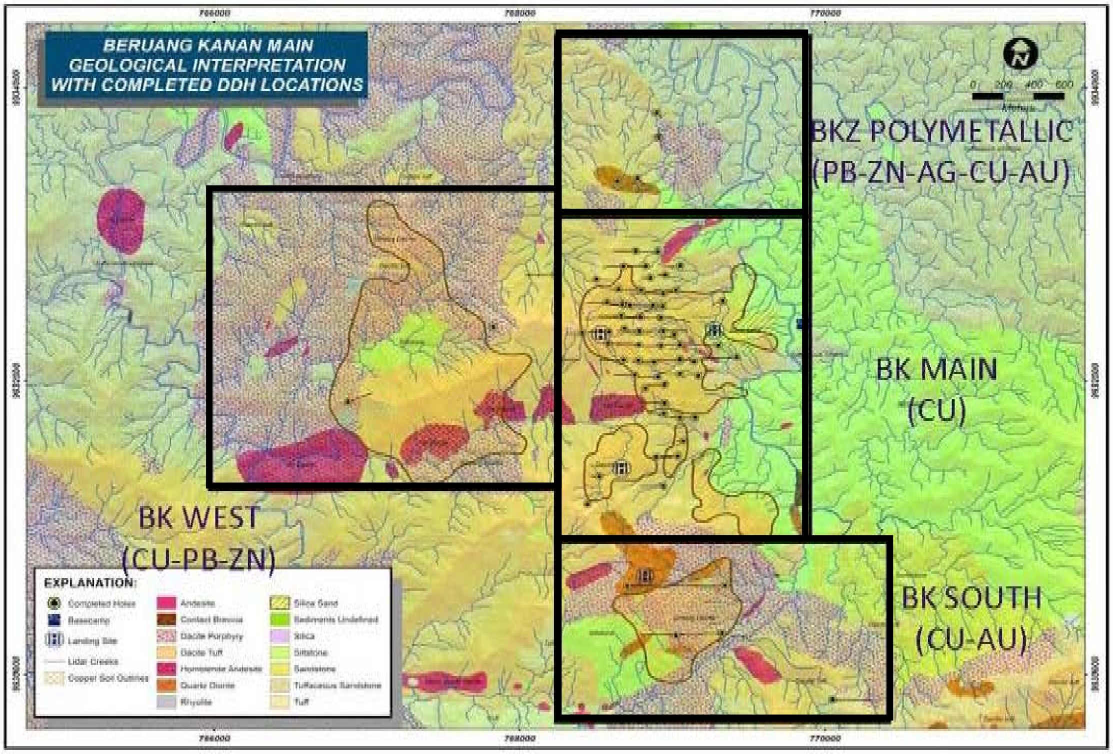

Figure 5: BK Copper Project's four main prospects, BKM, BKS, BKW and BKZ.

Systematic exploration activities undertaken throughout the project area include:

- Extensive drilling (approximately 26,100 metres);
- Geochemical sampling (rock chips and channels, grid and ridge and spur soils, stream sediments);
- Geophysics (IP/resistivity and magnetic surveys); and
- Extensive geological mapping.

In 2014 the Company announced a Maiden Resource for its flagship BK Copper Project, The Mineral Resource estimate is only for the Main Zone (BKM), a portion of the Beruang Kanan mineralized area and is based on assays from 74 diamond drill core holes that were drilled from 1998 to 2007 and then from 2012 to 2013. The Mineral Resource is contained within a near-surface, shallow-dipping and strongly mineralized system, that extends over an area of 1000m (N-S) and 950m (E-W) with depth extents ranging from surface to between 100m and 350m below surface (top to bottom). The mineralization remains open in several directions.

A review of mapping data, drill core logs and photos, and surface geochemical data has provided additional insight into the geologic setting and mineralization style at BKM. These data indicate BKM is a volcanoclastic hosted hydrothermal deposit (possibly affected by low grade metamorphism) and located within and adjacent to an interpreted thrust fault-coupling or ramping zone. At least four different breccias are recognized in drill core, including tectonic breccia (referred to as Wispy Breccia), andesitic volcanic breccia, polymict hydrothermal breccia and an intrusion breccia. Late stage diorite dykes have been observed in drill core, but appear to be post mineral and unrelated to the copper mineralization. Deep drilling intersected ia large diorite porphyry at depth, but it is not mineralized.

Mineralization is typically confined to breccia zones, in sulphide veins, in milky white quartz veins, as prominent coarse masses and clots filling open spaces, and on fracture faces. Copper mineralization includes chalcocite, covellite, and digenite with lesser chalcopyrite and bornite at depth. The deposit shows a vertical zonation of copper minerals, accordingly from top to bottom: pyrite→chalcocite+-digenite, pyrite→chalcocite-covellite+-digenite, pyrite→ covellite and a deeper zone of pyrite→chalcopyrite+-bornite. It is unclear if the copper species identified to date are of hypogene or supergene origin, but most likely the latter.

In the field, there are 10's of outcrops of erosional resistant quartz veins that resemble "silica ledges", but do not appear to be of the high sulphidation style. The ledges are 2-15m in width and can protrude out of the ground up to 15-20m in height; they are impressive to observe in their sheer size, height and density throughout the project area.

Figure 6: Erosional resistant quartz veins or ledges at BKM.

An infill and expansion drilling program was designed to expand the recently released BKM copper Resource as defined in the NI 43-101 Technical Report prepared by Hackman & Associates Pty Ltd. A total 80 holes are planned for 6500m, drilling at 50m intervals along 100m spaced section lines. Sighter metallurgical testwork is planned early in program to establish material types/copper species and test recoverability i.e. leaching and/or flotation.

Desk top technical reviews were conducted on other priority targets within the BK project, namely BKS, BKW and BKZ prospect areas; each within 1.5km of the BKM inferred resource. Soil and rock geochemistry, drilling and field mapping data indicate the presence of near surface copper mineralization similar in style to that occuring at BKM. The prospects are summarized as follows:

- **BKS prospect** : Drill hole KBK-28 intersected **10.5m @ 0.88% Cu** from 14.5 meters depth and rock chips assayed up to 17.6% Cu. Drill hole KBK-28 also intersected high grade gold mineralization from 11.5m, returning 3m @ 11.52g/t Au, (including 1.5m @ 21.7g/t Au). The copper in soil anomaly at BKS measures 800m by 900m and is open to the south.

- **BKW prospect:** A coincident copper in rock chip and soil anomaly measuring 1700m by 1000m, with rock chips returning up to **0.80% Cu**. Road mapping identified covellite in strongly clay altered breccia within the soil anomaly. Only one drillhole (KBK027) tested the edge of the copper anomaly and intersected elevated copper (4m @ 0.14% Cu) and arsenic (up to 207ppm As), the same geochemical signature as BKM.

- **BKZ Polymetallic prospect**: Drill hole BKZ-1 testing outcropping massive sulphide style mineralization intersected **16m @ 5.75% Zn, 2.78% Pb, 0.64g/t Au, 57.5g/t Ag and 0.16% Cu** (including **6m @ 11.63% Zn, 5.99% Pb, 0.71g/t Au, 98g/t Ag and 0.32% Cu**). A grid-based soil sampling program over the area defined a 400m by 200m anomalous zone of Pb-Zn-Cu soil geochemistry, which requires additional drilling.

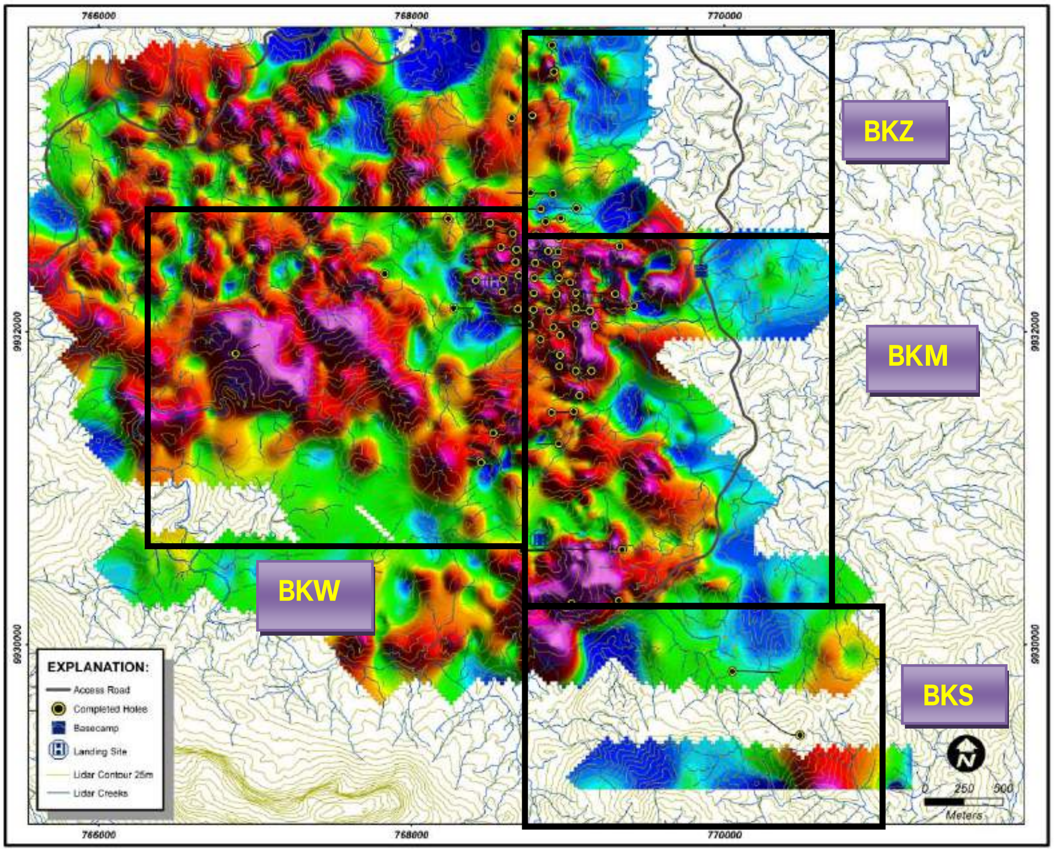

Figure 7: BK Project area - copper in soils and completed drill holes.

