Management Discussion and Analysis of the Audited Consolidated Financial Statements
For the twelve month period ended September 30, 2011

Kilo Goldmines Ltd.
141 Adelaide Street West, Suite 1200
Toronto, Ontario M5H 3L5

Contact: Alex van Hoeken, President and CEO
Phone: (416) 360-3415
Email: avh@kilogoldmines.com
Website: www.kilogold.net

KILO GOLDMINES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
For the twelve month period ended September 30, 2011

This Management Discussion and Analysis ("MD&A") of Kilo Goldmines Ltd. ("Kilo" or the "Company") is prepared as at January 27, 2012 and provides an analysis of the Company's performance and financial condition for the twelve month period ended September 30, 2011. 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 audited consolidated financial statements for the period year September 30, 2011, including the related note disclosure. The Company's audited 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.

Executive Summary

Kilo Goldmines Ltd is a junior resource company with gold exploration properties in the Democratic Republic of the Congo. Currently the Company has no producing asset, and is engaged in exploration and evaluation of its properties. During the year the Company delivered its maiden NI 43-101 report, strengthened its Board and Management team, and raised $18.4 million to carry forward its exploration program.

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".

Operating Activities

The Company's activities focused on continuing its exploration and evaluation programs on its existing properties in the Democratic Republic of the Congo. In all, the Company invested approximately $8.7 million in exploration and evaluation during the year ended September 30, 2011, which is a decrease of $2.2 million over the prior year spend of $10.9 million. The Exploration section below sets out in greater detail the activities on the various properties during the year. The loss for the year ended September 30, 2011 was $4,057,148 compared to a loss of $11,671,751 for the year ended September 30, 2010 which period included an $8,210,951 write-off of expenditures incurred on the KGL-Masters and KGL-Poko properties following determination that the Company had no further interest in exploring or developing these properties.

Capital Stock and Financing

During the year ended September 30, 2011, the Company raised gross proceeds of $8,410,940 through private placements, issuing 42,054,700 shares pursuant to these placements. A further $10,000,000 was raised through a prospectus issue of 50,000,000 shares. Proceeds of $234,000 were received from the exercise of warrants and options. As at September 30, 2011, 49,580,000 share purchase warrants and 20,827,133 options were outstanding. Further details of transactions are provided in the notes to the annual audited financial statements for the year ended September 30, 2011.

Subsequent to the year end, on November 10, 2011, the Company raised a further $10.4 million gross through a private placement. The Company issued 51,950,000 common shares at a price of C$0.20 per common share, for gross proceeds of C$10,390,000. 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 of C$448,000 in connection with the Offerings, and the securities issued under the Offerings are subject to restrictions on resale for four months.

Corporate Developments

The Company made significant progress in advancing its exploration program on the KGL-Somituri group of properties, delivering its first NI 43-101 compliant resource report in March 2011. CAMI, the Ministry of Mines in the DRC, has now completed the registration of the Somituri property licences into the name 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 July 7, 2011, the Company announced the appointment of Mr. David Netherway as Non-Executive Chairman, succeeding Mr Peter Hooper, who did not stand for re-election to the Board at the annual general meeting held on September 1, 2011. Mr Netherway is the Chairman of Aureus Mining Inc. (TSX & AIM), Afferro Mining Inc. (TSX & AIM) and Altus Strategies Ltd. and a non-executive director of Gryphon Minerals Ltd (ASX), Crusader Resources Ltd (ASX), Altus Global Gold Ltd (CISX) and Altus Resource Capital Ltd (LSE and CISX).

Mr Klaus Eckhof relinquished his role as CEO in July 2011, and on July 25, 2011 the Company announced the appointment of Mr. Alex van Hoeken as President and CEO. Mr. van Hoeken is a Dutch citizen and obtained a B.Sc. in Mining Engineering from the Colorado School of Mines in 1991. His early career included positions in the maritime construction industry in Nigeria, Malaysia, Qatar, and several European countries, after which he was involved in the establishment of gold and copper exploration and mining ventures in Indonesia, Mexico, and Oman.

