

Management Discussion and Analysis of the Unaudited Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2010

Kilo Goldmines Ltd.

141 Adelaide Street West, Suite 1200

Toronto, Ontario M5H 3L5

Contact: Peter Hooper, Chairman

Phone: (416) 360-3402

Email: peterhooper2@aol.com

Website: www.kilogold.net

KILO GOLDMINES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
For the three and nine month periods ended June 30, 2010

This Management Discussion and Analysis (“MD&A”) of Kilo Goldmines Ltd. (“Kilo” or the “Company”) is dated August 25, 2010 and provides an analysis of the Company’s performance and financial condition for the three and nine month periods ended June 30, 2010 , as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee.

This MD&A should be read in conjunction with the Company’s unaudited interim consolidated financial statements for the period ended June 30, 2010, including the related note disclosure. The Company’s interim unaudited financial statements are presented on a consolidated basis with its wholly-owned subsidiary Kilo Goldmines Inc. and the partnership interests described in the notes to the financial statements, and are prepared in accordance with Canadian generally accepted accounting principles. All dollar figures included therein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise specified. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com or the Company’s website at www.kilogold.net.

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

OVERALL PERFORMANCE

Principal Business and Corporate History

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

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

Amalgamation

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

On March 20, 2009, pursuant to the Agreement, Old Kilo amalgamated with Blue Ribbon’s wholly-owned subsidiary. Completion of the transaction constituted Blue Ribbon’s qualifying transaction. The shareholders of Old Kilo held the majority of the outstanding shares of the Company following the transaction, and accordingly, the transaction has been accounted for as a

reverse takeover. Since Blue Ribbon's operations do not constitute an economic unit, the transaction has been accounted for as a capital transaction.

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

DEVELOPMENTS DURING THE THREE AND NINE MONTHS ENDED JUNE 30, 2010

Exploration Activities

KGL Masters

During the nine month period ended June 30, 2010, the remainder of the geochemical data for the soil samples collected from PR 2634 was received and interpreted. Anomalous gold-in-soil values trending northwest as well as east-west were delineated. The copper, zinc, lead, nickel, iron, magnesium, cobalt and calcium values indicate that the lithologies most likely strike northwest-southeast, however, local variations are apparent.

Infill soil sampling at 50 metre intervals on north-south lines halfway between the lines spaced at 400 metre intervals was recommended in 58 areas to further evaluate anomalous gold-in-soil values in order to delineate additional drill targets.

A total of 17 diamond drill holes for 3,162.5 metres were completed on PR2634. These holes evaluated the M1 Target, 8 holes for 1,802.9 metres; the M3 Target, 7 holes for 1,472 metres; the M4 Target, 1 hole for 138.71 metres; and the M6 Target, 1 hole for 119.1 metres.

The M1 Target consists of a foliated quartz vein that varies from 1 metre to 2 metres thick, trends east-west direction and dips steeply to the north. This auriferous quartz vein, the subject of extensive artisanal exploitation, is hosted in Precambrian Upper Kibalian schistose rocks. A significant gold-in-soil anomaly in the vicinity of the M1 target was not delineated. The 8 diamond drill holes that tested this target intersected predominantly clastic metasedimentary rock, volcanic intrusives, quartz veins, and tuffaceous rocks. Mineralization consisting mainly of pyrite and minor pyrrhotite occurs in a wide zone of silica alteration. Logging and sampling of these holes was completed. The only significant gold value obtained is 21.3 g/t from a one metre interval (148 - 149) in drill hole M1DD0006

The M3 Target is characterized by a 1,200 metre long east-west oriented gold-in-soil anomaly with widths up to 250 metres. In addition, the M3 Target is the subject of active artisanal mining over a strike length of 500 metres that commenced subsequent to the soil geochemical sampling program. The diamond drill holes collared to evaluate the M3 Target gold-in-soil anomaly and the active artisanal workings intersected quartz veins hosted predominantly in intermediate metavolcanic flows and tuffs. Sections mineralized with disseminated polymetallic sulphides, pyrite, pyrrhotite, and traces of chalcopyrite and sphalerite, associated with silica alteration, were intersected. The occasional speck of visible gold was observed in quartz. During the periods ended March 31, 2010 logging and sampling of these holes was completed.

