Consolidated Financial Statements

Kilo Goldmines Ltd.

For the Three Months Ended December 31, 2010

Unaudited

INDEX

NOTICE TO READER

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

Kilo Goldmines Ltd.

Consolidated Balance Sheets
Unaudited - See Notice to Reader

	December 31, 2010	September 30, 2010 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 2,254,205	$ 152,129
Subscriptions receivable	20,000	20,000
Receivables	48,608	381,791
Prepaid expenses and deposits	185,393	140,236
	2,508,206	694,156
Resource Properties (note 5)	16,869,010	14,493,752
Capital Assets (note 6)	1,250,744	1,296,523
Reclamation Bonds (note 12)	126,000	126,000
	$ 20,753,960	$ 16,610,431
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 623,171	$ 3,721,605
Shareholders' Equity		
Share Capital (note 7)	28,724,874	22,851,681
Warrants (note 8)	5,068,715	3,361,653
Stock Options (note 9)	3,830,182	2,984,078
Contributed Surplus (note 10)	1,734,673	1,734,673
Deficit	(19,227,655)	(18,043,259)
	20,130,789	12,888,826
	$ 20,753,960	$ 16,610,431

Nature of Operations (note 1)
Commitments (note 14)
Subsequent Events (note 15)

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

Approved on behalf of the Board of Directors:

Signed "Peter Hooper", Director   Signed "Klaus Eckhof", Director

Kilo Goldmines Ltd.

Consolidated Statements of Operations and Deficit
Unaudited - See Notice to Reader

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Expenses		
Administrative and general	$ 31,330	$ 75,044
Amortization	60,889	42,143
Directors' fees	7,159	7,318
Financial services	35,103	13,397
Foreign exchange loss	44,134	4,366
Interest and financing costs	3,541	2,461
Occupancy	17,549	17,479
Professional and consulting fees (note 11)	236,952	213,546
Public and investor relations (note 11)	73,872	71,909
Stock-based compensation (note 9)	597,876	225,107
Travel	76,573	61,375
Less:		
Interest income	(582)	(7,985)
Net Loss for the Period	(1,184,396)	(726,160)
Deficit - Beginning of Period	(18,043,259)	(6,371,508)
Deficit - End of Period	$(19,227,655)	$ (7,097,668)
Loss per Share - basic and diluted	$ (0.01)	$ (0.01)
Weighted Average Number of Common Shares Outstanding - basic and diluted	102,441,286	63,016,264

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

Kilo Goldmines Ltd.

Consolidated Cash Flow Statements
Unaudited - Notice to Reader

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Cash Provided By (Used In):		
Operating Activities		
Net loss	$ (1,184,396)	$ (726,160)
Items not affecting cash:		
Amortization	60,889	42,143
Stock-based compensation	597,876	225,107
	(525,631)	(458,910)
Net changes in non-cash working capital:		
Receivables	333,183	(18,593)
Prepaid expenses and deposits	(45,157)	(13,738)
Accounts payable and accrued liabilities	(424,325)	(195,824)
	(661,930)	(687,065)
Financing Activities		
Share capital - private placements	6,518,478	-
Warrants - private placements	1,892,462	-
Private placement costs	(666,457)	-
Exercise of stock options	84,000	-
	7,828,483	-
Investing Activities		
Resource property expenditures	(5,049,367)	(1,399,174)
Purchase of capital assets	(15,110)	(429,335)
	(5,064,477)	(1,828,509)
Change in Cash and Cash Equivalents	2,102,076	(2,515,574)
Cash and Cash Equivalents - Beginning of Period	152,129	9,242,200
Cash and Cash Equivalents - End of Period	$ 2,254,205	$ 6,726,626
Supplemental Cash Flow Information		
Interest received	$ 582	$ 7,985
Significant Non-Cash Transactions Not Disclosed Above		
Shares issued for acquisition of resource properties	$ -	$ 387,587
Warrants issued for acquisition resource properties	$ -	$ 155,000
Stock options issued for private placement commissions	$ 272,228	$ -

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

1. Nature of Operations

Kilo Goldmines Ltd. (the "Company") is an Ontario corporation which commenced operations on March 20, 2009 as described in note 2. A predecessor corporation, Kilo Goldmines Inc. ("Old Kilo"), commenced operations in January 2006. Prior to March 20, 2009, Kilo Goldmines Ltd. was known as Blue Ribbon Capital Corporation ("Blue Ribbon"), a Capital Pool Company as defined by the TSX Venture Exchange.

The Company is in the process of exploring its mineral resource properties (see note 5) and intends to devote the majority of its efforts to these properties. To date, the Company has not earned significant revenues and is considered to be in the development stage.