Other Projects

The KSK CoW contains a number of other highly prospective copper and gold prospects outside of the BK Copper Project, including Baroi (Cu-Au-Pb-Zn-Ag), Low Zone (Cu), Mamuring (Au), Gold Ridge (Au), Lakapoi (Au) and Waterfall (Au-Cu-Pb-Zn). The most advanced and highest priority target is Baroi.

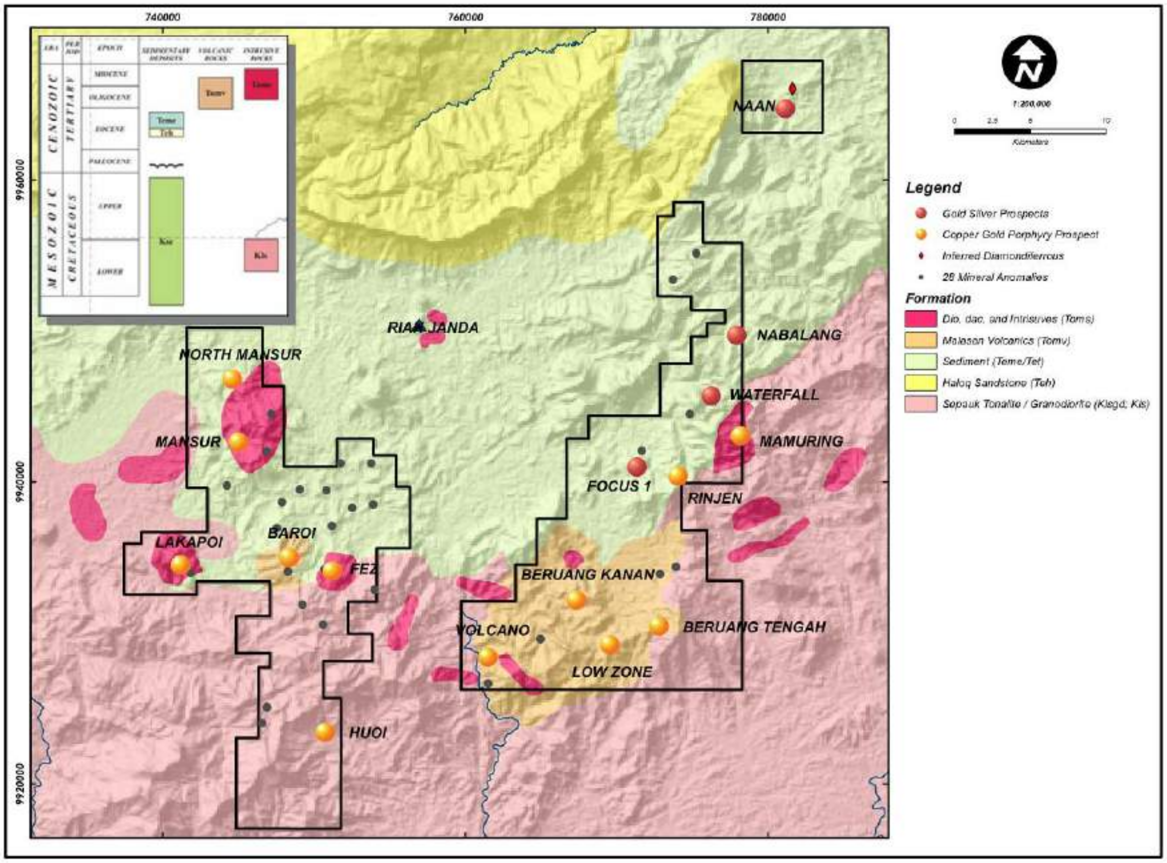

Figure 8: KSK Contract of Work, showing copper and gold prospects

The Baroi Prospect contains near-surface copper, gold and base-metal rich veins and breccia swarms. For example, drill hole BF5 intersected high grade near surface copper mineralization (covellite and chalcopyrite) with 31.45m at 3.62% Cu and 115g/t Ag (from collar) and a second zone in the same hole 24.0m at 4.59% Cu and 88.5g/t Ag (from 40.45m).

Figure 9: (Left) Outcropping Copper mineralization at Baroi Prospect.
(Right) Copper mineralization in Baroi Prospect drill hole BF5.

In a 2006 report on the Baroi area, Consulting Geologist, Bob Burke noted “the greater Baroi alteration zone contains larger and more numerous base metal veins than the greater Beruang locality. The mineralization and alteration seem to be more intense and they both extend over a much greater area, making Baroi a priority. On the basis of numerous, widely distributed base metal rich veins, Baroi seems to have a very large metal budget which is considered to be very promising”. Baroi will be a definite focus for the company’s future exploration programs.

Table 2: Select high grade significant drilled intercepts at Baroi Prospect.

(using a cut of 0.5% Cu and intercept stopped if two consecutive intervals <0.50% Cu)

Hole	*From*	*To*	*Meters*	*Cu (%)*	*Pb (%)*	*Zn (%)*	*Ag (gpt)*	*Au (gpt)*	*Comments*
BF-4	55.75	76.75	21.00	1.53	0.26	2.20	30.0	0.11	Hole terminated in 2.65% Cu
BF-5	0.00	31.45	31.45	3.62	1.60	4.05	114.9	0.56	From 0 - 2.45m = 11.6% Cu
BF-5	40.45	64.45	24.00	4.59	0.10	0.49	88.5	0.48	From 53.45 - 55.45m = 10.4% Cu
BF-9	6.80	12.80	6.00	10.45	1.50	0.33	182.5	0.08	Includes 3m @ 17.0% Cu
BF-10	51.30	54.30	3.00	2.38	<0.1	0.17	50.0	0.10	
BF-11	54.80	57.80	3.00	4.15	4.66	5.10	208.0	0.05	
BF-11	69.80	72.80	3.00	3.45	0.21	0.69	69.0	0.05	
BF-27	21.00	27.00	6.00	2.53	<0.1	<0.1	38.0	BD	
BF-30	1.00	26.80	25.80	5.05	1.54	2.96	159.0	0.17	
Including	1.00	12.05	11.05	11.05	1.64	2.55	296.0	0.24	From 1 - 4.55m = 14.2% Cu

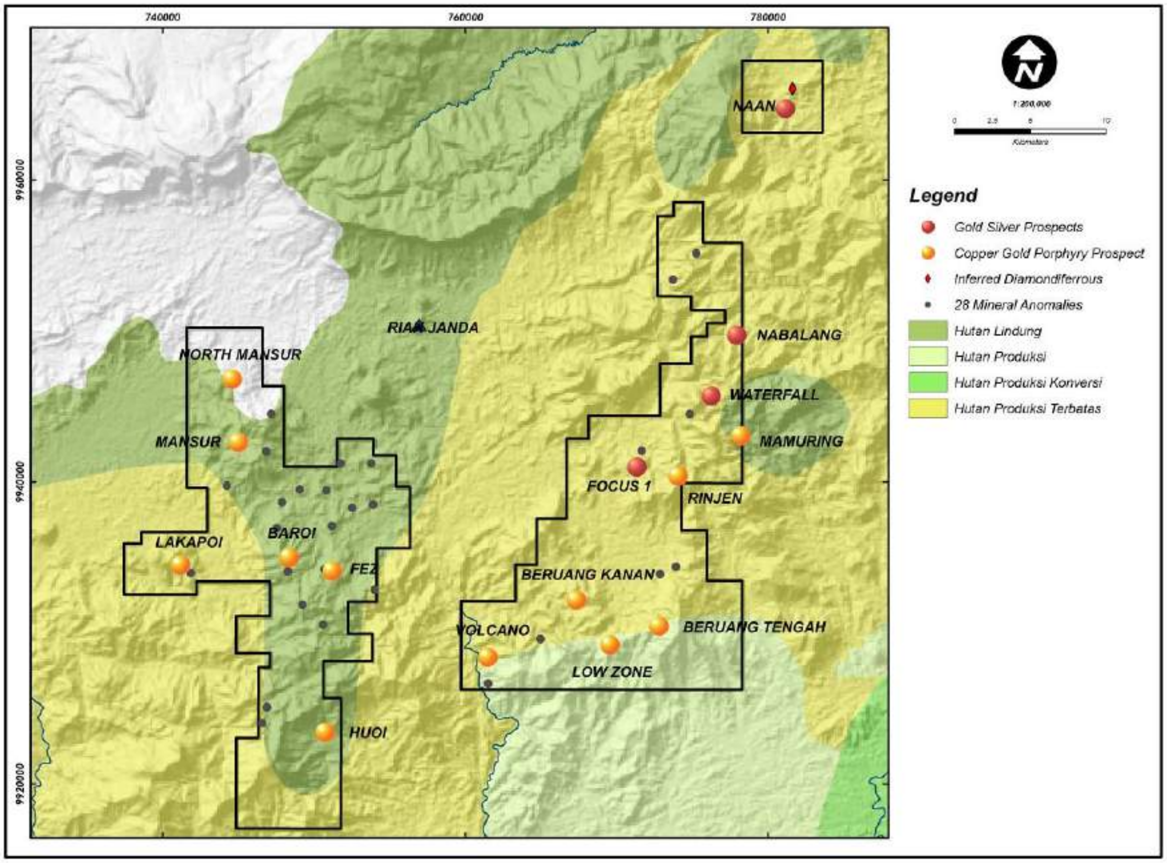

Figure 10: KSK Contract of Work, showing forestry status, copper and gold prospects

Looking Ahead:

KSK

MEMR recently provided formal clarification on the status of the Company's 100% owned KSK Contract of Work in Central Kalimantan, which will enter the fifth year of the Exploration Period immediately upon the Company receiving formal renewal of its forestry permit (IPPKH). The IPPKH renewal process is now well advanced, and upon signing, will authorize the company to carry out both surface and drilling activities over permitted areas of the COW for a period of two years.

Initial drilling will be focused at BK Main Deposit, which aims to extend and upgrade confidence of the near surface higher grade areas. This program will increase drill hole density along the 100m spaced East-West oriented section lines from 100-200m to 50m hole spacings, both within and outside the known resource. The Company owned Jackro and RB drill rigs are well suited for the conditions at BKM and each has capacity to drill greater than 100m depth in HQ size core. They are currently in storage at the BKM project camp and can be mobilized to the drill site in less than a day. Each hole is expected to be completed within 2-3 days and initial assay results are anticipated approximately 7-10 days after drilling commences.

