Management Discussion and Analysis of the Audited Consolidated Financial Statements
For the three and six month periods ended March 31, 2012

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KILO GOLDMINES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
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This Management Discussion and Analysis ("MD&A") of Kilo Goldmines Ltd. ("Kilo" or the "Company") is prepared as at May 23, 2012 and provides an analysis of the Company's performance and financial condition for the three and six month period ended March 31, 2012. 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 March 31, 2012, including the related note disclosure. The Company's unaudited interim 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 International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in the following discussion and analysis are quoted in the functional currency of 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.

Executive Summary

Kilo Goldmines Ltd is a junior resource company with gold exploration properties in the Democratic Republic of the Congo. The Company is currently engaged in exploration and evaluation of its properties and has no producing asset as yet. The Company delivered its maiden NI 43-101 report in 2011, and is continuing with ongoing exploration to increase the extent of the Mineral Resources. The Company is also engaged in a joint venture with Rio Tinto Mining and Exploration Ltd who are exploring for iron ore on certain of the Company's properties.

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 generated 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 under the symbol "KGL".

Overall Performance

The Company's activities focused on continuing its exploration and evaluation programs on its existing properties in the Democratic Republic of the Congo, investing approximately $2.1 million in activities on the Somituri properties during the three months ended March 31, 2012, and approximately $3.4 million in the six months ended March 31, 2012. The Exploration section below sets out in greater detail the activities on the various properties during the period. The operating loss for the three months ended March 31, 2012 was $881,535 compared to a loss of $535,624 for the three months ended March 31, 2011.

Capital Stock and Financing

During the six months ended March 31, 2012, the Company raised gross proceeds of $10,390,000 through a private placement which closed on November 4, 2011, issuing 51,950,000 shares at a price of $0.20 per share pursuant to this placement. Clarus Securities Inc. acted as exclusive agent in respect of the brokered offering and insiders of the Company acquired 18,150,000 common shares under the non-brokered placement. The Company paid aggregate commissions and finder's fees and costs of $478,000 in connection with the Offerings, and the securities issued under the Offerings are subject to restrictions on resale for four months.

The Company issued 1,265,517 shares in satisfaction of commitments on its KGL-Sihu properties, and 1,405,777 shares in final settlement upon completion of registration of the KGL-Somituri exploitation licences. As at March 31, 2012, 218,849,978 shares were in issuance, and 49,080,000 share purchase warrants and 21,189,250 options were outstanding. Further details of transactions are provided in the notes to the unaudited financial statements for the six months ended March 31, 2012.

Corporate Developments

CAMI, the Ministry of Mines in the DRC, completed the registration of the Somituri property licences into the name of KGL-Somituri pursuant to which the Company made a cash payment of € 30,000 and issued 1,405,777 common shares to minority shareholders of KGL-Somituri. The Company finalised the acquisition of its KGL-Sihu properties through a cash payment of $40, 000 and the issuance of 1,265,217 common shares.

On January 3, 2012 Mr Klaus Eckhof stepped down from the Board to free up time for his other business activities, and was succeeded by Mr. Jim Williams. Mr Williams is a United Kingdom resident and is a co-founder and President and Chief Executive Officer of Arian Silver Corporation ("Arian"), a public silver exploration, development and production company listed on London's AIM and the TSX Venture Exchange (AGQ), and the Frankfurt Stock Exchange (I3A). He is a professional geologist and has more than twenty-five years' experience since graduating from the Imperial College's Royal School of Mines with an MSc in Mineral Exploration and Mining. Mr Williams is a Fellow of the Institute of Minerals, Metals, and Mining (FIMMM), as well as a Registered European Engineer (Eur.Ing) and European Geologist (Euro.Geol).

Prior to co-founding Arian, Mr Williams was active in various director, senior officer, and consulting roles for various companies associated with industrial minerals, diamonds, gold, and base metal projects throughout the Americas, Africa and the former Soviet Union .