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

The Company operates in one industry segment, mining exploration, and in one geographic area, the Democratic Republic of Congo ("DRC"). The Company's operations in the DRC are affected by the DRC's political and economic environment. Although the environment has stabilized in recent years, there is a risk that this situation could deteriorate and adversely affect the Company's operations

These interim consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced losses and negative operating cash flows. The application of the going concern concept is dependent on the Company's ability to generate future profitable operations or raise financing to fund its operations. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become payable for at least twelve months.

These interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used.

2. Acquisition and Amalgamation

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

2. Acquisition and Amalgamation (continued)

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

Accordingly:

i) The assets and liabilities of Old Kilo are included in the balance sheet at their historic carrying value.

ii) The net assets of Blue Ribbon are included at fair value which equalled their carrying value.

iii) Share capital, contributed surplus and deficit of Blue Ribbon are eliminated.

Blue Ribbon's net assets acquired are as follows:

Cash	$ 648,954
Receivables	16,702
Deferred transaction costs	48,942
Accounts payable and accrued liabilities	(53,927)
	$ 660,671

On April 21, 2009, the common shares of the Company began trading on the TSX Venture Exchange.

3. Interim Financial Statements

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles and are based on accounting principles and practices consistent with those used in the preparation of the Company's annual audited consolidated financial statements. These statements have not been reviewed by the Company's auditors. Certain information and note disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim consolidated financial statements should be read together with the audited consolidated financial statements and the accompanying notes for the year ended September 30, 2010.

4. Summary of Significant Accounting Policies

These interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada, and reflect the following significant accounting policies:

a) Financial Instruments

The Company records all financial instruments at fair value. Subsequent measurement and changes in fair value will depend on the initial classification of the financial instrument, as follows: held for trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables and other liabilities are recorded at amortized costs.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash and cash equivalents	Held for trading
Receivables	Loans and receivables
Subscriptions receivable	Loans and receivables
Reclamation bonds	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

b) Fair Value Hierarchy and Liquidity Risk Disclosure

In 2009, the Canadian Institute of Chartered Accountants ("CICA") issued an amendment to CICA Handbook Section 3862, Financial Instruments - Disclosures, to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending September 30, 2010.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of financial instruments approximates their carrying amounts due to the relatively short period to maturity. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data, inputs such as discounted cash flow methodologies based on internal cash flow forecasts. All of the Company's cash is level one per the fair value hierarchy.

The adoption of these accounting standards did not have any significant effect of the Company's financial statements.

4. Summary of Significant Accounting Policies (continued)

c) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of operations during the reporting period. Significant estimates and assumptions include those related to the recoverability of resource properties, the estimated useful lives of capital assets, and the valuation of stock options and warrants. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

d) Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and short-term money market investments which on acquisition have a term to maturity of three months or less.

e) Resource Properties

Acquisition costs of resource properties together with direct exploration and development expenditures thereon are deferred in the accounts. If production is attained, these costs will be amortized on a units-of-production basis. If the properties are abandoned, sold or considered to be impaired in value, the costs of the properties and related deferred expenses will be written down at that time.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Senior management regularly reviews the carrying amount of mineral properties and deferred exploration and development costs to assess whether there has been any impairment in value.

f) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the Company's assets on the following basis and rates per annum:

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

The Company tests capital assets for impairment when conditions indicating a potential impairment arise. An impairment loss is measured as the amount by which the carrying value of the capital assets exceeds its fair value.

4. Summary of Significant Accounting Policies (continued)

g) Income Taxes

The Company accounts for income taxes using the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax assets are recorded only to the extent that, based on available evidence, it is more likely than not that they will be realized.

h) Stock-Based Compensation and Other Stock-Based Payments

The Company records all stock-based payments using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Stock-based compensation costs are amortized over the vesting period.

i) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Canadian Dollars at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on translation of monetary assets and liabilities are included in the determination of earnings for the period.

j) Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

k) Basic and Diluted Loss per Share

The basic loss per share is computed based on the weighted average number of common shares outstanding during the period. The diluted loss per share is calculated using the treasury method, and is equal to the basic loss per share due to the anti-dilutive effect of share purchase options.

l) Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary Kilo Goldmines Inc., and the partnership interests described in note 5. All interorganizational accounts and transactions have been eliminated on consolidation. All of the Company's exploration activities are conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interest in resource properties as described in note 5. Expenditures on these properties are capitalized to resource properties. Joint venture accounting which reflects the Company's proportionate interest in resource properties is applied by the Company only when commercial feasibility is established and the parties enter into formal comprehensive agreements for ownership and resource participation.

4. Summary of Significant Accounting Policies (continued)

m) Comprehensive Income

CICA Handbook Section 1530, Comprehensive Income, establishes new measurements of earnings in the financial statements. Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as "Accumulated Other Comprehensive Income (Loss)".