He has been active in the mining industry in various management and consulting positions in the Democratic Republic of Congo (DRC) in the gold, diamond, and copper sectors since 1999 and has extensive experience with remote operations. Mr. van Hoeken has been a director and managing director of several private companies and subsidiaries of listed companies since 1996. He is fluent in French, and is a Fellow of the UK Institute of Materials, Minerals, and Mining as well as a UK Chartered Engineer, and a Professional Member of the US Society of Mining Engineers.

Mr van Hoeken took office with effect from September 1, 2011 and his appointment has a term of three years.

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 with 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 .

DEVELOPMENTS DURING THE TWELVE MONTHS ENDED SEPTEMBER 30, 2011

Exploration Activities

KGL Somituri Sprl

The Somituri Project consists of eight *Permis d'Exploitaiton* ("PE") (Exploitation Licence) valid until 2039 covering 605.73 square kilometres of the Ngayu Archaean Greenstone Belt in Oriental Province of the Democratic Republic of Congo. The PEs are underlain by Upper Kibalian banded iron formation ("BIF"), clastic/tuffaceous metasedimentary rocks, metavolcanics, and schists; quartz veins, fault and shear zone hosted, have intruded 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 BIF host rocks have been traced over a strike length of approximately two kilometres by the Company. The primary portion of the Kitenge Prospect historical workings are situated about five kilometres southeast of the Adumbi Gold deposit and the host structure has been traced over a strike length of about five kilometres. A preliminary interpretation concludes that the Kitenge Prospect clastic/tuffaceous metasedimentary and quartz vein host rocks are parallel to and approximately five hundred metres northeast of the Adumbi trend. Fifteen hundred metres to the northeast of the past producing Kitenge gold mine, is the former underground Manzako gold mine. The gold bearing structure in clastic/tuffaceous metasedimentary rocks and quartz veining, host to the Manzako mine, has been mapped over a strike length exceeding two kilometres.

During the twelve month period ended September 30, 2011, the exploration program on the Somituri Project Exploitation Licence ("PE") 9691, which commenced in January 2010, continued with the calculation of an NI43-101 compliant inferred resource estimate for the Adumbi gold deposit by the Mineral Corporation, of Johannesburg, South Africa. The NI43-101 compliant inferred resource estimate was based on technical data collected during the twelve month period of January 1st to December 31st, 2010.

The NI43-101 report concluded 46,307,359 million tonnes grading 1.37 g/t gold for 2.03 million ounces of contained gold at a cut-off of 0.50 g/t gold for the Adumbi gold deposit. The reader is referred to a Press Release dated March 2, 2011 for further details, and the NI43-101 report is posted on SEDAR.

During the twelve month period ended September 30, 2011 selected intervals of diamond drill core obtained during the period of February 2010 to December 2010 from the Adumbi gold deposit, the Kitenge Prospect the Manzako Prospect and the Monde Arabe Prospect were sampled, as 'in-fill' samples to further refine interpretations, and submitted for gold analysis. Samples of oxide and of un-weathered mineralized 2010 drill core, consisting of quarter core were collected from selected diamond drill holes over the strike length of the Adumbi gold deposit and forwarded to Wardell Armstrong in England for preliminary metallurgical testing.

During the twelve month period ended September 30, 2011 a total of 6,997.19 metres of diamond drilling was completed on PE9691 of the Somituri Project. The diamond drilling consisted of the completion of 29 holes totalling 4,618.94 metres on the Adumbi gold deposit including the completed metres of two holes in progress as of September 30th, 2010, four holes totalling 470.38 metres on the Canal Prospect, three holes totalling 843.18 metres on the Vatican Prospect, two holes totalling 275.68 metres on the Manzako Prospect, and four holes totalling 789.01 metres on the Kitenge Prospect. Two additional diamond drill holes were in progress on September 30th on the Adumbi gold deposit.

A total of 1,520.60 metres of trenching was completed on PE9691 of the Somituri Project. The trenching consisted of the completion of seven trenches totalling 402.90 metres on the Adumbi gold deposit, three trenches totalling 145.50 metres on the Canal Prospect, six trenches totalling 235.10 metres on the Manzako Prospect and five trenches totalling 737.10 metres on the Kitenge Prospect.