KLG is planning to rapidly advance the BK Main deposit through to scoping study stage over the course of 2015. An extensive program of resource infill and expansion drilling, metallurgical test work and mining studies is planned, subject to positive drill results and the availability of ongoing funding. Several nearby prospects, Beruang Kanan South "BKS," Beruang Kanan West "BKW" and Beruang Kanan Polymetallic "BKZ" have potential for additional mineralization and will be scout drill tested, conditional on the availability of ongoing funding.

Discussions continue with a small number of Indonesian groups who have expressed an interest in partnering with Kalimantan Gold on the KSK CoW however the Company has not received any formal offers to date.

Beutong

Once granted, the IUP Production License provides a key part of the necessary approval pathway to the further development of the Beutong Project. The application process remains on track and PT EMM continues to provide supporting documentation as requested by MEMR. Upon receipt of the IUP Production the Company intends to re-active field programs aimed at extending near surface Resources and progressing development of the project.

Jelai

The Company is continuing discussions with a number of mining and exploration companies regarding potential joint venture or similar arrangement in respect of the Jelai IUP. A small number of interested parties are currently undertaking technical reviews and due diligence.

JCM has lodged its application to upgrade the Jelai Exploration License (IUP - Izin Usaha Pertambangan Eksplorasi) to a full operation / production Mining License (IUP - Izin Usaha Pertambangan Produksi). The application was prepared in accordance with the relevant mining regulations and was submitted to MEMR in Q1 2015. A temporary suspension has been requested by the company, in order to finalize the IUP Production application and complete the conversion process.

Corporate Social Responsibility (CSR) Program

Yayasan Tambuhak Sinta ("YTS") has been funded by SK LLC, by way of an advance to KSK, until late 2014, to work in many of the Dayak villages located along the Kahayan River, just outside of the KSK CoW area. There are no Dayak villages located within the KSK CoW area. YTS's program is focused on strengthening governance in the area, and is helping communities take greater responsibility for their own development agenda through participatory planning, institution strengthening and economic development.

The following is an extract from the 2014 Annual Report, as published by YTS:

"The year 2014 marks a change in the way we carry out our approach to achieving our overall goal of strengthening governance. As we focus more and more on improving the quality of governance in our work area, and in the wake of losing our funding support from the company, we have put our technical support for livelihoods on hold. The fundamental principles and values of the organization remain the same. Our long time efforts to close the gap between the government and the community, as well as helping to build the community's capacity for its own development, carries on but in a less technical manner. In addition, we are becoming more interested in supporting the health sector, which is in line with the government's development trend.

The other notable trend was the expansion to other parts of Indonesia of our experience and knowledge in reducing mercury emissions.

a. Kahayan Project

With the company ceasing to operate, there were less demands on the Kahayan Project compared to the year before. The team took this opportunity to reflect back and evaluate the program, and to make an informed decision on the next set of activities. During the first quarter, the team had intensive internal discussions and one key decision was not to provide any livelihood trainings for the community.

Following that, a monthly shared learning session was scheduled in each of the 22 villages, getting members of the livelihoods group to discuss issues and their experience on livelihood activities. At the same time, the Program Officers also monitored the progress of livelihood activities that had been supported with training in 2013. In addition, the Program Officers also assisted the community in a series of computer training events. These gained increasing interest from the community as the year went by. YTS also took the opportunity to help the community prepare and submit their livelihood proposals to government at district level. This activity supported our goal of helping bridge the gap between community and government.

b. Governance Project

In comparison with last year's activities that managed to deliver 14 capacity building activities, the project this year had to restrain its activities due to the delay in receiving funding from the Ford Foundation. However, by self-funding we were able to manage some key activities, such as: the working visit by the Regent and his team to Bojonegoro; technical assistance for the Health Department; and training on Village Administration. As the project works with capacity building issues on the government side, it collaborates smoothly and effectively with the Kahayan Project, which is working on capacity building at the grassroots level. Fortunately, the release of the funding was authorized in November, enabling resumption of activities before year end.

c. Bukit Batu Project

Support for the fish production business continued in Bukit Batu in 2014, with more focus on the sustainability of the livelihood. At the beginning of the year, YTS finalized distributing feed production machines to each of the seven villages. The machines were intended to stimulate group members to start producing their own feed and sustain their fish farming or chicken raising activities. Training was provided in two batches to seven groups of six urban villages. A total of 4,375 kg of feed was produced during the course of the year and was either consumed or sold locally. Another addition was the production of a probiotic supplement that was applied to the feed supply to enhance growth of fish and chickens. The seven groups have been feeding the enhanced feed to their fish and chicken stocks, and are monitoring any changes in growth

d. Artisanal and Small-scale Gold Mining Project

In 2014, the Artisanal and Small-scale Gold Mining (ASGM) project was very active in several different locations. The project set up training centers in Sumbawa and Lombok, and as well was working on the island of Java. Our efforts to promote health awareness and appropriate technologies in controlling the use and release of mercury in artisanal mining has been drawing interest from donors and other parties, resulting in continuous implementation of various activities. The team completed some action research in Wonogiri, continued with its field demonstrations in Lombok and Sumbawa, and expanded those demonstrations to Banyumas in Central Java. Work in Central Kalimantan continued on, as before.

Our Kalimantan Kids Club scholarship program continues to support needy children from the partner villages. A total of 55 students were supported, 24 girls and 31 boys. Out of that number, 11 managed to complete their education - 2 graduated from college, 9 from high school - and one dropped out.

YTS also was actively involved in various events in Central Kalimantan, particularly with issues regarding community rights, sustainable development, education and health. We managed to maintain good working relationships with other organizations working on the same issues. One of our objectives in doing this is to broaden our knowledge and increase the impact of our work.

In a nutshell, 2014 was a time for reflection and evaluation on how our organization works, and provided some new learning and experiences that we were able to use in moving forward."

Qualified Person

Technical data disclosed in this MD&A have been reviewed and verified by Stephen Hughes, P. Geo, a Qualified Person within the meaning of NI 43-101. Mr. Hughes is a director of Kalimantan Gold and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person under the JORC Code and as a Qualified Person under NI 43-101.

Aim Rule 26

We confirm that our website (www.kalimantan.com) includes the information required by AIM Rule 26.

Results of Operations

Results of operations for the year ended December 31, 2014

The Company incurred a loss for the year ended December 31, 2014, of $884,912 (2013 – $325,805).

The more significant differences between the fiscal years were consultants, directors fees, exploration costs, legal fees, management fees, share-based compensation, and travel & accommodation costs.

- Consultants: Fiscal 2014 – $194,787; (Fiscal 2013 – $353,427)
  In the year ended December 31, 2014, the CEO offered to reduce his monthly fees to the Company until such time as the Company was in a better position to pay those fees. This decision has saved the Company about $87,000 over the course of fiscal 2014. In addition, RFC Corporate Finance, our AIM Nomad, offered to reduce the Company's fees by A$20,000 annually ($18,900) until the end of fiscal 2014. Gerald Cheyne & Co Ltd. also offered to reduce their fees from £24,500 per year (approx $40,300) to zero until such time as the Company was in a better position to pay those fees. Overall, these reductions have saved the Company $146,200 in fiscal 2014.

- Directors Fees: Fiscal 2014 – $3,500; (Fiscal 2013 – $47,000)
  Early in fiscal 2014, the directors agreed to waive their fees until such time as the Company was in better financial condition.

- Exploration costs (net): Fiscal 2014 – $437,235; (Fiscal 2013 – $89,248)
  In the year ended December 31, 2014, the gross exploration costs were $1,787,375 (2013 - $18,062,875) with recoveries from exploration partners of $1,350,140 (2013 - $17,973,627), with net exploration expenditures of $437,235 (2013 – $89,248) for the year then ended. Gross exploration expenditures in fiscal 2014 on the KSK CoW were about $16 million lower than the 2013 comparative year which is a reflection of the decreased exploration work performed and funded by Freeport. For the Jelai IUP, the current 2014 fiscal year saw a decrease in exploration spending as the project was on care and maintenance in 2014.

- Legal fees: Fiscal 2014 - $25,330 (Fiscal 2013 - $38,490)
  Legal fees have now generally returned to normal levels for 2014, being somewhat lower than the 2013 comparative year.

- Management fees: Fiscal 2014 – ($47,388) (Fiscal 2013 – ($611,980))
  Management fees relate to being the operator of the KSK CoW, and are directly correlated with the magnitude of the gross exploration expenditures funded by our joint venture partners and our continuance as operator. In fiscal 2014, the Company earned $47,388 (2013 - $611,980) for being the operator of the KSK CoW in January 2014.

- Share-based compensation: Fiscal 2014 - $102,222 (Fiscal 2013 - $236,633)
  The 2014 expense of $102,222 relates to the calculated fair value of the options granted on October 6, 2014, while the 2013 expense is related to the calculated fair value of the options granted on July 1, 2013. The fair value of the options granted is calculated using the Black-Scholes option pricing model.

- Travel and accommodation: Fiscal 2014 - $2,742 (Fiscal 2013 - $37,744)
  The 2014 expense of $2,742 is significantly lower than the 2013 expense due to management's decision to reduce discretionary expenses in fiscal 2014 in an effort to save money.

Selected Annual Information

	Fiscal Year Ended December 31 2014 audited	Fiscal Year Ended December 31 2013 audited	Fiscal Year Ended December 31 2012 audited
Statement of Operations			
Net revenues	$ Nil	$ Nil	$ Nil
Net income / (loss)	(884,912)	(325,805)	62,715
Net income (loss) per share	(0.01)	(0.00)	0.00
Statement of financial position			
Total assets	$ 177,542	$ 1,544,184	$ 5,041,607
Long term debt	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

Summary of Quarterly Results

The unaudited financial results for each of the eight most recently completed quarters are summarized below:

	Three months ended:							
	December 31, 2014 $	September 30, 2014 $	June 30, 2014 $	March 31, 2014 $	December 31, 2013 $	September 30, 2013 $	June 30, 2013 $	March 31, 2013 $
Total revenues	-	-	-	-	-	-	-	-
Profit (loss) for the quarter	(391,012)	(259,405)	(55,843)	(178,652)	(194,226)	(245,046)	88,316	25,151
Basic and diluted profit (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	0.00

The Company is an exploration stage enterprise. At this time any issues of seasonality or market fluctuations have no significant impact. The Company currently expenses all its mineral exploration costs and general and administration costs and these amounts are included in the loss for each quarter. The Company's finances determine the levels of exploration. Period over period variances will occur from time-to-time for non-cash items including the granting of stock options and the resulting stock-based compensation expense for that period.