During the periods ended December 31, 2010 and 2009, the Company did not have any items that gave rise to any other comprehensive income or loss and accordingly, a statement of comprehensive income and loss has not been presented.

n) Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. Section 1535 was effective for the Company as of October 1, 2007. The Company's capital is composed of shareholders' equity. The Company's objective is to raise sufficient capital to execute its exploration plan. The Company does not use any capital-based metrics. The Company does not have any externally imposed capital requirements. There have not been any changes to the overall capital risk management strategy during the period ended December 31, 2010.

o) Recent Accounting Pronouncements Not Yet Applied

Business Combinations

The CICA has published CICA Handbook Section 1582, Business Combinations, to replace the existing CICA Handbook Section 1581. This new section requires the acquirer identified in a business combination transaction to recognize the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition-date fair values. In addition, the section requires the acquirer to recognize and measure goodwill or a gain from a bargain purchase, and requires the expensing of costs related to the acquisition in the period in which they are incurred. The effective date of this section is January 1, 2011, however earlier adoption is permitted. The Company expects that this new standard will only impact future acquisitions in periods subsequent to the date of adoption.

4. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Applied (continued)

Consolidated Financial Statements and Non-Controlling Interests

The CICA has published CICA Handbook Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, to replace the existing CICA Handbook Section 1600, Consolidated Financial Statements. Section 1601 carries forward the guidance provided by Section 1600 with the exception of non-controlling interests which is addressed by Section 1602. Section 1602 requires the Company to present non-controlling interests on the consolidated balance sheet within equity, separately from the equity of the owners of the parent. This section also requires changes in a parent's ownership interest in a subsidiary to be accounted for as an equity transaction. The effective date of this section is January 1, 2011, however earlier adoption is permitted. The Company expects that this new standard will only impact transactions involving the Company's interest in its subsidiary which occur subsequent to the date of adoption.

International Financial Reporting Standards

The CICA plans to converge Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS") over a period expected to end in 2011. The Company’s transition date of October 1, 2010 will require restatement of the amounts reported by the Company for the year ended September 30, 2011 for comparative purposes. In conjunction with the transition to IFRS, the Company will need to prepare an opening balance sheet as at October 1, 2010 in accordance with IFRS.

The first phase of the Company’s IFRS conversion plan includes an analysis of IFRS for the purpose of identifying the significant differences between IFRS and the Company’s current accounting policies. The second phase of the conversion plan involves an identification and in-depth analysis of the accounting policies related to the differences identified in the first phase. This analysis will lead to the selection of the Company’s ongoing IFRS policies and transitional exemptions. Furthermore, this phase will include an analysis of potential changes to the Company’s internal systems and procedures that will facilitate the adoption and implementation of new IFRS policies, as well as the development of a new IFRS-compliant financial statement format. The third and final phase of the Company’s IFRS conversion plan is to implement the accounting policy changes as well as any required changes to the Company’s internal systems and procedures.

4. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Applied (continued)

As at September 30, 2010, the Company has completed the first phase of its IFRS conversion plan. This phase has identified the following areas which could potentially have a significant impact on the Company's financial reporting: resource properties, stock-based compensation, income taxes and business combinations. In addition to the potential financial impacts of the transition to IFRS, the Company expects a significant increase in the required financial statement disclosures under IFRS. The Company is reviewing these requirements to determine the necessary changes to the Company's internal systems to ensure the expected disclosure requirements are met. As of the date of these consolidated financial statements, the Company has not determined the financial impact of the transition to IFRS. However, the Company does not anticipate any significant changes to their systems of internal controls governing business processes, financial reporting, and financial disclosures as a result of the transition to IFRS. The second phase of the Company's IFRS conversion plan commenced in the first quarter of fiscal 2011.

5. Resource Properties

	September 30, 2010	Additions	Sales	Write-Offs	December 31, 2010
KGL-Masters (a)	$ -	$ -	$ -	$ -	$ -
KGL-Somituri (b)	11,258,231	2,370,657	-	-	13,628,888
KGL-Sihu (c)	1,491,093	2,861	-	-	1,493,954
KGL-ERW (d)	1,744,428	1,740	-	-	1,746,168
KGL-Poko (e)	-	-	-	-	-
	$ 14,493,752	$ 2,375,258	$ -	$ -	$ 16,869,010

	September 30, 2009	Additions	Sales	Write-Offs	December 31, 2009
KGL-Masters (a)	$ 6,814,534	$ 946,879	$ -	$ -	$ 7,761,413
KGL-Somituri (b)	2,336,579	266,700	-	-	2,603,279
KGL-Sihu (c)	1,422,876	6,008	-	-	1,428,884
KGL-ERW (d)	1,058,570	148	-	-	1,058,718
KGL-Poko (e)	192,846	814	-	-	193,660
	$ 11,825,405	$ 1,220,549	$ -	$ -	$ 13,045,954