A total of 1,700 soil samples, including quality control samples, were collected from a depth of one metre on PE 9691 and submitted for gold and multi-element analysis.

From northwest to southeast, the Adumbi gold deposit consists of 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). In addition, the chemical metasedimentary rocks include intervals of chert, as well as minor intervals of chert banded with black shale and several narrow intervals of black shale; quartz veins occur throughout the chemical metasedimentary rocks. The footwall rocks consist of tuffaceous metasedimentary rocks and/or greywacke. 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 gold intersections in the diamond drill holes completed as of September 30th, 2011 confirm continuation of the gold bearing rocks over at least 300 vertical metres with true widths in the order of 20 to 140 metres; the oxide zone has, in part at least, a 150 metre vertical continuation. The Adumbi gold deposit has a confirmed strike length in excess of two kilometres and it remains open along strike to the northwest and to the southeast as well as to depth. Immediately to the southeast flank of the Adumbi Gold Deposit is the Canal Zone which has been confirmed over a strike length of about 1,500 metres by drilling and trenching. Preliminary indications are that the gold is associated with a late stage pyrite mineralizing event.

Samples from the drill core, trenches, soil and rock grabs were shipped to ALS Chemex in Mwanza, Tanzania for sample preparation and furtherance of pulps to ALS Chemex in Johannesburg or Vancouver for gold analysis; in addition multi-element analysis were obtained on the soil samples.

During the twelve month period ended September 30, 2011 geological mapping and rock grab sampling was carried out over about 25% of the surface area of PE 9692 of the Somituri Project.

Analytical results obtained include;

- 31.70m @ 4.39 g/t Au in Manzako trench SMT003
- 15.70m @1.00g/t Au in Kitenge trench SKT002
- 83.70m @ 2.01 g/t Au in Adumbi drill hole SADD0005
- 11.45m @ 3.33 g/t Au in Adumbi drill hole SADD0006 (re-named Canal Prospect)
- 58.80m @ 2.07 g/t Au in Adumbi drill hole SADD0016
- 21.00m @ 5.01 g/t Au in Adumbi drill hole gold SADD0015
- 4.70m @ 9.37 g/t Au in Manzako drill hole SMDD0002

The reader can review details of the technical and analytical results in the Press Releases issued during the twelve month period ended September 30, 2011 which can be found on the Company's website as well as on SEDAR.

Other Properties

The Company did not carry out any exploration activities on the KGL-MASTERS, KGL-ERW, KGL-SIHU and KGL-POKO properties during the twelve month period ended September 30, 2011. Exploration for iron ore was carried out by Rio Tinto 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.

During the year ended September 30, 2010, the Company determined that it had no further interest in exploring or developing the KGL-MASTERS and KGL-POKO properties and the licences were allowed to lapse as of March 31st, 2011 the due date for the annual fees to the State. The acquisition costs and exploration expenditures related to these properties were expensed in full in 2010.

In response to a request for proposals from the Afghan Ministry of Mines ("MOM"), the Company submitted a bid for the mining rights to the four concession block Hajigak iron ore deposit in Afghanistan. The bid provides the exclusive right to negotiate with the MOM for the mining rights to the concession block for which it is selected as a "preferred bidder" before a final award is made.

Although the bid was submitted in the name of the Company, the bid was prepared by an independent group (the "Principals"), led by David Buckle, a UK based corporate financier, who would be responsible for the financing and management of the project. If awarded, the project would be held in a new entity with Kilo receiving an initial 20% interest, subject to dilution but with no funding obligation. The independent financing and management structure was presented in the bid documents submitted to the MOM. The Principals are required to reimburse Kilo for expenses incurred in the bidding process and to indemnify it for any losses sustained.

Results of Operations

The Company is currently engaged in mineral exploration and evaluation, and does not have revenues from its 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.