Fourth quarter

The Company began the fourth quarter with $340,781 cash. Cash of $178,770 was used in operating activities; investing activities used $133,617 in cash; and the Company recorded an unrealized foreign exchange gain of $1,988 on its cash, to end the quarter and the year with $30,382 cash.

Liquidity

The Company began the current fiscal year with $973,464 in cash. Operating activities used $936,517 in cash; investing activities used $12,885; financing activities had no cash effects in the year; and recorded $6,320 of unrealized foreign exchange gain on cash balances, to end the year with $30,382 in cash.

The Company will require additional financing, through various means including but not limited to equity financing, for continued operations and for the substantial capital expenditures required to achieve planned principal operations. The Company plans to raise additional financial resources through equity financings during the next twelve months. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

In January 2015, the Company closed a brokered private placement through the issuance of 51,910,441 common shares for gross proceeds of C$1,193,940 at an issue price of C$0.023 per common share. The Company paid aggregate fees to brokers who introduced the Company to private placement investors of C$29,350.

Capital Resources

At the date of this MD&A, the Company has 14,675,000 stock options outstanding. Upon an increase in the Company’s share price and share volume traded, it would be expected that the stock options would likely be exercised, thereby contributing additional cash to the treasury.

The Company has met its expenditure requirements pursuant to its KSK CoW for all exploration phases of the contract due to the ability to carry over excess work expenditures.

Contingency

During 2011, the Indonesian tax authorities conducted an audit of JCM for the 2009 tax year. The majority of the review focused on the deductibility of expenditures in Indonesia and adjusted the tax loss carry forwards. The most material outcome from the audit related to the tax authorities deeming that the intercompany loans made by the Company to JCM should have had interest accrued at the rate of 8% per annum with withholding tax of 20%, therefore becoming payable to the Indonesian government. The Company continues to believe that this tax assessment is without basis. To have the appeal heard by the tax court, the Company paid a deposit of Rp 440,139,447, an amount equal to the 2009 tax exposure as calculated by the tax authorities. The outcome of the tax appeal process and any tax assessments due and payable arising from that process is not determinable at this time, however, the Indonesian tax Court denied the Company’s appeal in 2015. The Company will once again appeal this decision, however, has determined that it should write off the government deposit in the current year.

Transactions with Related Parties

a) The Company's related parties consist of companies owned by executive officers and directors as follows:

Name	**Nature of transactions**
Golden Oak Corporate Services Limited ("Golden Oak")	Financial reporting, Chief Financial Officer, Corporate Secretary, and corporate compliance services.
Romfal Corporate Pty Ltd. ("Romfal")	Chief Executive Officer ("CEO")

The Company incurred the following fees in the normal course of operations in connection with companies owned by key management and directors.

		December 31, 2014		December 31, 2013
Consulting fees – Golden Oak	$	95,535	$	101,993
Consulting fees – Romfal		33,000		120,000
Total	$	128,535	$	221.993

b) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel, including amounts disclosed above, during the years ended December 31, 2014, and 2013 were as follows:

		December 31, 2014		December 31, 2013
Consulting fees	$	128,535	$	221,993
Salaries, wages and related costs (exploration and evaluation expenditures)		161,572		248,572
Directors fees to non-management directors (1)		3,500		47,000
Share-based compensation		90,370		117,323
Total	$	383,977	$	634,888

(1) The December 31, 2013 figures Include $8,000 paid to Francis De Sousa for his eight-month tenure as a Director from August 2012 to March 2013.

At December 31, 2014, an amount of $4,053 (December 31, 2013 - $11,456) was owed to key management personnel and directors, and is included in trade and other payables.

Future Canadian Accounting Standards

Effective for annual periods not yet determined but expected for January 1, 2018:

New standard IFRS 9 *Financial Instruments*

Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost, and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

Management of Capital

The Company manages common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash and the fair value approximates the carrying value.

Financial Instruments and Related Risks

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2014	December 31, 2013
Cash	Loans and receivables	$ 30,382	$ 973,464
Government deposit	Loans and receivables	-	36,110
Trade and other receivables	Loans and receivables	11,740	268,460
Trade and other payables	Other liabilities	278,299	706,658

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash are Level 1 in the fair value categories.
The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, receivables, and balances receivable from the government. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's current financial liabilities are anticipated to fall due within the next sixty days.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and short-term investments and on the Company's obligations are not considered significant.

b) Foreign Currency risk: The Company is exposed to the financial risk related to the fluctuation of foreign currency exchange rates. A portion of the Company's cash is held in Canadian (CDN") dollars and the Company expects to continue to raise funds in Europe, Canada, and Australasia. The Company conducts its business in Indonesia in Indonesian Rupiah ("Rp") with a significant portion of expenditures in that country denominated in US dollars and in addition, a portion of the Company's business is conducted in Canadian dollars ("CAD"), Pounds Sterling ("GBP") and the Australian ("AUS") dollar. As such, it is subject to risk due to fluctuations in the exchange rates between the US dollar and each of the Rp, GBP and CAD and AUS dollars. A significant change in the currency exchange rates between the US dollars relative to foreign currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

The Company's exposure to the foreign currency amount in US dollars on financial instruments is as follows:

	As at December 31, 2014			As at December 31, 2013		
	Currency	Foreign currency amount	Amount in US dollars	*Currency*	Foreign currency amount	Amount in US dollars
Cash	*CDN*	10,436	8,996	*CDN*	48,535	45,633
	Rp	92,075,841	7,401	*Rp*	192,452,121	15,789
Government deposits	*Rp*	-	-	*Rp*	440,139,447	36,110
Trade and other payables	*CDN*	(16,281)	(14,034)	*CDN*	(966)	(908)
	GBP	(1,010)	(1,593)	*GBP*	(4,313)	(7,375)
	AUD	(3,184)	(2,601)	*AUD*	-	-
	Rp	(209,991,639)	(16,879)	*Rp*	(668,310,681)	(54,829)
			(18,710)			34,420

Based upon the above net exposures and assuming that all other variables remain constant, a 10% depreciation of the US dollar against the GBP and CAD and AUS dollars would result in a increase in the loss of approximately $1,870 in the year ended December 31, 2014, ($3,440 in the year ended December 31, 2013). This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

c) Commodity price risk - While the value of the Company's core mineral resource properties, the KSK Contract of Work (the "KSK CoW"), the Beutong Izin Usaha Pertambangan (IUP), and the Jelai Izin Usaha Pertambangan ("IUP"), are related to the price of copper and gold and the outlook for these minerals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities.

Historically, gold and copper prices have fluctuated significantly, and are affected by numerous factors outside of the Company's control, including but not limited to: industrial and retail demand; central bank lending; forward sales by producers and speculators; levels of worldwide production; short-term changes in supply and demand because of speculative hedging activities; and other factors related specifically to gold.

Political Uncertainty

In conducting operations in Indonesia, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Indonesia, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

Forward Looking Statements

This MD&A contains forward-looking statements that are based on the Company's current expectations and estimates. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans to continue to be refined; possible variations in ore grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

Additional Disclosure for Venture Issuers without Significant Revenue

The components of exploration costs are described in Note 10 to the Financial Report.

Outstanding Share Data

At December 31, 2014, the authorized share capital comprised $5,000,000 divided into 500,000,000 common shares at a par value of $0.01 each. All issued shares are fully paid.

	Common Shares Issued and Outstanding	Share Purchase Warrants	Stock Options
Balance at December 31, 2014	171,407,156	-	14,675,000
Brokered private placement – January 12, 2015	51,910,441	-	-
Acquisition of Beutong Project – January 12, 2015	171,407,156	14,675,000	-
Balance as of the date of this MD&A	394,724,753	14,675,000	14,675,000

Risks

The Company is subject to risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, continuing losses, dependence on key individuals, and the ability to secure adequate financing to meet minimum capital required to successfully complete its projects and continue as a going concern. These factors should be reviewed carefully.

The following risk factors, in addition to the risks noted above in the “Financial instruments and Related Risks” section, should be given special consideration when evaluating trends, risks and uncertainties relating to the Company’s business.

Exploration, Development and Production Risks

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge of management and key employees and contractors of the Company may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in the definition of a mineral resource. The Company’s operations will be subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing gold, copper and other mineral properties is affected by many factors, including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access of the Company's mineral properties may have an adverse effect on profitability as a result of higher infrastructure costs. There are also physical risks to the exploration personnel working in the terrain in which the Company's mineral properties are located, which is subject to poor climate conditions. The long-term commercial success of the Company depends on its ability to explore, develop and commercially produce minerals from its mineral property and to locate and acquire additional properties worthy of exploration and development for minerals. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participation uneconomic.

Substantial Capital Requirements

The management of the Company anticipates that it will likely make substantial future capital expenditures for the acquisition, exploration, development and production its mineral properties. As the Company will be at the exploration stage with no revenue being generated from the exploration activities on its mineral properties, the Company may have limited ability to raise the capital necessary to undertake or complete future exploration work, including drilling programs. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. In particular, failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in its mineral property, miss certain acquisition opportunities and reduce or terminate its operations.

Competition

The mining industry is highly competitive. Many of the Company's competitors for the acquisition, exploration, production and development of mineral properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than the Company.

Volatility of Mineral Prices

The market price of any mineral is volatile and is affected by numerous factors that are beyond the Company's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in mineral market prices could render less economic, or uneconomic, some or all of the mineral extraction and/or exploration activities to be undertaken by the Company.

Mineral Reserves / Mineral Resources

The Company's mineral properties are considered to be in the early exploration stage and do not contain a known body of commercial minerals.

Recent Global Financial Conditions

Recent global financial conditions have been subject to increased volatility. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favorable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the value and the price of the shares of the Company could be adversely affected.