5. Resource Properties (continued)

a) KGL-Masters

On November 15, 2006, the Company acquired an option to acquire a 90% interest in eight Research Permits for mineral properties in the DRC, comprising approximately 3,170 square kilometres. The Research Permits expire on various dates up to October 9, 2011. The KGL-Masters SPRL partnership was created on July 5, 2007, and is 90% owned by the Company. An Assignment Agreement has been signed and the Company is in the process of transferring the property rights to the new entity. As at September 30, 2010, five of the Research Permits have been registered in the name of KGL-Masters SPRL. Pursuant to the KGL-Masters Partnership Agreement, the Company has committed to paying 25,000 United States Dollars on each of the property assignment Registration Date, and the six, twelve, and eighteen month anniversaries of the Registration Date, and to issuing 100,000 common shares of the Company on each of the Registration Date and the first and second anniversaries of the Registration Date.

The Partnership Agreement requires the Company to finance all activities of KGL-Masters by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-Masters from revenues it generates. As of December 31, 2010, interest income related to these loans has not been recorded.

During the year ended September 30, 2008, KGL-Masters SPRL acquired an interest in three additional Research Permits.

During the year ended September 30, 2010, the Company determined that it does not have any further plans to explore or develop the KGL-Masters properties. As such, the Company has written off all acquisition and exploration costs associated with the properties in the amount of $7,974,906.

b) KGL-Somituri

On November 15, 2006, the Company acquired an option to acquire a 75% interest in twenty Research Permits for mineral properties in the DRC, comprising approximately 1,150 square kilometres. The twenty Research Permits expired on December 14, 2007, and have been converted into eight thirty-year Exploitation Permits. The KGL-Somituri SPRL partnership was created on December 12, 2007, and is 75% owned by the Company. An Assignment Agreement has been signed for the original twenty Research Permits, along with a first Partnership Agreement signed in July 2007.

The Company had committed to paying 50,000 Euros on the property assignment Registration Date, and 75,000 Euros, 150,000 Euros, and 300,000 Euros on the first, second, and third anniversaries of the Registration Date respectively. The Company has also committed to investing, at a minimum, 1,000,000 Euros during the first year after the Registration Date, and 500,000 Euros during each of the second and third years after the Registration Date in research activities.

5. Resource Properties (continued)

b) KGL-Somituri (continued)

During the year ended September 30, 2008, the Company signed a new Partnership Agreement under which the Company had agreed to finance all activities of KGL-Somituri between the execution date of the new Partnership Agreement and the filing of a bankable feasibility study by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-Somituri from revenues it generates to the extent of 75% of available funds, with the remaining 25% to be distributed to the equity holders. The minority partners may also request that one or more of the permits be transferred into new entities owned by the Company in exchange for a 2% net smelter royalty. As of December 31, 2010, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

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

Under the 2010 Partnership Agreement, the Company has also agreed to finance all activities of KGL-Somituri, until the filing of a bankable feasibility study, by way of loans which bear interest at the rate of 5%. Within thirty days of the receipt of a bankable feasibility study, the minority partners may collectively elect to exchange their equity participation for either a 2% net smelter royalty, or a 1% net smelter royalty plus an amount equal to 2 Euros per ounce of proven mineral reserves. The 2010 Partnership Agreement cancels and replaces the ones signed in 2007 and 2008.

5. Resource Properties (continued)

c) KGL-Sihu

On November 15, 2006, the Company acquired an option to acquire a 100% interest in twelve Research Permits for mineral properties in the DRC comprising approximately 370 square kilometres. Eleven of the Research Permits originally expired on February 6, 2008, but have been renewed until April 6, 2013. One Research Permit overlaps with a Research Permit held by another entity and the Company has not applied for an extension on the original February 6, 2008 expiration date of this Research Permit, as it does not intend to explore and develop this property. The KGL-Sihu SPRL partnership was created on July 23, 2007, and is 99% owned by the Company; the remaining 1% is owned by a former director of the Company. A Memorandum of Agreement and an Assignment Agreement have been signed and the Company is in the process of transferring the property rights to the new entity. Pursuant to the KGL-Sihu Memorandum Agreement which was executed between the parties, the Company has committed to paying 100,000 United States Dollars within 15 days of the signing of the Memorandum of Agreement, 100,000 United States Dollars on the earlier of December 31, 2007 or the date on which shares of the Company begin to trade on a public stock exchange, and 135,000 United States Dollars on each of the first and second anniversaries of the date on which shares of the Company begin to trade on a public stock exchange.

During the year ended September 30, 2008, KGL-Sihu SPRL acquired an interest in two additional Research Permits, which expire on July 18, 2012. The Company is in the process of transferring the property rights into KGL-Sihu SPRL.