On January 15, 2012 Mr Stuart Thomson was appointed Vice President Operations. Mr Thomson originates from New Zealand and has a master's degree in Chemical and Materials Engineering and has over 20 years' experience in the resource industry. Over this period he has worked in Australia, Africa (Botswana, Mali, South Africa, Zambia and Zimbabwe), Europe (Ireland) and South America (Brazil). His experience includes operational management, project development and process/business/strategy/environmental consulting roles in the base metals, precious metals, industrial minerals and coal/energy sectors. Mr Thomson has also represented an international mining house at a governmental/industry level on strategic issues facing the mining industry, as well as providing technical/business input at a board level. His corporate exposure includes Queensland Nickel in Australia, Anglo American in South Africa and major international EPCM contractors such AMEC and Fluor Daniel.

Mr Thomson brings a broad spectrum of experience to Kilo across the gold value chain, from resource development to project closure. In addition, he has an in-depth knowledge of both refractory and non-refractory gold ore bodies along with the associated technical, environmental, and business constraints.

On March 9, 2012 Mr Loudon Owen was appointed to the Board. A lawyer by training, Mr. Owen co-founded and currently manages McLean Watson Capital, a private Toronto-based venture capital firm funding high-growth entrepreneurial ventures in the technology sector. Mr. Owen currently serves on the board of directors/trustees of a number of public, private and non-profit corporations and organizations including Hanfeng Evergreen Inc. (Chairman–TSX), Ntegrator International Ltd. (Singapore Stock Exchange) and Posera-HDX Limited (TSX).

Exploration and Operations

KGL Somituri Sprl

During the three month period ended March 31, 2012 the exploration program consisted of underground geological mapping, trench excavation and sampling, and soil sampling on the Somituri Project Exploitation Licence ("PE") 9691. In addition, reconnaissance geological mapping and soil sampling was carried out on PEs 9692 and 138.

The Somituri Project consists of eight *Permis d'Exploitaiton* ("PE") (Exploitation Licence) covering 606 square kilometres of the Ngayu Archaean Greenstone Belt in Oriental Province of the Democratic Republic of Congo. The properties are underlain by Upper Kibalian banded iron formation ("BIF"), clastic metasedimentary rocks, metavolcanics, and schists; quartz veins, faults and shear zones occur in all of the lithologies. During the 1930s to 1958 the Bagbaie - Adumbi, Kitenge, Manzako and Maipinji 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 2,200 metres 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. On March 15, 2012 Kilo announced an updated NI43-101 compliant inferred resource estimate that concluded the Adumbi Gold Deposit hosts 1.87 million ounces of gold at 1.63 g/t using a 0.50 g/t Au cut-off. The true thickness of the gold bearing zone varies from 20 metres to 140 metres; drilling indicates gold mineralization extends to a vertical depth of at least 350 metres.

Drilling was not carried out during the three months ended March 31st, 2012; a total of 282 metres of diamond drilling was completed on PE9691 during the six month period ended March 31st, 2012. The diamond drill holes, commenced prior to October 1st, 2011, were collared to evaluate the northwestern portion of the colonial-era Adumbi gold mine in order to determine vertical and horizontal continuation of mineralization. These diamond drill holes intersected from northwest to southeast the hangingwall tuffaceous metasedimentary rocks, followed by chemical metasedimentary rocks consisting of banded iron formation ("BIF") characterized by chert banded with haematite (oxide zone) and chert banded with magnetite (sulphide zone). The footwall rocks have been assigned a field name of greywacke. In addition, both of these holes, collared 150 metres apart along strike intersected a structurally undeformed (visual observation) massive diorite. The chemical metasedimentary rocks have been sheared; the structural setting is not well understood and the relationship between the footwall rocks and hangingwall rocks has not been determined.

The Adumbi Prospect gold bearing zone, confirmed over a strike length in excess of 2.2 kilometres, by drilling, mapping and trenching, remains open along strike to the northwest and to the southeast as well as to depth. Preliminary field indications are that the gold is associated with a late stage pyrite mineralizing event.