Environmental Risks

All phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at any future producing properties or require abandonment or delays in the development of new mining properties.

Reliance on Key Personnel

The success of the Company will be largely dependent upon the performance of its management and key employees and contractors. In assessing the risk of an investment in the shares of the Company, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the proposed management of the Company.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. In the event that a director or senior officer has a material interest in a contract or proposed contract or agreement that is material to the Company, the director or senior officer must disclose his or her interest in such contract or agreement and a director must refrain from voting on any matter in respect of such contract or agreement. To the knowledge of the management of the Company, as at the date hereof, there are no existing or potential material conflicts of interest between the Company and a director or officer of the Company.

Dividends

To date, the Company has not paid any dividends on its outstanding common shares. Any decision to pay dividends on the shares of the Company will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions.

Substantial number of authorized but unissued shares

The Company has a substantial number of common shares which may be issued by the Board without further action or approval of the Company's shareholders, except in limited circumstances. While the Board is required to fulfill its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

Permits and Licenses

The activities of the Company are subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local native populations. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its mineral property may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's mineral properties may decline.

Limited Operating History

The Company is a company with limited successful operating history and has yet to generate a profit from its operating activities. The Company will be subject to all of the business risks and uncertainties associated with any business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations. Even if the Company does undertake exploration activity on its mineral properties, there is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

Uninsured Risks

The Company, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Company may incur a liability to third parties (in excess of any insurance coverage) arising from negative environmental impacts or any other damage or injury.

Unforeseen Expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

Other information

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.kalimantan.com.

Kalimantan GOLD Corporation Limited

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

(In United States dollars, unless otherwise noted)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Kalimantan Gold Corporation Limited

We have audited the accompanying consolidated financial statements of **Kalimantan Gold Corporation Limited**, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated 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.

Auditors' 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 auditors' 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 auditors consider 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 **Kalimantan Gold Corporation Limited** as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that **Kalimantan Gold Corporation Limited** incurred a loss of $884,912 during the year ended December 31, 2014, and as at that date, **Kalimantan Gold Corporation Limited** had an accumulated deficit of $27,575,532 and had current liabilities of $236,177 in excess of current assets. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt on **Kalimantan Gold Corporation Limited**'s ability to continue as a going concern.

Ernst & Young LLP

Vancouver, Canada
April 29, 2015

Chartered Accountants

KALIMANTAN GOLD CORPORATION LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in United States dollars, unless otherwise noted)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash	*5*	$ 30,382	$ 973,464
Government deposit	*6, 16*	-	36,110
Receivables and other assets	*7*	11,740	268,460
		42,122	1,278,034
Non-current assets			
Security deposit		20,960	21,186
Prepaid acquisition costs	*8*	13,618	-
Equipment	*9*	100,842	244,964
TOTAL ASSETS		$ 177,542	$ 1,544,184
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Trade and other payables	*11*	$ 278,299	$ 706,658
Provision for employee service entitlements	*12*	-	178,059
		278,299	884,717
Non-current liabilities			
Provision for employee service entitlements	*12*	22,466	-
		300,765	884,717
Shareholders' equity (deficit)			
Share capital	*13*	1,674,842	1,674,842
Equity reserves	*13*	25,777,467	25,675,245
Deficit		(27,575,532)	(26,690,620)
		(123,223)	659,467
TOTAL LIABILITIES AND EQUITY (DEFICIT)		$ 177,542	$ 1,544,184

Nature of operations and going concern	*1*
Commitments	*15*
Contingency	*16*
Subsequent events	*20*

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2015.

They are signed on the Company's behalf by:

"*Anthony Manini*"	"*Peter Pollard*"
Anthony Manini, Director	Peter Pollard, Director

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

KALIMANTAN GOLD CORPORATION LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(expressed in United States dollars, unless otherwise noted)

		For the year ended	
	Note	December 31, 2014	December 31, 2013
Expenses			
Accounting and audit		$ 56,940	$ 59,724
Consultants	*14*	194,787	353,427
Directors fees		3,500	47,000
Exploration and evaluation expenditures, net	*10*	437,235	89,248
Investor relations		2,206	10,796
Legal		25,330	38,490
Management fees	*10*	(47,388)	(611,980)
Office and administrative services		14,888	8,562
Share-based compensation	*13(d)*	102,222	236,633
Telephone and facsimile		1,526	4,019
Transfer agent, filing and exchange fees		86,608	77,724
Travel and accommodation		2,742	37,744
		880,596	351,387
Other items			
Foreign exchange gain (loss)		(3,821)	25,236
Loss on sale of equipment		(1,877)	-
Interest income		1,382	346
		(4,316)	25,582
Loss and comprehensive loss for the year		$ (884,912)	$ (325,805)
Basic and diluted loss per common share		$ (0.01)	$ (0.00)
Weighted average number of shares outstanding		171,407,156	171,407,156

Income Tax - Note 12

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

KALIMANTAN GOLD CORPORATION LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in United States dollars, unless otherwise noted)

	For the year ended December 31, 2014	For the year ended December 31, 2013
Cash provided from (used for):		
Operating activities		
Loss for the year	$ (884,912)	$ (325,805)
Adjustment for non-cash items:		
Depreciation	141,513	77,266
Loss on sale of equipment	1,876	-
Share-based compensation	102,222	236,633
Unrealized foreign exchange gain	(6,617)	(25,694)
Changes in non-cash working capital:		
Government deposit	36,110	-
Receivables and other assets	256,720	1,618,135
Trade and other payables	(428,359)	(3,422,006)
Provision for employee service entitlements	(155,070)	47,774
	(936,517)	(1,793,697)
Investing activities		
Prepaid acquisition costs	(13,618)	-
Purchase of equipment	-	(398,403)
Recovery of equipment	-	97,726
Proceeds on sale of equipment	733	2,562
	(12,885)	(298,115)
Unrealized foreign exchange gain on cash	6,320	6,894
Decrease in cash	(943,082)	(2,084,918)
Cash, beginning of the year	973,464	3,058,382
Cash, end of the year	$ 30,382	$ 973,464
Supplementary information:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

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

KALIMANTAN GOLD CORPORATION LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(expressed in United States dollars, unless otherwise noted)

	Number of shares	Amount	Equity reserves	Deficit	Total
Balance, January 1, 2013	171,407,156	$ 1,674,842	$ 25,438,612	$ (26,364,815)	$ 748,639
Share-based compensation	-	-	236,633	-	236,633
Loss and comprehensive loss for the year	-	-	-	(325,805)	(325,805)
Balance, December 31, 2013	171,407,156	$ 1,674,842	$ 25,675,245	$ (26,690,620)	$ 659,467
Share-based compensation	-	-	102,222	-	102,222
Loss and comprehensive loss for the year	-	-	-	(884,912)	(884,912)
Balance, December 31, 2014	171,407,156	$ 1,674,842	$ 25,777,467	$ (27,575,532)	$ (123,223)

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

1. NATURE OF OPERATIONS and GOING CONCERN

Kalimantan Gold Corporation Limited (the "Company" or "Kalimantan Gold") is a publicly listed company incorporated under the laws of Bermuda. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") and the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company's principal business activities include the acquisition, exploration and development of mineral properties. The address of the Company in Canada is Unit 1 – 15782 Marine Drive, White Rock, British Columbia, Canada V4B 1E6. The consolidated financial statements of the Company as at and for the year ended December 31, 2014, comprise the Company and its subsidiaries. The Company is the ultimate parent. The Company's principal mineral property interests are located in Kalimantan, Indonesia.

The Company is in the process of exploring its mineral property interests and has not yet determined whether any of its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties.

The operations of the Company will require various licenses and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company incurred a loss of $884,912 during the year ended December 31, 2014, and as of that date, the Company had an accumulated deficit of $27,575,532 and a net working capital deficit of $236,177.

The Company will require additional financing, through various means including but not limited to equity financing, for continued operations and for the substantial capital expenditures required to achieve planned principal operations. The Company plans to raise additional financial resources through equity financings during the next twelve months. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. See Note 20 for the subsequent capital raising of $1,193,940.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these financial statements for issue.

2. BASIS OF PREPARATION *(continued)*

b) Functional and presentation currency

The presentation currency of the Company is the United States dollar.

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") and has been determined for each entity within the Company. The functional currency of Kalimantan Gold Corporation Limited and all of its subsidiaries is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21").

c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are the following:

Estimated useful life of equipment

The estimated useful life of equipment which is included in the consolidated statements of financial position will impact the amount and timing of the related depreciation included in profit or loss.

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

(expressed in United States dollars, unless otherwise noted)

2. BASIS OF PREPARATION *(continued)*

c) Use of estimates and judgments *(continued)*

Provision for employee service entitlements

The provision for employee service entitlements estimation is based upon several actuarial inputs, assumptions, calculations, and estimates using the projected unit credit actuarial valuation method. Because the actuarial model requires the input of highly subjective assumptions, including interest rates, retirement dates, and mortality rates, changes in subjective input assumptions can materially affect the provision estimate. The provision recorded on December 31, 2013, was based on the actual termination liability and expense known at that time, as all of the Indonesian employees were terminated in January 2014, and the actual liability was known.

(ii) Critical accounting judgments

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are the following:

Determination of functional currency

In accordance with IAS 21, management determined that the functional currency of the Company and its subsidiaries is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21. Significant changes to those underlying factors could cause a change to the functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Principal activity
Indokal Limited	Hong Kong	100%	Holding company
PT Pancaran Cahaya Kahaya (“PCK”)	Indonesia	100%	Holding company
PT Kalimantan Surya Kencana (“KSK”)	Indonesia	100%	Owner of KSK CoW
PT Kalimantan Management Consultants (“KMC”)	Indonesia	100%	Holding company
KLG Singapore Private Limited (“KLG SING”)	Singapore	100%	Holding company
PT Jelai Cahaya Minerals (“JCM”)	Indonesia	100%	Owner of Jelai IUP

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Transactions in foreign currencies are initially translated to United States dollars, the functional currency of the Company, at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on re-translation is recognized in operations.

Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located.

Depreciation is provided at rates calculated to amortize the costs of equipment less its estimated residual value, using the straight-line method over five years commencing from the year the assets are put into service.

An item of equipment is de-recognized upon disposal 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 profit or loss.