Pursuant to an agreement dated November 15, 2006, the rights to the three above-noted properties (collectively the "West Kilo Project") were acquired from Moto Goldmines Limited ("Moto") by assumption of Moto's responsibilities relating to the properties and for consideration of 4,000,000 common shares of the Company which shall be increased if and only if such number of common shares do not constitute at least 25% of the Company's outstanding common shares upon the completion of the Going Public Transaction (see also note 2). Moto also has the right, at its option, exercisable when a banking feasibility study is concluded (if at that stage the measured resources exceed two million ounces) to acquire a 10% equity interest in the West Kilo Project for consideration of 5,000,000 United States Dollars.

During the year ended September 30, 2008, the agreement with Moto was amended so that the common shares issued to Moto as consideration shall be increased so that the total number of shares issued as consideration for the West Kilo Project shall constitute 20% of the Company’s common shares, instead of 25%, upon completion of the Going Public Transaction. The Amendment expired December 16, 2008. Moto also has the right to nominate one person to the Company's Board of Directors and to veto any private placement contemplated by the Company for a period of six months from the commencement of trading of the Company’s shares on the Exchange.

During the year ended September 30, 2009, the Company issued 3,853,353 common shares and 1,297,400 warrants exercisable at $0.60 per share at any time on or before March 20, 2011 in full satisfaction of its obligation to Moto.

5. Resource Properties (continued)

d) KGL-ERW

On November 17, 2006, the Company acquired an option to acquire a 75% interest in twenty Research Permits for mineral properties in the DRC, comprising approximately 7,000 square kilometres. The Research Permits expire on February 4, 2012. The KGL-ERW SPRL partnership was created on July 4, 2007 and is 75% owned by the Company. An Assignment Agreement has been signed and the property rights have been transferred to the new entity. Pursuant to the KGL-ERW Partnership Agreement, the Company had committed to paying 60,000 United States Dollars, 140,000 United States Dollars, 200,000 United States Dollars, and 300,000 United States Dollars on the property assignment Registration Date, and the first, second, and third anniversaries of the Registration Date respectively. The Company had also committed to issuing options to purchase 200,000 shares of the Company on each of the first, second, and third anniversaries of the Registration Date. The options vest on the first, second, and third anniversaries of the Registration Date, respectively, and are exercisable within three years of the vesting date at an exercise price equal to their fair market value on the vesting date. Furthermore, the Company had committed to investing, at a minimum, 500,000 United States Dollars during the first year after the Registration Date, and 1,000,000 United States Dollars during each of the second and third years after the Registration Date in research activities.

A failure to meet the above-noted payment and investment obligations allows the minority partner to ask for cancellation of the Agreement and reassignment of the Research Permits for consideration of one dollar. The Partnership Agreement requires the Company to finance all activities of KGL-ERW by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-ERW from revenues it generates to the extent of 75% of available funds, with the remaining 25% to be distributed to the equity holders. As of December 31, 2010, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

During the year ended September 30, 2010, the Partnership Agreement was amended by way of a Partnership Amending Agreement. Pursuant to the Partnership Amending Agreement, the Company's obligation to pay 60,000 United States Dollars, 140,000 United States Dollars, 200,000 United States Dollars, and 300,000 United States Dollars on the property assignment Registration Date, and the first, second and third anniversaries of the Registration Date respectively was replaced by the payment of 200,000 United States Dollars upon signing of the Partnership Amending Agreement, and the issuance of 1,050,000 common shares of the Company. Also pursuant to the Partnership Amending Agreement, the Company's obligation to issue options to purchase 200,000 shares of the Company on each of the first, second, and third anniversaries of the Registration Date has been replaced by the issuance of warrants to purchase 500,000 common shares of the Company upon signing of the Partnership Amending Agreement, and warrants to purchase 250,000 common shares of the Company on the second anniversary of the Effective Date of the Partnership Amending Agreement, provided the agreement with Rio Tinto Mining and Exploration Limited, as discussed below, has not previously been terminated. During the year ended September 30, 2010, the Company issued 1,050,000 common shares and 500,000 warrants pursuant to the Partnership Amending Agreement. The Company also issued 36,000 stock options pursuant to a consulting agreement related to these properties during the year ended September 30, 2010.

5. Resource Properties (continued)

d) KGL-ERW (continued)

Within six months of the third anniversary of the Registration Date, the Company was obligated to select four contiguous areas, each having a maximum area of 200 square kilometres upon which KGL-ERW must focus its mining activities. The balance of the area was to be returned to the minority partner for one dollar, subject to a right of first refusal in favour of the Company. The minority partner was entitled to request that one or more of the permits be transferred into new entities owned by the Company in exchange for a 2% net smelter royalty.