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,	**2011**	**2010**
	$	$
Net revenues	8,948	18,207
Loss before discontinued operations and extraordinary items	4,057,148	3,460,800
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.03	0.05
Net loss	4,057,148	11,671,751
Net loss, per share basic and diluted	0.03	0.18
Total assets	29,007,540	16,610,431
Total long term liabilities	Nil	Nil
Cash dividends	Nil	Nil

Project Expenditures

During the twelve months ended September 30, 2011, the Company incurred expenditures of $8,776,130 related to resource properties, a decrease of $2,103,168 from the $10,879,298 incurred during the twelve months ended September 30, 2010. The Company concentrated its drilling program on the KGL-SOMITURI group of properties and delivered a NI 43-101 compliant inferred resource report on the Adumbi prospect of 2.03 million ounces. Exploration was also carried out on the nearby prospects of Kitenge, Manzako, Adumbi North, Vatican and Canal.
During the year ended September 30, 2010, the Company wrote off all acquisition and exploration costs associated with the KGL-MASTERS and KGL-POKO groups of properties in the amounts of $7,974,906 and $236,045 respectively upon determining that there was no further interest in exploring or developing these properties.

Project expenditures for the year ended September 30, 2011, were incurred as follows:

	KGL-Somituri	**KGL-Sihu**	**KGL-ERW**	**Total**
	$	$	$	$
Acquisition costs	364,500	54,000	50,300	468,800
Drilling	7,075,026	-	-	7,075,026
Sampling	147,090	-	-	147,090
Professional fees	329,223	14,517	5,901	349,641
Project management/ administration	381,265	-	-	381,265
Geological	74,903	-	-	74,903
Travel	10,135	-	-	10,135
Trenching	67,216	-	-	67,216
Other	202,054	-	-	202,054
Current expenditures	8,651,412	68,517	56,201	8,776,130
Balance- beginning of year	11,258,231	1,491,093	1,744,428	14,493,752
Balance- end of year	19,909,643	1,559,610	1,800,629	23,269,882

Project expenditures for the year ended September 30, 2010, were incurred as follows:

Fiscal Year	2010					
	KGL-Masters	KGL-Somituri	KGL-Sihu	KGL-ERW	KGL-Poko	Total
	$	$	$	$	$	$
Acquisition costs	149,981	625,225	39,865	635,179	26,599	1,476,849
Drilling	579,983	6,800,089	NIL	NIL	NIL	7,380,072
Sampling	24,078	151,563	NIL	1,415	NIL	177,056
Professional fees	164,508	353,660	28,352	39,713	16,600	602,833
Project management/ administration	218,886	747,266	NIL	9,551	NIL	975,703
Geological	NIL	184,097	NIL	NIL	NIL	184,097
Travel	22,936	1,553	NIL	NIL	NIL	24,489
Trenching	NIL	47,664	NIL	NIL	NIL	47,664
Other	NIL	10,535	NIL	NIL	NIL	10,535
Current expenditures	1,160,372	8,921,652	68,217	685,858	43,199	10,879,298
Write-off of mineral properties	(7,974,906)	NIL	NIL	NIL	(236,045)	(8,210,951)
Balance- beginning of year	6,814,534	2,336,579	1,422,876	1,058,570	192,846	11,825,405
Balance- end of year	NIL	11,258,231	1,491,093	1,744,428	NIL	14,493,752

General and Administrative Operating Activities

The loss before discontinued operations for the year ended September 30, 2011 was $4,057,148 as compared to a loss before discontinued operations of $3,460,800 for the year ended September 30, 2010. The net loss for the year ended September 30, 2010 included the write-down of resource properties of $8,210,951 for which there was no comparable expense in the current year.

Administrative and general expenses decreased by $64,598 to $189,900 due mostly to reduced accounting fees and partly offset by an increase in business development expenses.

Professional and consulting fees of $1,501,353 increased by $606,503, of which $475,998 was incurred as a result of management and staff changes and the remainder on report and contract preparation.

Foreign exchange gains of $96,812 were recorded during the year, against a foreign exchange loss of $37,194 in the twelve month period ended September 30, 2010, as the Canadian Dollar fluctuated against the United States Dollar and United Kingdom Pound Sterling.

Travel expenses of $415,921 were incurred, an increase of $174,637 compared to the year ended September 30, 2010. The increase in travel during the period was due to increased travel to the DRC in connection with the Company's properties, as well as travel associated with investor relations and attendance at mining shows and exhibitions.