Diamond drill core samples returned gold values confirming the presence of in-situ gold over the entire 700 metres of drill tested strike length. The easternmost drill hole returned gold values that include 7.0 metres at 2.43 g/t, and the westernmost drill hole returned gold values including 5.80 metres at 1.32 g/t. Gold intersections between these two drill holes include 16.05 metres at 1.12 g/t, 0.50 metres at 48.90 g/t, and 5.05 metres at 2.27 g/t. The M3 Target gold values are detailed in the press releases issued during the period.

Granite, with the occasional quartz vein, was intersected in the diamond drill hole that tested the M4 Target, gold-in-soil anomaly. Significant mineralization was not intersected, hence samples were not submitted for analysis.

Intermediate volcanics and minor quartz veining was intersected in the diamond drill hole that tested the M6 Target, an artisanal working. Gold is being exploited from quartz veins in the M6 Target. During the three and nine month periods ended June 30, 2010 logging and sampling of this hole was completed and no significant gold values were obtained.

KGL Somituri

During the three and nine month periods ended June 30, 2010, all pre-requisites pursuant to the Mining Law and Mining Regulations allowing exploration activities to commence on all eight non-contiguous Exploitation Licences were completed. A multifaceted exploration program comprised of geological mapping, adit sampling, and diamond drilling commenced on the Somituri Project Exploitation Licence ("PE") 9691.

The Somituri Project covers 606 square kilometres of the Ngayu Archaean Greenstone Belt, characterized by Upper Kibalian quartz veins, schists, metavolcanics, banded iron formation ("BIF") and metasedimentary rocks, situated in the Oriental Province of the DRC. During the 1930s to 1958 the Adumbi, Kitenge and Manzako gold mines, on PE 9691, produced approximately 300,000 ounces of gold, according to historical records unverified by the Company. The Adumbi gold bearing host rocks have been traced over a strike length of approximately two kilometres by the Company. The Kitenge gold bearing host rocks, oriented parallel to and approximately five hundred metres northeast of the Adumbi trend, have been traced over a strike length of about five kilometres. Fifteen hundred metres to the northeast of the Kitenge mine, is the former underground Manzako gold mine. The gold bearing host rocks of the Manzako mine have been mapped over a strike length exceeding two kilometres.

During the period ended June 30, 2010 four adits, in the Adumbi mine, totaling 592.5 metres were continuous horizontal channel sampled. In addition a total of 3,991.50 metres of a planned 10,000 metre diamond drilling program were completed. Seven diamond drill holes, were collared to evaluate the central portion as well as the strike extension of the Colonial era Adumbi gold mine. These drill holes intersected disseminated to semi-massive pyrrhotite and/or pyrite hosted in quartz veins, and altered highly siliceous locally sheared chemical metasediments including banded iron formation ("BIF") down dip from the workings exposed in the adit. Five drill holes were completed on the Kitenge prospect, a former gold producer and 2 drill holes targeted the past producing Manzako gold deposit. In addition soil sampling was commenced and geological mapping was carried out. Adit and drill core samples were shipped to ALS Chemex in Mwanza, Tanzania for sample preparation and furtherance of pulps to ASL Chemex in Johannesburg for gold analysis. The technical and analytical results are detailed in the Press Releases issued during the period ended June 30th 2010.

The Company did not carry out any exploration activities on the **KGL-ERW, KGL-SIHU and KGL-POKO** properties during the nine months ended June 30, 2010.

SELECTED ANNUAL INFORMATION

The following selected financial data for the Company's two most recently completed financial periods are derived from the audited financial statements of the Company which were prepared in accordance with Canadian generally accepted accounting principles.