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

Exploration and evaluation assets and expenditures

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. All direct costs related to the acquisition of mineral property interests are capitalized into intangible assets. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company has no capitalized exploration and evaluation assets at this time.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Restoration, rehabilitation and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the decommissioning of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a decommissioning liability is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with decommissioning as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Subsequently, these capitalized decommissioning liabilities are amortized over the life of the related assets. As the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the profit or loss statements. The Company had no decommissioning liabilities for the years presented.

Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Pension and other post-employment benefits

In 2003, the Company began recognizing a provision for Indonesian employee service entitlements in accordance with Indonesia's Labor Law No. 13/2003 dated March 25, 2003 (the "Law") under an assumption that all employees resigned at the reporting date.

For defined benefit pension plans, termination benefits, and other post-retirement benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected unit credit method. The determination of benefit expense requires assumptions such as the discount rate to measure obligations the projected age of employees upon retirement, and the expected rate of future compensation. For the purposes of calculating the expected return on plan assets, if any, the plan assets are valued at fair value. Actual results will differ from results that are estimated based on assumptions. All past service costs arising from plan amendments are recognized immediately in income or expense when the amendment occurs or when the related restructuring costs are recognized, if earlier.

The asset or liability recognized in the statement of financial position is the present value of the benefit obligation at the statement of financial position date less the fair value of the plan assets, if any, together with adjustments for asset ceiling impairment or additional liabilities due to onerous minimum funding requirement under IFRIC 19, *The Limit on a Defined Benefit Asset*. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using rates and outflow patterns as determined by the actuary based on the Indonesian Labour Law parameters.

Actuarial gains and losses are recognized through other comprehensive income and are not re-classified to the income statement. The movement in the provision for employee service entitlements is included in the salary portion of exploration costs.

Financial instruments – classification and fair value

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Attributable transaction costs are recognized in profit or loss when incurred.

(ii) Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include cash, government deposits, and receivables and other assets.

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is used to determine the amortized cost of loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments – classification and fair value *(continued)*

(iii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are 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 impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade and other receivables, is directly reduced by the impairment loss. The carrying amount of a trade or other receivable is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(iv) De-recognition of financial assets

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities and equity – classification and fair value

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. 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 group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity – classification and fair value *(continued)*

Financial liabilities may be classified as FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives and IAS 39 permits the entire combined contract (asset or liability) to be designated as a FVTPL.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in operations in the period in which they arise. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company has classified trade and other payables as other financial liabilities.

Employee future benefits

The cost of defined benefit pension plans and employee termination benefits under the Law and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future (Note 12). Actuarial gains and losses are recognized through other comprehensive income and not re-classified to the income statement. The provision for employee service entitlements is included in the salary portion of exploration expense.

The Company has classified the provision for employee service entitlements as other financial liabilities.

Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted earnings per share is the same as basic loss per share, as the effect of outstanding share options and share purchase warrants on loss per share would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

The stock option plan allows Company employees to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

Accumulated other comprehensive income

Accumulated other comprehensive income consists of net income and other comprehensive income ("OCI"). The Company's financial statements include a Statement of Profit and Loss and Comprehensive Profit and Loss, which includes the components of comprehensive income.

For the Company, OCI is comprised of unrealized gains or losses on available for sale financial assets, and foreign currency translation differences for foreign operations, if any, both of which are presented within the shareholders' equity section of the statement of financial position.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in operations except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

New standards, interpretations and amendments adopted effective January 1, 2014

a) Effective for annual periods beginning on or after January 1, 2014

Amendments to IAS 32 *Financial Instruments: Presentation*

The amendments to the disclosure requirements in IFRS 7 *Financial Instruments: Disclosure* require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

The amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014. However, the new offsetting disclosure requirements are effective sooner - for annual periods beginning on or after 1 January 2013, and interim periods within those annual periods. The amendments need to be provided retrospectively to all comparative periods.

The adoption of the above standard did not have a material effect on the financial statements of the Company.

New standards, interpretations and amendments not yet effective

The following new standard, amendment to standards and interpretations is not yet effective as of December 31, 2014, and has not been applied in preparing these consolidated financial statements.

IFRS 9 Financial instruments - classification and measurement

IFRS 9 is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is recorded at fair value through profit or loss.

The effective date for the amendment is indeterminate at this time, with an expected adoption date of January 1, 2018, and will be applied retrospectively. Early application is permitted.

The Company has not early adopted this revised standard and its future adoption is not expected to have a material effect on the financial statements.

(expressed in United States dollars, unless otherwise noted)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2014	December 31, 2013
Cash	Loans and receivables	$ 30,382	$ 973,464
Government deposit	Loans and receivables	-	36,110
Receivables and other assets	Loans and receivables	11,740	268,460
Trade and other payables	Other liabilities	278,299	706,658

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash are Level 1 in the fair value categories.

Risk management

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

Credit Risk
Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, receivables, and balances receivable from the government. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs.

Liquidity Risk
Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's current financial liabilities are anticipated to mature within the next ninety days.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and short-term investments (GIC's) and on the Company's obligations are not considered significant.

b) Foreign Currency risk: The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates against the Company's functional currency, which is the United States ("US") dollar. A portion of the Company's cash is held in Canadian ("CDN") dollars and the Company expects to continue to raise funds in Europe, Canada, and Australasia. The Company conducts its business in Indonesia in Indonesian Rupia ("Rp") with a significant portion of expenditures in that country denominated in US dollars and, in addition, a portion of the Company's business is conducted in CDN, GBP and the Australia ("AUS") dollar. As such, it is subject to risk due to fluctuations in the exchange rates between the US dollar and each of the Rp, GBP and CDN and AUS dollars. A significant change in the currency exchange rates between the US dollars relative to foreign currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

The Company's exposure to the foreign currency amount in US dollars on financial instruments is as follows:

		As at December 31, 2014			As at December 31, 2013	
	Currency	Foreign currency amount	Amount in US dollars	*Currency*	Foreign currency amount	Amount in US dollars
Cash	*CDN*	10,436	8,996	*CDN*	48,535	45,633
	Rp	92,075,841	7,401	*Rp*	192,452,121	15,789
Government deposits	*Rp*	-	-	*Rp*	440,139,447	36,110
Trade and other payables	*CDN*	(16,281)	(14,034)	*CDN*	(966)	(908)
	GBP	(1,010)	(1,593)	*GBP*	(4,313)	(7,375)
	AUD	(3,184)	(2,601)	*AUD*	-	-
	Rp	(209,991,639)	(16,879)	*Rp*	(668,310,681)	(54,829)
			(18,710)			34,420

Based upon the above net exposures and assuming that all other variables remain constant, a 10% depreciation of the US dollar against the GBP and CDN and AUS currencies would result in a decrease in the loss of approximately $1,870 in the year ended December 31, 2014, ($3,440 in the year ended December 31, 2013). This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

c) Commodity price risk - While the value of the Company's core mineral resource properties, the KSK Contract of Work (the "KSK CoW"), the Beutong Izin Usaha Pertambangan ("IUP"), and the Jelai Izin Usaha Pertambangan ("IUP"), are related to the price of copper and gold and the outlook for these minerals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities.

Historically, gold and copper prices have fluctuated significantly, and are affected by numerous factors outside of the Company's control, including but not limited to: industrial and retail demand; central bank lending; forward sales by producers and speculators; levels of worldwide production; short-term changes in supply and demand because of speculative hedging activities; and other factors related specifically to gold.

(expressed in United States dollars, unless otherwise noted)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Political Uncertainty
In conducting operations in Indonesia, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Indonesia, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

5. CASH

	As at December 31, 2014	As at December 31, 2013
Canadian dollar denominated cash held in Canada	$ 8,996	$ 45,633
US dollar denominated cash held in Canada	5,145	451,604
US dollar and Rupiah cash held in Indonesia	16,241	112,664
	30,382	609,901
US dollar cash held in Canada and Indonesia exclusively for use on joint venture projects	-	363,563
Cash	$ 30,382	$ 973,464

Cash consists of cash and demand deposits with an original term to maturity of 90-days or less.

6. GOVERNMENT DEPOSIT

	As at December 31, 2014	As at December 31, 2013
Deposits paid to file tax appeals	$ -	$ 48,415
Foreign exchange movement on deposit	-	(12,305)
Current deposits paid to file tax appeals	$ -	$ 36,110

During fiscal 2012, the Company paid deposits of $36,110 (Rupiah ("Rp") 440,139,447) to have tax appeals heard for the 2009 tax year. See Note 16.

7. RECEIVABLES AND OTHER ASSETS

	As at December 31, 2014	As at December 31, 2013
Receivable – employee advances	$ 2,406	$ 11,524
Receivable – other	477	36,724
Prepayments	8,857	4,554
	11,740	52,802
Due from funding partners	-	215,658
Total	$ 11,740	$ 268,460

(expressed in United States dollars, unless otherwise noted)

8. PREPAID ACQUISITION COSTS

The Company prepaid certain legal and regulatory fees totaling $13,618, in advance of the closing of the following transactions which occurred on January 12, 2015: The acquisition of the Beutong project; the filing of an NI 43-101 technical report; and the closing of a concurrent brokered private placement. See Note 20 for these subsequent events.

9. EQUIPMENT

The following is a reconciliation of the carrying amounts of equipment, all located in Indonesia.

		Equipment
Cost		
At December 31, 2012	$	443,975
Assets acquired		398,403
Recoveries and proceeds on sale		(100,288)
Assets disposed of		(2,562)
Assets written off		(133,899)
At December 31, 2013		605,629
Assets disposed of		(10,656)
At December 31, 2014	$	594,973
Accumulated depreciation		
At December 31, 2012	$	419,860
Depreciation for the year		77,266
Assets written off		(133,899)
Assets disposed of		(2,562)
At December 31, 2013		360,665
Depreciation for the year		141,513
Assets disposed of		(8,047)
At December 31, 2014	$	494,131
Carrying amounts		
At December 31, 2013	$	244,964
At December 31, 2014	$	100,842

10. EXPLORATION AND EVALUATION ASSETS and EXPENDITURES

The Company's exploration and evaluation assets comprise the KSK Contract of Work (the "KSK CoW") porphyry copper prospect in Central Kalimantan and an Izin Usaha Pertambangan ("IUP") for the Jelai gold project in East Kalimantan.