Directors fees rose by $36,016 to $67,334 due to a slight increase in the fee allowance as well as to the changes in composition of the Board.

Stock-based compensation decreased by $165,982 for the year ended September 30, 2011 from the $1,417,270 recorded in the prior year. Details of stock options awarded during the year are contained in the notes to the financial statements for the year ended September 30, 2011.

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	**2011**				**2010**			
For the quarters ended	**Sep 2011**	**June 2011**	**Mar 2011**	**Dec 2010**	**Sep 2010**	**Jun 2010**	**Mar 2010**	**Dec 2009**
	$	$	$	$	$	$	$	$
Net revenues	6,533	1,815	18	582	Nil	2,749	7,473	7,985
Loss before discontinued operations and extraordinary items	1,524,440	812,688	535,624	1,184,396	424,929	1,587,811	721,900	726,160
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.01	0.01	Nil	0.01	0.01	0.02	0.01	0.01
Net loss	1,524,440	812,688	535,624	1,184,396	8,635,880	1,587,811	721,900	726,160
Net loss, per share basic and diluted	0.01	0.01	Nil	0.01	0.14	0.02	0.01	0.01

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

As at September 30, 2011, the Company had cash resources of $3,973,264 compared to $152,159 at September 30, 2010. The Company had working capital of $2,662,730 compared to negative working capital amounting to $3,027,449 as at September 30, 2010. The changes in cash and cash equivalents, as well as in the Company's working capital position, reflect the greater level of equity financing raised in this fiscal year versus the year ended September 30, 2010.

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 during the year are provided in notes 5, 6 and 7 to the audited annual financial statements.

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

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

2012	$	76,960
2013	$	76,960
2014	$	76,690
2015	$	83,108
2016	$	83,108
2017	$	75,313
2018	$	69,036

The Company also expects to incur associated operating costs of approximately $72,000 per year in connection with these leases.

Treasury Summary

The Company had the following outstanding as at September 30, 2011:

Shares	164,228,984
Options	20,827,133
Warrants	49,580,000

Full details of share issuances as well as warrant and option transactions are provided in notes 5, 6, and 7 to the annual audited financial statements for the year ended September 30, 2011.

COURSE OF BUSINESS TRANSACTIONS

Transactions with Related Parties

During the twelve months ended September 30, 2011, transactions with related parties were:

	2011	2010
Management fees paid to former directors and officers	$ 786,500	$ 495,538
Consulting fees paid to an officer and individuals related to a former director and officer	$ 367,498	$ 196,500
Legal fees paid to a legal firm in which a director and a former director are partners	$ 1,244	$ 130,625
Accounting fees paid to an accounting firm in which a former officer is a partner	$ 39,000	$ 128,305
Publicity and advertising fees with companies controlled by an individual related to a former director and officer of the Company	$ 72,976	$ 69,200

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 details its significant accounting policies in note 2 of its audited consolidated financial statements for the year ended September 30, 2011.

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 inter-organizational 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 September 30, 2011.

International Financial Reporting Standards

Background, Project Structure and Project Progress

Effective January 1, 2011 the accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises changed to International Financial Reporting Standards ("IFRS"). The Accounting Standards Board has implemented changes to Canadian generally accepted accounting principles ("Canadian GAAP") over the past few years to ease the transition. Nevertheless, it is likely that IFRS implementation will have a significant impact on current financial statement presentation and disclosure. With the assistance of external consultants, the Company has developed an IFRS convergence plan which is based on the following key steps:

- Identification of applicable IFRS 1 Exemptions and Exceptions;
- Identification of differences between Canadian GAAP and IFRS Accounting Policies applicable to the
  Company;

- Selection of Applicable IFRS 1 Exemptions and IFRS Accounting Policies where options exist
- Preparation of Opening IFRS Balance Sheet;
- Application of IFRS Accounting Policies to Comparative Financial Statements and Effective Date of
  Adoption;
- Assessment of Process, Internal Control, System and Business changes;
- Communication and Disclosure; and,
- Development and Execution of Training Program.