During the three months ended March 31st accessible adits and underground workings were geologically mapped. The thicker portions of the BIF are considered due to folding; gold occurs in association with quartz veining hosted within shear zones controlled by the rheological contrasts between the BIF and the metasedimentary rocks. A preliminary interpretation concludes that the preferential orientation of high grade gold zones hosted within the multiple parallel shear zones may by steeply plunging. One wall, in each of two adits, with a cumulative total length of 290 metres was continuous horizontal chip channel sampled; 294 samples including quality control samples were collected. The wall of one internal cross cut was also horizontal chip channel sampled over its 33 metre length; 38 samples including quality control samples were collected.

Re-logging of the Adumbi gold deposit diamond drill core commenced during the three month period ended March 31st. The objective of this program is to add further details on mineralization, structure, alteration and lithology to enable a more definitive interpretation of the ore paragenesis. A total of 46 samples of previously unsampled intervals of drill core, from two holes, were submitted for gold analysis.

During the three month period ended March 31st a total of 337.40 metres of trenching was completed in two trenches, and one in progress. A total of 663.40 metres, in six trenches plus one in progress, has been completed during the six month period ended March 31st, 2012 on the Manzako Prospect, PE9691.

A total of 638 soil samples, including duplicates and commercial quality control samples, were collected over the Canal, Vatican, Monde Arabe and Adumbi Prospects together with the areas between these prospects was carried out during the three months ended March 31st 2012. During the six month period ended March 31st, 2012 a total of 2,567 soil samples including duplicates and commercial quality control samples were collected on PE9691, over the Kitenge, Manzako, Canal, Vatican, Monde Arabe and Adumbi Prospects together with the areas between these prospects. Sample spacing over the Manzako Prospect was predominantly at 20 m intervals on lines 80 m apart; elsewhere the sample spacing is mainly on lines 320 m apart with a sampling interval of 20 m. All soil samples were collected at a vertical depth of one metre. The soil samples consist of all material present at the sampled depth; this material is pulverized in its entirety and analyzed for gold and multi-elements.

The Mineral Resource Corporation, based in Johannesburg, RSA, concluded that the Adumbi Gold Deposit at a cut-off grade of 0.5 g/t Au comprises 35.6 million tonnes of inferred gold bearing rock containing 1.87 million ounces of gold grading 1.63 g/t Au. At a cut-off of 1.0 g/t Au the Adumbi Gold Deposit comprises 24.6 million tonnes of inferred gold bearing rock containing 1.61 million ounces of gold grading 2.04 g/t Au.

During the three months ended March 31st 2012 the entire 85.8 square kilometre PE9692 was soil sampled, with four crews each led by a geologist, on 100 metre intervals on east-west oriented lines at 400 metre intervals. A total of 2,353 samples, including duplicates and commercial quality control samples, were collected. The soil sample sites were recorded as GPS waypoints and the downloaded GPS data was entered into the database. The samples were collected from depths of about 30 to 60 cm; the deeper samples were collected on steep hill slopes to partially mitigate against excessive transport of the material being collected. The samples have been submitted to ALS Chemex for pulverization followed by gold and multi-element analysis.

During the three months ended March 31st 2012 a total of 294 soil samples, including duplicates and commercial quality control samples, were collected from a portion of the 30.58 square kilometre PE138 by four crews, each led by a geologist, at 100 metre intervals on north-south oriented lines at 400 metre intervals. The samples in this flat lying area were collected at a depth of about 30 cm. The soil sample sites were recorded as GPS waypoints and the downloaded GPS data was entered into the database.

Drill core, trench and soil samples were submitted to ALS Chemex in Mwanza, Tanzania for sample preparation and furtherance of pulps to ALS Chemex in Johannesburg for gold analysis. In addition the soil samples were also submitted for multi-element analysis. ALS Chemex is accredited to international standards.

The technical and analytical results as well as the inferred resource estimate are detailed in Press Releases issued during the three month period ended March 31st, 2012, and includes 3.31 metres grading 3.31 g/t gold in drill hole SADD0044 and 33.68 metres grading 3.09 g/t Au in drill hole SADD0049.