For the fiscal periods ended September 30,	2009	2008
	\$	\$
Net revenues	4,595	38,309
Loss before discontinued operations and extraordinary items	2,022,327	2,622,842
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.06	0.11
Net loss	2,022,327	2,622,842
Net loss, per share basic and diluted	0.06	0.11
Total assets	22,181,577	7,660,740
Total long term liabilities	Nil	773,422
Cash dividends	Nil	Nil

Project Expenditures

KGL-MASTERS

During the three and nine month periods ended June 30, 2010, the Company incurred expenditures of \$42,161 and \$1,287,276 on the KGL-MASTERS group of properties. Expenditures for the three months ended June 30, 2010 decreased by \$981,682 when compared to expenditures of \$1,023,843 during the three months ended June 30, 2009. Expenditures for the nine months ended June 30, 2010 decreased by \$844,602 when compared to expenditures of \$2,131,878 incurred during the nine months ended June 30, 2009. The Company continued drilling on properties within the KGL-MASTERS portfolio, incurring drilling costs of \$723,790 during the three and nine month periods ended June 30, 2010. The Company incurred drilling costs of \$611,489 and soil sampling costs of \$134,765 during the three and nine month periods ended June 30, 2009. The Company also incurred administrative and project management costs of \$157,136 and professional fees of \$25,075 and \$144,677 during the three and nine months ended June 30, 2010. During the nine months ended June 30, 2010, the Company paid property taxes of \$149,981 on the KGL-MASTERS properties, and incurred security costs of \$36,171, repairs and maintenance charges of \$25,579 and travel expenses of \$22,936. The remaining expenditures of \$24,078 relate to soil sampling. During the nine months ended June 30, 2009, the Company paid property taxes of \$319,374, incurred administrative and project management costs of \$295,440, and professional fees of \$201,350. During the three and nine months ended June 30, 2009, the Company incurred additional acquisition costs of \$463,179, which represents the fair value of common shares and warrants issued in connection with the Going Public Transaction discussed earlier.

KGL-SOMITURI

During the three and nine month periods ended June 30, 2010, the Company incurred expenditures of \$2,864,528 and \$5,992,310 on the KGL-SOMITURI group of properties. Expenditures for the three months ended June 30, 2010 increased by \$2,718,596 when compared to expenditures of \$145,932 for the three months ended June 30, 2009. Expenditures for the nine months ended June 30, 2010 increased by \$4,907,567 when compared to expenditures of \$1,084,743 for the same period ended June 30, 2009. During the nine months ended June 30, 2010, the Company commenced drilling on the KGL-SOMITURI group of properties and incurred drilling costs of \$2,790,232 and \$4,788,615 during the three and nine months ended June 30, 2010. The Company also incurred soil sampling charges of \$151,563 and property taxes of \$374,144 during the three and nine months ended June 30, 2010. These same expenses for the three and nine months ended June 30, 2009 were \$Nil and \$390,328 respectively. In addition, the Company incurred geological expenses of \$16,082 and \$184,097, and professional fees of 180,246 and \$293,284 during the three and nine months ended June 30, 2010. Professional fees incurred during the three and nine months ended June 30, 2009 were \$28,133 and \$62,624 respectively, while no geological expenses were incurred during either period. Administrative and project management expenses of \$248,915 and \$515,440 were incurred during the three and nine month periods ended June 30, 2010, representing increases over the administrative and project management expenses of \$55,123 and \$168,612 incurred during the three and nine months ended June 30, 2009. The remaining expenditures incurred during the nine months ended relate to trenching, travel, planning, equipment purchases and gridding. During the three and nine months ended June 30, 2009, the Company incurred additional acquisition costs of \$463,179, which represents the fair value of common shares and warrants issued in connection with the Going Public Transaction discussed earlier.