KSK CoW – Central Kalimantan

The holder of the KSK CoW is KSK. The Company owns 100% of Indokal, and Indokal owns 100% of PCK. KSK is owned 75% by Indokal and 25% by PCK.

The KSK CoW was granted April 28, 1997 between the Republic of Indonesia and KSK as a 6th generation CoW. The terms of the KSK CoW define several periods under which work done on the KSK CoW will fall. The Company has received formal confirmation from the Ministry of Energy and Mineral Resources ("MEMR") that the KSK CoW will enter the fifth year of the Exploration Period immediately upon the Company receiving formal renewal of its forestry permit (IPPKH) from the Capital Investment Coordinating Board ("BKPM"). Renewal of the forestry permit which authorizes the company to carry out both surface and drilling activities over permitted areas of the KSK CoW for a period of two years is now well advanced. Both the MEMR and the Ministry of Environment and Forestry ("MEF) have verbally informed the Company that technical reviews have been completed and the permit application is now with BKPM for final processing.

A portion of the KSK CoW is within a Hutan Lindung (protected / reserved forest) area. The KSK CoW was granted prior to the enactment of the 1999 Government of Indonesia Law No. 41 on Forestry which prohibits open pit mining in Hutan Lindung areas. A subsequent Presidential Decree has confirmed that when the Company's property meets the necessary criteria, it may apply for a permit to exploit that portion of the property within the KSK CoW that fall within the Hutan Lindung, either by underground mining or by applying to change the forestry permit. This 7,688ha area covers all of the main prospect areas within the KSK CoW.

On April 18, 2011, as amended on May 31, 2012, the Company entered into a joint venture agreement (the "KSK Agreement") with Surya Kencana LLC ("SK LLC"), a wholly-owned subsidiary of Freeport-McMoRan Exploration Corporation ("Freeport") in relation to the KSK CoW. Notice was received from SK LLC on December 30, 2013, of their withdrawal from the KSK Agreement effective January 31, 2014. SK LLC has therefore forfeited its right to the shares of Indokal. However, SK LLC will retain the right to a royalty of 1% over the property, capped to a maximum of the total expenditures of approximately US$35 million made by SK LLC on the KSK CoW.

Pursuant to the KSK Agreement, KSK was the operator of the exploration program, and the Company earned a 3% to 5% management fee as operator on all expenditures incurred on the KSK CoW pursuant to the KSK Agreement. During the year ended December 31, 2014, the Company earned management fees of $47,388 (2013 - $611,980).

10. EXPLORATION AND EVALUATION ASSETS and EXPENDITURES *(continued)*

Jelai Project – East Kalimantan

On March 23, 2006, the Company organized JCM. The Company entered into certain contractual arrangements with JCM and its nominee shareholders, pursuant to which the Company (either by itself or through a wholly owned mining services company) agreed to provide all necessary financial, technical and managerial requirements for the development and operation of a mine within the JCM project area, and in return, JCM agreed to pay to the Company (or its subsidiary) the net proceeds of the sale of minerals from the JCM project area.

In the 2012 financial year, this indirect arrangement was largely unwound, so that a wholly-owned subsidiary of the Company, KLG SING, now holds 99.3% of the shares of JCM. The remaining 0.7% continues to be held by the same nominee shareholders until such time as the Indonesian authorities approve the final transfer of the remaining shares so that KLG SING will ultimately own 99.9% and the Company will hold the remaining 0.1% of the shares of JCM.

JCM paid an Indonesian Rupiah denominated refundable security deposit of $20,960 (2013 - $21,186) to the government that gave JCM the right to conduct exploration, including drilling, over an approximate 5,000 hectare area, comprising the Jelai project. Those rights were subsequently converted to an IUP which gives the holder the right to explore for metallic minerals, including gold, within the IUP Area, and to conduct feasibility studies into the development of a mining operation until June 2, 2015.

The Indonesian Ministry of Forestry granted JCM an extension to its Borrow and Use Exploration Forestry Permit (IPPKH). The permit, which is renewable, extends the authorization for the Company to conduct exploration activities until December 16, 2015. It covers all the existing permitted areas, namely the Mewet and ten of the other 12 Jelai IUP prospects, comprising 4,675 hectares of the 5,000 hectare IUP.

(expressed in United States dollars, unless otherwise noted)

10. EXPLORATION AND EVALUATION ASSETS and EXPENDITURES *(continued)*

The details of exploration expenditures expensed during the years ended December 31, 2014, and 2013 are as follows:

	For the year ended		
	December 31, 2014	December 31, 2013	Cumulative since inception
KSK CoW			
			$ 3,204,771
Exploration costs during the year			
Community development	$ 278,304	$ 720,279	2,155,232
Consultants and contractors	199,562	3,794,349	7,155,322
Contracted drilling	-	2,394,927	6,182,073
Equipment rental recoveries	-	(320,392)	(495,269)
Field support	83,940	2,110,133	5,627,446
Land tax and dead rent	29,486	19,015	426,288
Salaries, wages and related costs	492,127	2,546,983	9,330,895
Sample preparation and analysis	97,188	801,375	1,880,572
Supplies and equipment	34,239	903,418	3,476,090
Taxation	123,468	1,006,944	2,325,929
Transport (including helicopters)	137,698	3,440,947	9,001,737
Travel and accommodation	80,113	305,730	1,295,221
	1,556,125	17,723,708	51,566,307
Depreciation	137,852	70,835	499,435
Current year exploration	1,693,977	17,794,543	52,065,742
Recovery from funding partner	(1,350,140)	(17,973,627)	(35,152,081)
Current year net exploration	343,837	(179,084)	16,913,661
Jelai			
Exploration costs during the year			
Community development	-	-	216,570
Consultants and contractors	26,077	126,776	593,610
Contracted drilling	-	-	615,780
Field support	1,580	21,351	599,474
Land tax and dead rent	-	-	9,239
Road and bridge repairs	-	-	13,369
Salaries, wages and related costs	-	60,019	1,661,535
Sample preparation and analysis	-	-	94,678
Supplies and equipment	-	-	350,098
Taxation	58,994	28,223	278,302
Transport (including helicopters)	-	-	227,823
Travel and accommodation	3,086	25,532	250,270
	89,737	261,901	4,910,748
Depreciation	3,661	6,431	181,490
Current year exploration	93,398	268,332	5,092,238
Recovery from funding partner	-	-	(1,994,283)
Current year net exploration	93,398	268,332	3,097,955

<table continues on next page>

(expressed in United States dollars, unless otherwise noted)

10. EXPLORATION AND EVALUATION ASSETS and EXPENDITURES *(continued)*

<table continues from preceding page>

	For the year ended		
	December 31, 2014	December 31, 2013	Cumulative since inception
Project investigations			
Consultants and contractors	-	-	159,456
Drilling	-	-	96,101
Field support	-	-	95,855
Road and bridge repairs	-	-	3,337
Salaries, wages and related costs	-	-	264,507
Taxation	-	-	37,031
Transport (including helicopters)	-	-	178,951
	-	-	835,238
Depreciation	-	-	5,532
Current year exploration	-	-	840,770
Total current year exploration	437,235	89,248	20,852,386
Cumulative exploration expenditures included in the deficit, beginning of the year	20,415,151	20,325,903	-
Cumulative exploration expenditures included in the deficit, end of the year	$ 20,852,386	$ 20,415,151	$ 20,852,386

11. TRADE AND OTHER PAYABLES

	As at December 31, 2014	As at December 31, 2013
Trade and other payables	$ 274,246	$ 160,872
Trade and other payables owed to related parties	4,053	11,456
	278,299	172,328
Trade and other payables in Indonesia to be paid with cash held exclusively for use on partner funded projects	-	534,330
Total	$ 278,299	$ 706,658

(expressed in United States dollars, unless otherwise noted)

12. PROVISION FOR EMPLOYEE SERVICE ENTITLEMENTS

The Company provides benefits for its Indonesian employees, excluding any expatriate employees who may reside and work in Indonesia, who have reached the normal retirement age of 55. The benefits are unfunded and are based on the Company's Collective Labour Agreement that has been aligned with the provisions of Indonesian Labour Law No 13/2003 dated March 25, 2003 (the "Laws") as follows:

a) two times the severance amounts specified by Article 156(2) of the Law); plus
b) the service amounts specified by Article 156(3) of the Law; plus
c) 15% of the total severance and service payments.

The following table summarizes the components of net employee service entitlements expense recognized in exploration and evaluation expenses and amounts recognized in the statement of financial position for employee service entitlements liability. For the year ended December 31, 2014, the expense and liability was determined by an independent actuary. For the year ended December 31, 2013, the actual termination liability and expense was used, as all of the Indonesian employees were terminated in January 2014, and the actual liability was known.

Movements in the employee service entitlements liability during the years ended December 31, 2014, and 2013, are as follows:

Balance, December 31, 2012		$	164,304
Add:	provision during the year - pre-funded by Freeport		77,231
	provision during the year - KSK responsibility		7,450
Add:	foreign exchange adjustment to estimated provision		(22,120)
Less:	utilization during the year		(48,806)
Balance, December 31, 2013			178,059
Add:	provision during the year - pre-funded by Freeport		22,613
	provision during the year - KSK responsibility		22,648
	foreign exchange adjustment to estimated provision		(1,882)
Less:	utilization during the period		(198,972)
Balance, December 31, 2014		**$**	**22,466**

The principal actuarial assumptions used in determining the provision for employee service entitlements as of December 31, 2014, are as follows:

a) Actuarial Valuation Method is Project Unit Credit Method
b) Discount rate: 8.32% per annum
c) Salary increase: 10% per annum
d) Mortality rate: Tabel Mortalita Indonesia (TMI-III) – 2011 edition
e) Retirement age: 55 years of age (all employees are assumed to retire at their retirement age)
f) Resignation rate: 5% at 25 years of age and linearly decreasing to 1% at age 45 and thereafter
g) Disability rate: 10% of mortality rate
h) Tax benefit: 15% of total post-employment benefits

(expressed in United States dollars, unless otherwise noted)

13. SHARE CAPITAL AND RESERVES

a) Authorized share capital

At December 31, 2014, and December 31, 2013, the authorized share capital comprised $5,000,000 divided into 500,000,000 common shares at a par value of $0.01 each. All issued shares are fully paid. At December 31, 2014, the issued share capital comprised 171,407,156 common shares (December 31, 2013 – 171,407,156). See Note 20 for subsequent share issuances.

b) Issued share capital

A summary of changes in share capital and reserves is contained in the Consolidated Statements of Changes in Equity (Deficit), for the years ended December 31, 2014, and 2013.