During the year ended September 30, 2009, the Company signed an agreement with Rio Tinto Mining and Exploration Limited ("Rio") granting Rio an earn-in with respect to certain mineral rights (primarily iron ore) on its ERW property. In conjunction with this agreement, the Company's obligation to select four contiguous areas, each having a maximum area of 200 square kilometres upon which KGL-ERW must focus its mining activities was cancelled and the minority partner's right to require a net smelter royalty was limited to the non-Rio properties. Similarly, the minimum investment obligations of the Company were reduced to approximately 40% of the original amount, and the right of the minority partner to re-acquire the research permits for $1 in case of the Company’s failure to fulfill its payment and minimum investment obligations was limited to the non-Rio properties. Rio has the ability to earn a 51% interest in those mineral rights by making cash payments and exploration expenditures totalling 23,000,000 United States Dollars by December 31, 2011. Rio can earn an additional 24% interest by making additional cash payments and exploration expenditures totalling 60,000,000 United States Dollars by December 31, 2016. Subsequently, the Company will have several funding and net smelter royalty conversion options available to exercise at its option.

During the year ended September 30, 2009, this agreement was amended. Pursuant to the amendment, Rio would have the ability to earn a 51% interest in the mineral rights by making cash payments and exploration expenditures totalling 23,000,000 United States Dollars by December 31, 2013. Rio can earn an additional 13% interest by making additional cash payments and exploration expenditures totalling 33,600,000 United States Dollars by December 31, 2018. Finally, Rio can earn an additional 11% interest by making additional cash payments and exploration expenditures totalling 26,400,000 United States Dollars by December 31, 2020. All other terms and conditions of the original agreement remain unchanged. Pursuant to the Partnership Amending Agreement as described above, the Company is obligated to pay, to the minority partner of KGL-ERW, 40% of the cash payments received from Rio less all reasonable costs and expenses associated with the Rio agreement.

e) KGL-Poko

On July 9, 2007, the Company acquired an 82.5% interest in fourteen Research Permits for mineral properties in the DRC, comprising approximately 4,100 square kilometres, for consideration of 91,400 United States Dollars. The Research Permits expire on October 9, 2011. The KGL-Poko SPRL partnership was created on July 23, 2007 and is 82.5% owned by the Company. An Assignment Agreement has been signed and the Company is in the process of transferring the property rights to the new entity. As at December 31, 2010, twelve of the Research Permits were identified as being held under force majeure by the DRC's Ministry of Mines.

5. Resource Properties (continued)

e) KGL-Poko (continued)

The Partnership Agreement requires the Company to finance all activities of KGL-Poko by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-Poko from revenues it generates. As of December 31, 2010, interest income related to these loans has not been recorded.

During the year ended September 30, 2010, the Company determined that it does not have any further plans to explore or develop the KGL-Poko properties. As such, the Company has written off all acquisition and exploration costs associated with the properties in the amount of $236,045.

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

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

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

6. Capital Assets

	December 31, 2010			September 30, 2010
	Cost	Accumulated Amortization	Net	Net
Land	$ 210,132	$ -	$ 210,132	$ 210,132
Building	296,905	28,103	268,802	256,525
Vehicles	810,345	293,816	516,529	557,046
Furniture and fixtures	23,746	11,085	12,661	13,848
Equipment	295,097	56,691	238,406	252,736
Computer equipment	24,260	20,046	4,214	6,236
	$ 1,660,485	$ 409,741	$ 1,250,744	$ 1,296,523

7. Share Capital

a) Authorized:

Unlimited common shares

b) Common Shares Issued and Outstanding:

	Number	Amount
Balance - September 30, 2010	71,254,284	$ 22,851,681
Issued for cash	42,054,700	6,518,478
Issued pursuant to exercise of stock options	420,000	83,700
Issuance costs	-	(728,985)
Balance - December 31, 2010	113,728,984	$ 28,724,874

During the period ended December 31, 2010, the Company:

i) Issued 18,314,700 units (pursuant to private placements) for proceeds of $3,662,940, of which $824,162 was allocated to common share purchase warrants ("warrants") (see note 8).

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

In connection with these private placements, the Company paid fees totalling $354,221, of which $79,700 was allocated to warrants, and issued 1,247,029 stock options (see note 9).

ii) Issued 23,740,000 units (pursuant to private placements) for proceeds of $4,748,000, of which $1,068,300 was allocated to common share purchase warrants ("warrants") (see note 8).

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

In connection with these private placements, the Company paid fees totalling $305,550, of which $68,749 was allocated to warrants, and issued 1,475,250 stock options (see note 9).

iii) Issued 420,000 common shares pursuant to the exercise of stock options for cash proceeds of $65,100. The fair value of the stock options was estimated at $18,600 as of the grant date and this amount has been reallocated from stock options to share capital upon the exercise of the stock options (see note 9).