Exploration Expenditures

The table below sets out the expenditures for the period for the six months ended March 31, 2012:

	KGL- Somituri	KGL-Sihu	KGL-ERW	Total
Acquisition and sustaining costs	514,305	241,739	25,580	781,624
Drilling	624,521			624,521
Helicopter support	401,629			401,629
Project Camp	335,691			335,691
Sampling	313,440			313,440
Professional fees	398,187	7,518	7,517	413,222
Project management/ administration	158,316			158,316
Geological and Geochemical	348,954			348,954
Travel	89,077			89,077
Trenching	87,323			87,323
Other	145,816		-1,423,525	-1,277,709
Current YTD spend	**3,417,259**	**249,257**	**-1,390,428**	**2,276,088**
Currency Translation Adjustments	-992,536	-78,178	-86,626	-1,157,340
Balance beginning of period: Oct 1, 2011	20,626,100	1,603,388	1,850,688	24,080,176
Balance end of period: March 31, 2012	**23,050,823**	**1,774,467**	**373,634**	**25,198,924**

For the six months ended March 31, 2012, expenditure on the KGL-Somituri properties was $3,417,259 compared with a spend of $4,354,073 during the comparable period in 2011. Drilling activity was suspended ahead of the November election period in the DRC, and in order to carry out an extensive sampling and aerial survey to enable the Company to plan and prepare for the next phase of drilling. New drill rigs arrived on site at the end of March to commence the next phase of drilling.

The currency translation adjustment reflects movements in the CAD$/US$ exchange rate on translating values from the partnership accounts, expressed in the functional currency of United States dollars, into the presentation currency of these consolidated financial statements which is Canadian Dollars. Refer Note 15 a) iii to the unaudited interim financial statements.

Other Properties

The Company completed the acquisition of the KGL-SIHU properties through a cash payment of $40,000 and the issuance of 1,265,217 shares, which resulted in a charge of $227,739. No exploration activity was conducted on the KGL-SIHU properties during the period.

Exploration for iron ore was carried out by Rio Tinto Mining and Exploration Limited in terms of the joint venture agreement concerning the Isiro Iron Ore Project, and an accelerated discounted payment, pursuant to the earn-in option to the joint venture agreement, was received from Rio Tinto in December 2011. The Company's share of this payment was $1,428,125.

Results of Operations

The Company is currently engaged in mineral exploration and evaluation, and does not generate revenues from operations. Costs related to the acquisition and exploration of mineral properties are capitalized by property, whilst regulatory and other expenditures incurred to maintain the administrative infrastructure required to operate in Canada are expensed.

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the current quarter ending March 31, 2012 and historically for the preceding eight quarters.

	IFRS						Canadian GAAP		
Fiscal Year	**2012**		**2011**				**2010**		
$'000	**Mar 2012**	**Dec 2011**	**Sep 2011**	**June 2011**	**Mar 2011**	**Dec 2010**	**Sep 2010**	**Jun 2010**	**Mar 2010**
Net revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gain/(Loss) before other items	(881)	(760)	(1,381)	(813)	(536)	(1,184)	(425)	(1,588)	(723)
Currency translation adjustment	(505)	(700)	(8)		(490)	(478)			
Comprehensive loss	(1,386)	(1,460)	(1,389)	(813)	(1026)	(1,662)	(425)	(1,588)	(723)
Net loss, per share basic and diluted	0.01	0.01	0.01	0.01	Nil	0.02	0.14	0.02	0.01

Factors Affecting Quarterly Results

Fluctuations in quarterly results arise mainly from timing of expensing costs related to the issuance of stock option compensation, and to a lesser degree to administrative costs variations.

For the three and six month periods ended March 31:

	Six months ended		Three months ended	
	31-Mar-12	**31-Mar-11**	**31-Mar-12**	**31-Mar-11**
Amortization	118,437	121,782	58,869	60,892
Foreign exchange	137,748	43,106	63,364	(1029)
Office and miscellaneous	129,024	80,786	57,032	30,748
Management and consulting fees	256,000	385,998	112,000	192,999
Professional fees	162,892	98,846	74,330	54,894
Directors' fees	86,172	13,159	38,672	7,159
Shareholder communication	116,421	142,169	86,792	68,297
Share-based payments	424,712	598,826	300,931	950
Transfer agent and regulatory fees	63,165	56,302	24,639	21,199
Travel and promotion	157,784	169,958	78,940	93,385
Interest and financing costs	15,443	9,687	4,835	6,146
Interest income	(26,640)	(599)	(18,869)	(17)
Loss for the period	1,641,158	1,720,020	881,535	535,624
Currency translation adjustment	1,205,221	968,158	504,659	490,135
Total Comprehensive Loss for the Period	2,846,379	2,688,178	1,386,194	1,025,759