KGL-ERW

During the three and nine month periods ended June 30, 2010, the Company incurred net expenditures of \$10,933 and \$661,039 on the KGL-ERW group of properties. Expenditures for the three months ended June 30, 2010 decreased by \$124,908 when compared to expenditures of \$135,841 for the three months ended June 30, 2009. Expenses for the nine months ended June 30, 2010 increased by \$284,036 when compared to expenditures of \$377,003 for the same period ended June 30, 2009. During the nine months ended June 30, 2010 the Company received \$377,463 pursuant to the agreement signed with Rio Tinto Mining and Exploration Limited which reduced the net expenditures on the KGL-ERW properties for the nine months ended June 30, 2010. During the nine month period ended June 30, 2010, the Company issued 1,050,000 common shares and 500,000 common share purchase warrants ("warrants") pursuant to a Partnership Agreement Amendment signed during the year ended September 30, 2009. The fair value of these shares and warrants was allocated to the acquisition costs of the KGL-ERW properties (for additional information related to these common shares and warrants, please see the "Liquidity and Capital Resources" section in this MD&A) resulting in acquisitions costs of \$546,000 and \$913,240 for the three and nine months ended June 30, 2010. During the nine months ended June 30, 2010, the Company paid property taxes of \$87,402, a decrease of \$146,142 compared to property taxes of \$233,544 paid during the nine months ended June 30, 2009. The Company also incurred professional fees of \$10,933 and \$33,661 during the three and nine month periods ended June 30, 2010, compared to professional fees of \$6,532 and \$169,035 charged during the three and nine month periods ended June 30, 2009. The remaining project expenditures incurred during the three and nine months ended June 30, 2010 relate to administrative and project management expenses of \$2,784, and soil sampling charges.

KGL-SIHU

During the three and nine month periods ended June 30, 2010, the Company incurred expenditures of \$4,134 and \$62,165 on the KGL-SIHU group of properties, decreases of \$5,702 and \$482,072 from expenditures of \$9,836 and \$544,237 for the same periods ended June 30, 2009. During the three and nine months ended June 30, 2010, professional fees of \$4,134 and \$22,300 were incurred. Professional fees incurred during the three and nine month periods ended June 30, 2009 were \$9,836 and \$24,762 respectively. Property taxes paid during the three and nine month periods ended June 30, 2010 and 2009 were \$39,865 and \$56,297 respectively. During the three and nine months ended June 30, 2009, the Company incurred additional acquisition costs of \$463,179, which represents the fair value of common shares and warrants issued in connection with the Going Public Transaction discussed earlier.

KGL-POKO

During the three and nine month periods ended June 30, 2010, the Company incurred expenditures of \$3,963 and \$37,147 on the KGL-POKO group of properties, an increase of \$1,755 for the three month period and a decrease of \$136,281 for the nine month period from expenditures of \$2,208 and \$173,428 for the same periods ended June 30, 2009. During the three and nine months ended June 30, 2010, professional fees of \$3,963 and \$10,548 were incurred. Professional fees incurred during the three and nine month periods ended June 30, 2009 were \$2,208 and \$5,330 respectively. Property taxes paid during the three and nine month periods ended June 30, 2010 and 2009 were \$26,598 and \$168,098 respectively.

General and Administrative Operating Activities

The Company has no revenue or inbound operating cash flows other than interest income. As a result of its activities, the Company continues to incur net losses.

For the three and nine month periods ended June 30, 2010, the Company's net losses were \$1,587,811 and \$3,035,871 compared to net losses of \$778,304 and \$1,389,863 for the three and nine month periods ended June 30, 2009.

During the three months ended June 30, 2010, total expenses increased by \$811,746 to \$1,590,560 when compared to the three months ended June 30, 2009. Total expenses increased by \$1,659,804 to \$3,054,078 for the nine month period ended June 30, 2010 when compared to the same period ended June 30, 2009.

During the three months ended June 30, 2010, administrative and general expenses decreased by \$56,596 to \$75,403 due to reduced accounting fees. Administrative and general expenses for the nine month period ended June 30, 2010 increased by \$54,413 to \$241,105. This was due to an increase in communications charges, as well as increased telecommunications charges incurred in connection with more frequent overseas travel.

Professional fees decreased by \$179,746 to \$251,114 during the three months ended June 30, 2010, when compared to professional fees incurred of \$430,900 during the three months ended June 30, 2009. During the nine months ended June 30, 2010, professional fees decreased by \$56,801 to \$657,631. Professional fees for the nine month period ended June 30, 2009 amounted to \$714,432. The changes are primarily due to once-off bonus associated with the Going Public Transaction incurred in 2009 and additions to the management team.