8. Warrants

	Number		Amount
Balance - September 30, 2010	21,605,050	$	3,361,653
Issued for cash	21,027,350		1,892,462
Issued pursuant to the exercise of stock options	210,000		24,300
Issuance costs	-		(209,700)
Balance - December 31, 2010	42,842,400	$	5,068,715

During the period ended December 31, 2010, the Company:

i) Issued 9,157,350 warrants in connection with a private placement as described in note 8. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before October 7, 2012.

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

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

ii) Issued 11,870,000 warrants in connection with a private placement as described in note 8. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before November 5, 2012.

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

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

iii) Issued 131,250 warrants in connection with the exercise of stock options as described in note 8. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before October 7, 2012. The fair value of the stock options was estimated at $3,375 as of the grant date and this amount has been reallocated from stock options to warrants upon the exercise of the stock options (see note 9).

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

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

8. Warrants (continued)

iv) Issued 78,750 warrants in connection with the exercise of stock options as described in note 8. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before November 5, 2012. The fair value of the stock options was estimated at $2,025 as of the grant date and this amount has been reallocated from stock options to warrants upon the exercise of the stock options (see note 9).

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

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

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

As at December 31, 2010, the following warrants were issued and outstanding:

a) 6,327,400 warrants entitling the holder to purchase one common share of the Company at $0.60 per share at any time on or before March 20, 2011.

b) 310,000 warrants entitling the holder to purchase one common share of the Company at $0.60 per share at any time on or before April 15, 2011.

c) 11,125,000 warrants entitling the holder to purchase one common share of the Company at $0.60 per share at any time on or before September 24, 2011.

d) 500,000 warrants entitling the holder to purchase one common share of the Company at $0.60 per share at any time on or before December 13, 2011.

e) 2,592,650 warrants entitling the holder to purchase one common share of the Company at $0.30 per share at any time on or before August 5, 2012.

f) 750,000 warrants entitling the holder to purchase one common share of the Company at $0.30 per share at any time on or before August 25, 2012.

g) 9,288,600 warrants entitling the holder to purchase one common share of the Company at $0.30 per share at any time on or before October 7, 2012.

h) 11,948,750 warrants entitling the holder to purchase one common share of the Company at $0.30 per share at any time on or before November 5, 2012.

9. Stock Options

a) The Company has adopted an amended and restated incentive stock option plan (the "Option Plan"), which provides that the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange Requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase Company Shares, provided that the number of Company Shares reserved for issuance, together with any options issued to Eligible Charitable Organizations, will not exceed 6,044,019 Company Shares. Such options will be exercisable for a period of up to 5 years from the date of grant. The number of Company Shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding Company Shares, the number of Company Shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding Company Shares and the number of Company Shares reserved for issuance to persons employed to provide investor relations services will not exceed two percent (2%) of the issued and outstanding Company Shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Options generally vest over a period of twelve to eighteen months.

   During the year ended September 30, 2010, the Option Plan was amended to increase the maximum number of common shares issuable thereunder by 3,270,981 from 6,044,019 common shares to 9,315,000 common shares.

b) During the period ended December 31, 2010, the Company:

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

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

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

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

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

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

9. Stock Options (continued)

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

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

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

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

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

	Number	Amount
Balance - September 30, 2010	9,036,554	$ 2,984,078
Granted	4,942,279	827,228
Exercised	(420,000)	(24,000)
Stock-based compensation expensed	-	42,876
Balance - December 31, 2010	13,558,833	$ 3,830,182

d) Stock options were granted, exercised and expired/cancelled as follows:

	Number	Weighted Average Exercise Price
Balance - September 30, 2010	9,036,554	$ 0.59
Granted	4,942,279	0.30
Exercised	(420,000)	(0.30)
Balance - December 31, 2010	13,558,833	$ 0.47

9. Stock Options (continued)

e) As at December 31, 2010, the following stock options were outstanding:

	Number of Options		Weighted Average
Option Price	**Unvested**	**Vested**	**Remaining Contractual Life**
$ 0.60	-	637,883	1.5 years
$ 0.30	-	400,000	1.5 years
$ 1.00	-	500,000	1.5 years
$ 1.50	-	750,000	1.5 years
$ 0.50	-	319,200	0.5 years
$ 0.60	-	1,557,500	1.0 year
$ 0.45	-	4,104,000	4.0 years
$ 0.60	75,000	225,000	1.5 years
$ 0.20	-	362,971	2.0 years
$ 0.20	-	105,000	2.0 years
$ 0.30	-	2,220,000	5.0 years
$ 0.20	-	984,529	2.0 years
$ 0.20	-	1,317,750	2.0 years
	75,000	13,483,833	

10. Contributed Surplus

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

Balance - September 30, 2010	$ 1,734,673
Options cancelled	-
Balance - December 31, 2010	$ 1,734,673

11. Related Party Transactions

During the period ended December 31, 2010, the Company:

a) Incurred management fees of $57,000 with a company controlled by a director. The Company also incurred consulting fees of $36,000 with two individuals related to this director. The director is also an officer.

b) Incurred legal fees of $221 with a firm in which a director and a former director are partners.

c) Incurred accounting fees of $8,000 with an accounting firm in which a former officer is a partner. As at December 31, 2010, accounts payable and accrued liabilities included $8,000 related to this accounting firm.

d) Incurred publicity and advertising fees of $18,000 with a company controlled by a person related to a director. The director is also an officer.