For the three months ended March 31, 2012:
The operating loss for the three months ended March 31, 2012 was $881,535 as compared to a loss of $535,624 for the three months ended March 31, 2011, an increase of $345,911. Stock-based compensation increased by $299,981. Directors' fees increased by $31,513 due to changes in the composition of the Board, whilst management and consulting fees decreased by $80,999 due to organizational changes.

Higher unfavourable exchange movements were recorded, arising from movements between Canadian dollars, US dollars and to a lesser extent British pounds sterling.

For the six months ended March 31, 2012:
The operating loss for the six months ended March 31, 2012 was $1,641,158, a decrease of $78,862 over the comparative period. Stock-based compensation decreased by $174,114, offset by increases in foreign exchange movements of $94,642 and in costs related to the IFRS conversion.

The Currency Translation Adjustment reflects fluctuations in exchange rate movements between CAD$ vs US$ arising on translation of the partnership entities which have a functional currency of US$, into the presentation currency which is CAD$.

Liquidity and Capital Resources

As at March 31, 2012, the Company had cash resources of $9,866,908 compared to $3,973,264 at September 30, 2011, and $271,568 at March 31, 2011. The Company had working capital of $9,712,545 compared to working capital amounting to $1,427,270 as at September 30, 2011.

In November 2011 the Company raised an additional $10.4 million through a private placement and Management believes the Company's cash position is sufficient to meet current planned exploration and operating expenditures for the ensuing 12 months.

As a mineral exploration and development company with no current production or revenue from mining operations, the Company's cash flows consist of cash outflows for exploration and evaluation, administrative expenses, salaries, property acquisition, and expenditures for depreciable equipment. Financing activities, such as share issuances and shareholder loans, result in cash inflows to the Company. Since its inception, the Company has relied on capital markets (and in particular, equity markets) to fund its exploration and evaluation activities as well as its investments in machinery and equipment. The Company is dependent on obtaining future financing for exploration and evaluation of its resource properties and for any new projects. Details of funds raised are provided in notes 7, 8 and 9 to the unaudited financial statements.

The longer term continuation of the Company as a going concern necessitates the creation of a revenue stream from its mineral assets.

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 March 31, 2012.

Treasury Summary

The Company had the following outstanding as at March 31, 2012:

Shares	218,849,978
Options	21,189,250
Warrants	49,080,000

Full details of share issuances as well as warrant and option transactions are provided in notes 7, 8 and 9 to the unaudited financial statements for the six months ended March 31, 2012.

COURSE OF BUSINESS TRANSACTIONS

Transactions with Related Parties

During the three months ended March 31, 2012, transactions with related parties were:

	2012	2011
Directors fees	83,500	12,000
Management and consulting fees paid to directors and officers	182,000	169,998
Consulting fees paid to a former director/officer and related individuals	74,000	186,000
Investor relations fees with a company controlled by an individual related to a former director/officer	36,000	36,000

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.

CRITICAL ACCOUNTING ESTIMATES

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 mineral properties, as well as the value of stock-based compensation. 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 mineral 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-based compensation include the volatility of the Company's stock price, as well as when stock options may be exercised. The timing of exercise of stock options 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.

ACCOUNTING POLICIES AND INITIAL ADOPTION

The Company lists its significant accounting policies in the notes to the unaudited consolidated financial statements for the three month period ended March 31, 2012. Certain policies may differ from those previously reported under pre-changeover Canadian GAAP as a result of the transition to IFRS. An opening IFRS statement of financial position as at October 1, 2010, the Company's transition date, has been prepared as required by IFRS 1 First Time Adoption of International Financial Reporting Standards. The accounting policies selected are those expected to be effective on September 30, 2012, the Company's first annual IFRS reporting date.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards. 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 capital through a combination of future profitable operations and external financing. 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.