The Company incurred losses on foreign exchange during the three and nine month periods ended June 30, 2010, as the Canadian Dollar became weaker in comparison to the United States Dollar. The loss incurred during the three months ended June 30, 2010 was \$80,128, an increase of \$63,368 over the foreign exchange loss of \$11,759 incurred during the three months ended June 30, 2009. Foreign exchange losses for the nine month period ended June 30, 2010 amounted to \$115,241, an increase of \$87,900 over the foreign exchange losses of \$27,341 incurred during the nine months ended June 30, 2009.

Travel expenses for the three months ended June 30, 2010 totaled \$56,886, against expenses of \$60,665 during the three months ended June 30, 2009. During the nine months ended June 30, 2010, travel expenses of \$221,579 were incurred, an increase of \$159,916 compared to \$61,663 of travel expenses for the nine month period ended June 30, 2009. The increase in travel during the period was due to travel to the DRC in connection with the Company's properties, increased senior management travel related to the Company's ongoing operations, and travel related to mining shows and exhibitions.

Stock-based compensation for the three and nine month periods ended June 30, 2010 were \$969,162 and \$1,308,014 as a result of options granted to an officer, consultants, and an agent during the nine months ended June 30, 2010, as well as the continued vesting of stock options granted during the year ended September 30, 2009. Stock-based compensation for the three and nine month periods ended June 30, 2009 was \$20,000.

SELECTED QUARTERLY INFORMATION

The following table shows selected financial information related to the results of the Company's eight most recent fiscal quarters. The information contained in this table should be read in conjunction with the Company's financial statements.

Fiscal Year For the quarters ended	2010			2009				2008
	June 2010	Mar 2010	Dec 2009	Sep 2009	Jun 2009	Mar 2009	Dec 2008	Sep 2008
	\$	\$	\$	\$	\$	\$	\$	\$
Net revenues	2,749	7,473	7,985	184	510	10	3,891	2,248
Loss before discontinued operations and extraordinary items	1,587,811	721,900	726,160	632,464	778,304	328,110	283,449	981,210
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.02	0.01	0.01	0.02	0.02	0.01	0.01	0.04
Net loss	1,587,811	721,900	726,160	632,464	778,304	328,110	283,449	981,210
Net loss, per share basic and diluted	0.02	0.01	0.01	0.02	0.02	0.01	0.01	0.04

Factors Affecting Quarterly Results

Fluctuations in quarterly results are caused by issuance of stock option compensation, administrative costs and fees related to new property acquisitions, and levels of exploration activities.

LIQUIDITY AND CAPITAL RESOURCES

The Company had negative working capital of \$1,387,801 as at June 30, 2010, compared to \$501,519 at June 30, 2009. As at June 30, 2010, the Company held cash and cash equivalents of \$200,890 versus \$1,303,481 as at June 30, 2009. The changes in cash and cash equivalents, as well as in the Company's working capital position, reflect equity financing raised in the September 2009 quarter, offset by the increased level of exploration activity recorded in the period.

The Company is dependent on obtaining future financing for the exploration and development of its resource properties and for any new projects. Subsequent to the period, the Company announced that MPartners and Vicarage Capital had been engaged in connection with a Private Placement to raise up to \$5m. Further information is provided in the accompanying Financial Statements.

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

2010	\$ 71,751
2011	\$ 71,751
2012	\$ 76,355
2013	\$ 76,355
2014	\$ 57,645

The Company also expects to incur operating costs associated with this lease of approximately \$72,000 per year.

Share Capital

As at August 25, 2010, the Company's share position consisted of:

Shares outstanding (i)	70,733,369
Options outstanding (ii)	8,768,853
Warrants outstanding (iii)	21,605,050

(i) Shares outstanding

- a) During the nine months ended June 30, 2010, the Company:
 - i) Issued 861,303 common shares at an effective issue price of \$0.45 per share pursuant to a debt settlement agreement.
 - ii) Issued 1,050,000 common shares at an effective issue price of \$0.52 per share pursuant to a Partnership Amending Agreement related to the acquisition of the Company's resource properties.