11. Related Party Transactions (continued)

e) Incurred management fees of $62,499 with a director. As at December 31, 2010 accounts payable and accrued liabilities included $37,766 related to this director. The director is also an officer.

f) Incurred consulting fees of $22,500 with a company controlled by an officer.

12. Reclamation Bonds

During the year ended September 30, 2008, the Company paid $126,000 in reclamation bonds as required by the DRC's Ministry of Mines. These amounts represent deposits on restoration costs to be incurred in the future to restore the resource properties to a specified state. Based on the exploration work performed to December 31, 2010 on the resource properties in the DRC, the Company's management estimates that no future obligations for site restoration costs exist as at December 31, 2010.

13. Financial Instruments

Fair Values

Except for the reclamation bond, the fair value of which is not determinable as at December 31, 2010, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

Credit Risk

The Company monitors the financial condition of its venture partners and counterparties to contracts. The Company does not have a significant exposure to any individual third party. Credit risk on amounts receivable is limited to the outstanding balance of such amounts.

Currency Risk

The Company's primary operations are located in the DRC. The Company pays most of its DRC costs in United States Dollars, and is therefore subject to foreign exchange risk on this payment stream. It also pays suppliers in United Kingdom Pounds Sterling, South African Rand, and European Euros and is therefore subject to foreign exchange risk on these payment streams.

As at December 31, 2010, cash and cash equivalents include 1,629,326 United States Dollars, and accounts payable and accrued liabilities include 140,766 United States Dollars, 69,635 United Kingdom Pounds Sterling, 306,732 South African Rand and 2,031 European Euros.

At December 31, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the period would have been $148,052 lower (higher).

At December 31, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the United Kingdom Pound Sterling with all other variables held constant, the net loss for the period would have been $10,803 higher (lower).

13. Financial Instruments (continued)

At December 31, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the South African Rand with all other variables held constant, the net loss for the period would have been $4,362 higher (lower).

At December 31, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the European Euro with all other variables held constant, the net loss for the period would have been $270 higher (lower).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

14. Commitments

a) The Company has monthly obligations of $19,000 and 16,150 United States Dollars pursuant to consulting agreements. The agreements do not have a fixed term and can be cancelled by either party.

b) The Company has committed to spending $230,000 on community-based initiatives in the DRC to improve the lives of the inhabitants of the areas in which the Company is focusing its exploration efforts. This commitment does not have a specified term and as at December 31, 2010, the Company had spent approximately $183,000.

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

2011	$ 71,751
2012	$ 76,355
2013	$ 76,355
2014	$ 57,645

d) During the year ended September 30, 2009, the Company entered into an agreement for the rental of a bulldozer in the DRC in exchange for a monthly fee of 15,000 United States Dollars. The contract has an indefinite term and can be cancelled by the Company by giving one month notice to the vendor.

e) During the year ended September 30, 2009, the Company entered into drilling agreement for 6,000 metres of diamond drilling in the DRC. The total value of the agreement is unknown as the invoiced amounts under the agreement will depend on several factors that cannot be reasonably estimated as of the date of these financial statements.

14. Commitments (continued)

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

g) During the year ended September 30, 2009, the Company entered into an employment agreement with their new CEO for a period ending January 10, 2010. The annual salary of $250,000 is to be paid in monthly installments. An extension or renewal of the agreement is to be evidenced in writing by both parties. During the period ended September 30, 2010, the term of this agreement was extended to March 11, 2011.

h) During the year ended September 30, 2010, the Company entered into an agreement for the provision of investor relations services in exchange for a monthly cash payment of $6,000 and the issuance of 300,000 stock options (see note 9(b)(iii)) with a company controlled by an individual related to a director of the Company. This director is also an officer.

i) Additional commitments are disclosed in note 5.

15. Subsequent Events

Subsequent to December 31, 2010:

a) 250,000 warrants were exercised for gross proceeds of $75,000.

b) The Company engaged The Mineral Corporation to perpare a resource estimate for the Adumbi Prospect of the Somituri Project. The report will also include results of all other aspects fo the 2010 exporlation program on the Somituri Project.