Fiscal 2014

There were no changes to the issued and outstanding share capital of the Company during the year ended December 31, 2014.

Fiscal 2013

There were no changes to the issued and outstanding share capital of the Company during the year ended December 31, 2013.

c) Stock Options

The Company has a shareholder approved "rolling" stock option plan (the "Plan"). Under the Plan the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares at the time of granting. The exercise price of each stock option shall not be less than the market price of the Company's stock at the date of grant. Options can have a maximum term of ten years and typically terminate 90 days following the termination of the optionee's employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The continuity of stock options for the year ended December 31, 2014, is as follows:

Expiry date	*Exercise price Cdn $*	Balance, December 31, 2013	Granted	Exercised	Expired	Balance, December 31, 2014
April 21, 2016	*$ 0.11*	4,875,000	-	-	-	4,875,000
June 17, 2016	*$ 0.12*	200,000	-	-	-	200,000
July 4, 2016	*$ 0.07*	200,000	-	-	-	200,000
July 1, 2018	*$ 0.10*	5,950,000	-	-	-	5,950,000
October 6, 2019	*$ 0.05*	-	3,450,000	-	-	3,450,000
		11,225,000	3,450,000	-	-	14,675,000
Weighted average exercise price Cdn$		$ 0.10	$ 0.05	$ -	$ -	$ 0.09

The weighted average remaining contractual life of the options outstanding as at December 31, 2014, was 3.0 years. All of the outstanding options are exercisable at December 31, 2014.

(expressed in United States dollars, unless otherwise noted)

13. SHARE CAPITAL AND RESERVES *(continued)*

c) Stock Options *(continued)*

The continuity of stock options for the year ended December 31, 2013, is as follows:

Expiry date	*Exercise price Cdn $*	Balance, December 31, 2012	Granted	Exercised	Expired	Balance, December 31, 2013
January 23, 2013	*$ 0.20*	50,000	-	-	(50,000)	-
April 1, 2013	*$ 0.20*	50,000	-	-	(50,000)	-
July 25, 2013	*$ 0.11*	1,220,000	-	-	(1,220,000)	-
April 21, 2016	*$ 0.11*	4,875,000	-	-	-	4,875,000
June 17, 2016	*$ 0.12*	200,000	-	-	-	200,000
July 4, 2016	*$ 0.07*	200,000	-	-	-	200,000
July 1, 2018	*$ 0.10*	-	5,950,000	-	-	5,950,000
		6,595,000	5,950,000	-	(1,320,000)	11,225,000
Weighted average exercise price Cdn$		$ 0.11	$ 0.10	$ -	$ 0.12	$ 0.10

d) Share-based Compensation

Fiscal 2014:

During the year ended December 31, 2014, the Company recorded $102,222 in non-cash share-based compensation expense for options vesting in the year.

On October 6, 2014, the Company granted 3,450,000 stock options with a total grant-date fair value of $102,222 or $0.03 per option, which all vested immediately. The fair value of these options was determined using a risk free interest rate of 1.45%, an expected volatility of 178%, an expected life of five years, an expected dividend of zero, and a foreign exchange rate of 0.8949 US to the Canadian dollar. Volatility was determined using daily closing share prices over a term equivalent to the expected life of the options.

Fiscal 2013:

During the year ended December 31, 2013, the Company recorded $236,633 in non-cash share-based compensation expense for options vesting in the year.

On July 1, 2013, the Company granted 5,950,000 stock options with a total grant-date fair value of $236,633 or $0.04 per option, which all vested immediately. The fair value of these options was determined using a risk free interest rate of 1.62%, an expected volatility of 176%, an expected life of 5 years, an expected dividend of zero, and a foreign exchange rate of 0.9497 US to the Canadian dollar. Volatility was determined using daily closing share prices over a term equivalent to the expected life of the options.

(expressed in United States dollars, unless otherwise noted)

14. RELATED PARTY TRANSACTIONS

a) The Company's related parties consist of companies owned by executive officers and directors as follows:

Name	Nature of transactions
Golden Oak Corporate Services Limited ("Golden Oak")	Financial reporting, Chief Financial Officer, Corporate Secretary, and corporate compliance services.
Romfal Corporate Pty Ltd. ("Romfal")	Chief Executive Officer

The Company incurred the following fees in the normal course of operations in connection with companies owned by key management and directors.

		December 31, 2014		December 31, 2013
Consulting fees – Golden Oak	$	95,535	$	101,993
Consulting fees – Romfal		33,000		120,000
Total	$	128,535	$	221,993

b) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel, including amounts disclosed in Note 14(a), during the year ended December 31, 2014, and 2013 were as follows:

		December 31, 2014		December 31, 2013
Consulting fees	$	128,535	$	221,993
Salaries, wages and related costs (exploration and evaluation expenditures)		161,572		248,572
Directors fees to non-management directors		3,500		47,000
Share-based compensation		90,370		117,323
Total	$	383,977	$	634,888

15. COMMITMENTS

The AIM Rules require the Company to have a Nominated Adviser ("Nomad") and Broker at all times.

RFC Group Limited ("RFC") is the Company's Nomad for the purpose of the AIM Rules. During the year ended December 31, 2014, the Company paid or accrued $38,536 (AUD$40,000) in consulting fees to RFC. In 2013, the Company paid or accrued $57,470 (AUD$55,000) in consulting fees to RFC. The Company expects to incur costs in fiscal 2015 of AUD$60,000 to retain RFC.

VSA Capital ("VSA") is the Company's Broker for the purpose of the AIM Rules. During the year ended December 31, 2014, the Company paid or accrued a total of $25,921 (£15,105) as consulting fees to VSA. The Company expects to incur costs in fiscal 2015 of £15,000 to retain VSA.

16. CONTINGENCIES

During 2011, the Indonesian tax authorities conducted an audit of JCM for the 2009 tax year. The majority of the review focused on the deductibility of expenditures in Indonesia and adjusted the tax loss carry forwards. The most material outcome from the audit related to the tax authorities deeming that the intercompany loans made by the Company to JCM should have had interest accrued at the rate of 8% per annum with withholding tax of 20%, therefore becoming payable to the Indonesian government. The Company continues to believe that this tax assessment is without basis. To have the appeal heard by the tax court, the Company paid a deposit of Rp 440,139,447, an amount equal to the 2009 tax exposure as calculated by the tax authorities. The outcome of the tax appeal process and any tax assessments due and payable arising from that process is not determinable at this time, however, the Indonesian tax Court denied the Company's appeal in 2015. The Company will once again appeal this decision, however, the Company has determined that it should write off the government deposit in the current year.

17. SEGMENT DISCLOSURES

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the CEO.

The Company operates in a single segment, being mineral exploration and development.

With the exception of the cash disclosed in Note 5, all of the Company's significant assets are held in Indonesia.

18. MANAGEMENT OF CAPITAL

The Company manages common shares and stock options as capital (see Note 13). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash and the fair value approximates the carrying value.

(expressed in United States dollars, unless otherwise noted)

19. INCOME TAX

The Company is a tax exempt Bermuda corporation and is a reporting issuer to certain Canadian securities commissions and its shares are listed for trading on the TSX-V.

Profits generated by mining under the Company's sixth generation KSK COW and IUP's are taxed in Indonesia at the maximum corporate rate of 30%.

In Indonesia, tax losses may be carried forward for a period of eight years. The Company defers its mineral exploration costs in Indonesia for tax purposes. The Company has non-capital losses in Indonesia of $851,423 for income tax purposes which may be carried forward and offset against future taxable income. These losses expire through to 2022. These tax losses have not been recognized in the financial statements as it is not probable that they will be utilized prior to their expiry.

The following table reconciles the amount of income tax recoverable on application of the statutory Indonesian income tax rates:

	2014	2013
Income tax recovery	$ -	$ -
Effect of difference in tax rates between parent company and subsidiary	536,213	5,418,863
	536,213	5,418,863
Unrecognized benefit of deferred tax assets	(536,213)	(5,418,863)
Total	$ -	$ -

As the Company has a history of losses, deferred tax assets have not been recognized on the following deductable temporary differences:

	2014	2013
Temporary differences		
Mineral exploration properties and exploration and evaluation assets	$ 53,360,782	$ 51,335,349
Non-capital losses carry forwards	851,423	1,295,379
Equipment	100,842	244,964
Total unrecognized deductable temporary differences	$ 54,313,047	$ 52,875,692

20. SUBSEQUENT EVENTS

On January 12, 2015, the Company closed a private placement for C$1,193,940; completed the acquisition of a 40% attributable interest in the Beutong copper-gold project in Indonesia (the "Beutong Project"); and made changes to management (see below).

The brokered private placement closed on January 12, 2015, and the Company issued a total of 51,910,441 common shares for gross proceeds of C$1,193,940 at an issue price of C$0.023 per common share. The Company paid aggregate fees to brokers who introduced the Company to private placement investors of C$29,350.

The acquisition of the Beutong Project closed effective January 12, 2015, and the Company issued the vendor 171,407,156 common shares (the "Consideration Shares") and 14,675,000 common share purchase warrants (the "Consideration Warrants").

The Consideration Shares were distributed on a pro-rata basis to the shareholders in the ultimate parent company of the vendor, being Tigers Realm Metals Pty Ltd., and the Consideration Warrants were distributed on a pro-rata basis to the option holders of Tigers Realm Metals Pty Ltd. The Consideration Warrants are priced from C$0.06 to C$0.12 per share and will expire from June 4, 2016 to April 13, 2019.

With effect on January 12, 2015, Tony Manini was appointed as a director of the Company and as Deputy Chairman and Chief Executive Officer in place of Faldi Ismail who has stayed on as a director of the Company. Doris Meyer resigned as a director on January 12, 2015, but remains the Corporate Secretary. Mansur Geiger is Vice President Indonesia and Stephen Hughes, a director of the Company, is Vice President Exploration.