(ii) Options outstanding

a) During the nine months ended June 30, 2010, the Company:

- i) Issued 1,227,500 stock options to an officer and consultants of the Company, 409,166 of which vest immediately, with a further 409,166 and 409,168 options vesting on each of the seven and thirteen month anniversaries of the grant date. Each option entitles the holder to purchase one common share at a price of \$0.45 at any time on or before October 20, 2014.

The fair value of the options 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	0.60%
Expected life	5 years
Expected volatility	105%

- ii) Issued 122,500 stock options to an agent in connection with private placements completed during the year ended September 30, 2008. All of the options vest immediately. Each option entitles the holder to purchase one common share at a price of \$1.50 at any time on or before April 21, 2010.

The fair value of the options 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	0.60%
Expected life	0.3 years
Expected volatility	105%

- iii) Issued 300,000 stock options to a consultant of the Company, one quarter of which vest immediately, with a further one quarter vesting on each of the three, six and nine month anniversaries of the grant date. Each option entitles the holder to purchase one common share at a price of \$0.60 at any time on or before April 14, 2012. The consultant is a company controlled by an individual related to an officer and director of the Company.

The fair value of the options 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	1.12%
Expected life	2.0 years
Expected volatility	120%

- b) As at June 30, 2010, the following options were outstanding:

Option Price	Number of Options	Weighted Average Remaining Contractual Life
\$0.60	637,883	2.0 years
\$0.30	400,000	2.0 years
\$1.00	500,000	2.0 years
\$1.50	750,000	2.0 years
\$0.50	319,200	1.0 years
\$0.50	300,000	1.0 years
\$0.60	1,557,500	1.5 years
\$0.45	4,095,000	4.5 years
\$1.50	122,500	0.1 years
\$0.60	300,000	2.0 years

During the nine months ended June 30, 2010, 1,113,750 stock options expired unexercised.

During the nine months ended June 30, 2010, options to acquire 2,867,500 common shares granted by the Company to directors and officers were subject to approval by the shareholders. Each option entitles the holder to purchase one common share of the Company at a price of \$0.45 per share for a five year period. The options vest as to one-third immediately and one-third on each of the seven and thirteen month anniversaries of the date of grant. All of the 2,867,500 options were subject to shareholder approval for the increase in the number of shares reserved under the Company's stock option plan to maintain the ratio of shares reserved the plan to outstanding shares at 15% as a result of the private placement completed during the year ended September 30, 2009. Shareholder approval was granted at the Annual General Meeting held on May 20, 2010, and these options were subsequently issued. The fair value of these options has been recognized in the unaudited interim consolidated financial statements for the nine months ended June 30, 2010.

(iii) Warrants outstanding

- a) During the nine months ended June 30, 2010, the Company issued 500,000 warrants in connection with property acquisitions. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.60 per share at any time on or before December 13, 2011.

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	0.60%
Expected life	2 years
Expected volatility	120%

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.

- b) As at June 30, 2010, the following warrants were issued and outstanding:
 - i) 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.
 - ii) 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.
 - iii) 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.
 - iv) 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.

COURSE OF BUSINESS TRANSACTIONS

Transactions with Related Parties

During the nine months ended June 30, 2010, the Company:

- a) Incurred management fees of \$171,000 with a company controlled by a director. The Company also incurred consulting fees of \$108,000 with two individuals related to this director. This director is also an officer.
- b) Incurred legal fees of \$130,375 with a firm in which a director and a former director are partners, all of which was capitalized as property acquisition costs. As at June 30, 2010, accounts payable and accrued liabilities included \$46,728 related to this law firm.
- c) Incurred accounting fees of \$126,390 with an accounting firm in which a former officer is a partner. As at June 30, 2010, accounts payable and accrued liabilities included \$48,710 related to this accounting firm.
- d) Incurred publicity and advertising fees of \$36,000 with two companies controlled by a person related to a director. The director is also an officer.
- e) Incurred management fees of \$187,500 with a director. The director is also an officer.
- f) Incurred consulting fees of \$30,000 with a company controlled by an officer.

Off-Balance Sheet Transactions

The Company has not entered into any off-balance sheet arrangements.