The 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.

FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash and cash equivalents	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities
Reclamation bond	Loans and receivables

Cash and cash equivalents include bank deposits and short-term investments. The short-term investments are term deposits with a Canadian chartered bank. The Company is not exposed to significant interest rate risk.

Risks and Uncertainties

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

Fair Value

The carrying amounts of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, and amounts due to related parties approximate their fair values because of the short term nature of these items.

Commodity Price Risk

Longer term plans as a gold producer are dependent upon sustained gold commodity prices at a level which permits profitable exploitation of the Company's resources. A substantial decline in the price of gold on world markets could conceivably result in a re-evaluation of project viability.

Currency Risk

The Company's primary operations are located in the Democratic Republic of the Congo. The Company raises financing in Canadian funds and pays most of its DRC costs in United States Dollars, is therefore subject to foreign exchange risk on this payment stream. The Company is also exposed to currency risk on purchases from suppliers denominated in United Kingdom Pounds Sterling, South African Rand and European Euros.

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.

Liquidity Risk

The existing financial resources are not sufficient to bring any of the Company's properties into commercial production. The Company will need to obtain additional funding from external sources in order to fund exploration, evaluation and development. There is no assurance that the Company will be able to obtain financing on favourable terms, which could result in a delay or postponement of further exploration or development.

Failure to meet obligations and commitments would require the Company to restate its assets and liabilities on a liquidation basis, which amounts would differ materially from the going concern basis. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is actively involved in the ongoing review and approval of planned expenditures.
Until such time as the Company enters production and creates a revenue stream it is subject to liquidity risk.

Investment Risk
It is not expected that the Company's mineral properties will create a positive cash flow for the Company in the near future, as this is dependent upon bringing a mine into production.

Issuer Risk

The Company does not have an established record of earnings and financial performance against which operations can be evaluated.
The Company intends to retain future earnings to finance growth and expand operations and does not anticipate paying any dividends until it has sustainable, profitable production.

Operating Risk

Exploration and development involves significant capital investment. While a recommended work program has been identified for the Company's concessions, there is no assurance that financing will be adequate to complete the recommended work program. Additional financing may be required and there is no assurance that the Company will be able to raise the additional funds required.

Title to mining properties involves certain inherent risks. The Company has investigated title to all of its mineral properties and, to the best of its knowledge title to all of its properties is in good standing. The properties in which the Company has committed to earn an interest are located in the DRC, and the Company is therefore relying on title opinion by legal counsel who is basing such opinions on the laws of the DRC.

The success of the Company will depend on management and key personnel, particularly those individuals with mineral exploration and development expertise. Loss of such management or personnel could adversely affect the success of the business operations and prospects of the Company. The Company currently does not have key man insurance in place.

Certain of the directors and officers of the Company have either full time employment or other business or time restrictions placed on them and accordingly, these directors and officers will not devote their whole time to the affairs of the Company.

Political Risk

The Company operates in an environment of greater political risk than in first world spheres of operation. Kilo works closely with the local community and has been instrumental in upgrading educational facilities for local schools and in providing boreholes for community water supply.

Industry Risk

Mineral exploration involves significant risk and the mining industry is highly speculative. Areas of uncertainty include the size and nature of the mineral resource, environmental issues associated with exploitation and the activity of competitors. Shareholders of the Company should therefore be willing to risk their entire investment.

Future Accounting Changes

IFRS 9 (Financial Instruments: Classification and Measurement), effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning October 1, 2013, and has not yet determined the potential impact on the Company's financial statements.

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

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

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 have evaluated the effectiveness of the Company's disclosure controls and procedures and the design of internal controls over financial reporting at March 31, 2012, and 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 three months ended March 31, 2012.

OTHER MD&A REQUIREMENTS

As at May 23, 2012 the Company had 218,849,978 common shares outstanding. If the Company were to issue 49,080,000 common shares upon conversion of all its outstanding warrants and 20,839,250 common shares upon conversion of all its outstanding options it would raise $23,608,350.

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.

ADDITIONAL INFORMATION

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