Proposed Transactions

The Company continues to review property and industry information in search of future opportunities in terms of new property acquisitions and business partnerships. Although no transactions are in progress currently, the Company continues to research potential opportunities.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Company prepares its consolidated financial statements in conformity with generally accepted accounting principles in Canada. The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Critical accounting estimates used in the preparation of the financial statements are related to the recoverable value of the Company's resource properties, as well as the valuation of stock options and warrants. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company records all of its property acquisition costs and direct exploration costs as an asset until the properties are placed into production, sold or abandoned, at which time the costs will either be amortized on a units-of-production basis or fully charged to operations. Management reviews the carrying value of the resource properties for impairment or permanent declines in the value of the property, such as abandonment, and the related project balances are then written off.

Estimates related to stock options and warrants include the volatility of the Company's stock price, as well as when stock options and warrants may be exercised. The timing of exercise of stock options and warrants is out of the Company's control and depends on a various factors including the market value of the Company's shares and the financial objectives of the holders of stock options and warrants.

The Company lists its significant accounting policies in note 3 of its audited consolidated financial statements for the year ended September 30, 2009.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary Kilo Goldmines Inc., and the partnership interests described in the notes to the financial statements. 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 the notes to the financial statements. 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.

CAPITAL DISCLOSURES

Canadian Institute of Chartered Accountants (“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 June 30, 2010.

FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Receivables and subscriptions receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

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.

The Company's exposure to various risks and the impact upon the Company's financial statements are as follows:

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.

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. The Company also pays suppliers in United Kingdom Pounds Sterling and European Euros and is therefore subject to foreign exchange risk on these payment streams.

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.

Sensitivity Analysis

As at June 30, 2010, cash and cash equivalents include 134,620 United States Dollars, receivables include 63,605 United States Dollars, and accounts payable and accrued liabilities include 1,128,453 United States Dollars, 152,980 United Kingdom Pounds Sterling and 6055 European Euros.

At June 30, 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 \$99,032 higher (lower).

At June 30, 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 \$24,251 higher (lower).

At June 30, 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 \$789 higher (lower).

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET APPLIED

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, 2011 will require restatement of the amounts reported by the Company for the year ended September 30, 2011 for comparative purposes.

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, which will result in the selection of the Company's ongoing IFRS policies and transitional exemptions. This phase will also include an analysis of 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 financial statement format. The third and final phase of the Company's IFRS conversion plan is to implement the accounting changes as well as the changes to the company's internal systems and procedures.

The Company is in the process of completing the first phase of the plan in order to identify the accounting and reporting differences between Canadian GAAP and IFRS and expects to complete this process by the end of fiscal 2010. Upon completion, phase two will commence and the Company will begin to evaluate the specific policies and exemptions to be adopted as part of the transition to IFRS.

The International Accounting Standards Board continues to revise current IFRS standards as well as introducing new standards. The Company will continue to monitor these changes for purposes of assessing their impact on the Company and its financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures, and internal controls over financial reporting. The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures, and the design of internal controls over financial reporting at December 31, 2009, have concluded the Company's disclosure controls and procedures and design of internal controls over financial reporting are adequate and effective as per Multilateral Instrument 52-109 - Certification of Disclosure in Companies' Annual and Interim Filings.

There has been no change in the Company's internal control over financial reporting, or in any other factors that could significantly affect internal controls, during the nine months ended June 30, 2010.

QUALIFIED PERSON

The scientific and technical data included in this MD&A has been reviewed by Stanley Robinson, M.Sc., F.GAC., P.Geo., a consultant to the Company, and a Qualified Person pursuant to National Instrument 43-101.

SUBSEQUENT EVENTS

Subsequent to June 30, 2010 the company announced the engagement of M Partners and Vicarage Capital Ltd. to act as lead agents in connection with a private placement offering, to be completed on a marketed best efforts agency basis, to raise gross proceeds of up to \$5.0 million from the sale of up to 25,000,000 units priced at 20c per unit, each unit consisting of one common share and one one-half of one common share purchase warrant.

As at August 25, 2010 subscriptions for 6,685,300 units in the private placement for gross proceeds of \$1,337,060 have been received.

ADDITIONAL INFORMATION

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