Identification of Applicable IFRS Exemptions and Exceptions

The Company has conducted an assessment of the impact of IFRS 1 First-time Adoption of International Financial Reporting Standards. The key principle of IFRS 1 is full retrospective application of all IFRS in force at the closing balance sheet date for the first IFRS financial statements prepared on transition to IFRS. IFRS 1 also outlines certain optional exemptions that reduce the burden of retrospective application. There are also four mandatory exceptions currently where retrospective application is not permitted.

In summary, IFRS 1 will require the Company to:

- Identify the first IFRS financial statements;
- Prepare an opening balance sheet at the date of transition to IFRS;
- Select accounting policies that comply with IFRS, and apply these policies retrospectively to all of the periods presented in the first IFRS financial statements;
- Consider whether to apply any of the available exemptions from retrospective application;
- Apply the mandatory exceptions from retrospective application;
- Present other note disclosure to explain the transition to IFRS.

Potential Accounting Changes as a Result of Transition to IFRS

The Company has implemented a detailed review of the potential impact of International Financial Reporting Standards on our accounting policies and knowledge base of our staff. Outlined below is a very brief summary of select IFRS that may impact the Company, their differences from Canadian Generally Accepted Accounting Principles ("GAAP") and their potential impact. The list is not comprehensive and does not include all of the differences from GAAP for the standards noted. Also, the list does not include all the standards that may require changes for the transition to IFRS. Some of the standards not presented in the table could have a significant impact on the Company's consolidated financial statements.

Accounting Policy	Policy Change Expected?	IFRS 1 Exemption?	IFRS 1 Exemption Applied?
Business Combinations	Yes	Yes	Yes
Share-based Payments	Yes	Yes	Yes

Mineral Property Exploration and Development Expenditures	Yes	Yes	N/A
Impairments	Yes	No	No
Foreign Currency Transactions	TBD	Yes	N/A
Provisions	TBD	TBD	TBD

The Company has employed consultants to examine transition effects, which so far has only identified changes relating to Share Based Payments.

Business Combinations - the Company has elected not to restate historic business combinations, as permitted under IFRS 1. An exercise is currently in progress to determine the ongoing reporting requirements under IFRS 3 (Revised).

Share Based Payments - The Company has issued stock options with graded vesting. These are accounted for as one award under Canadian GAAP. Under IFRS 2, these must be accounted for as separate awards.

In addition, the Company currently accounts for forfeitures when they occur. Under IFRS 2, forfeitures must be estimated when the stock options are issued.

The Company has elected to use the IFRS 1 election, meaning only equity instruments in respect of share- based payment transactions that are outstanding at transition date will be accounted for under IFRS 2.

Mineral Property Exploration and Development Expenditures - IFRS 6 requires that an entity classify its capitalized exploration and evaluation assets as either tangible or intangible according to the nature of the assets acquired and apply the classification consistently.

Foreign Currency Transactions - The Company is explicitly required under IFRS to assess the unit of measure (functional currency) in which it measures its own assets, liabilities, revenues and expenses for each Company entity. The Company has assessed the hierarchy of primary and secondary indicators, as provided under IAS 21, to determine the functional currency for the Company and each of its wholly-owned subsidiaries.

Presentation & Disclosure - IFRS requires significantly more disclosure than GAAP for certain standards. In some cases, IFRS also requires different presentation on the balance sheet and income statement.

The Company is currently reviewing illustrative IFRS financial statements. Process changes are being identified for any additional note disclosure requirements under IFRS.

Identification of differences between Canadian GAAP and IFRS Accounting Policies applicable to the Company.

The Company is preparing comparative IFRS statements as at September 30, 2010. For purposes of these comparative statements, the Company is identifying and quantifying the differences in financial statement reporting applicable to the IFRS conversion.

Selection of Applicable IFRS 1 Exemptions and IFRS Accounting Policies where options exist.

In the preparation of comparative IFRS statements, the Company determined which elections were likely to be made on adoption of IFRS, and these elections are being finalized in preparation of the opening IFRS Balance Sheet.

The opening IFRS balance sheet will:

Measure all items in accordance with IFRS;
Classify all assets, liabilities and equity in accordance with IFRS;
Include all assets and liabilities that IFRS requires;
Exclude any assets and liabilities that IFRS does not permit.
The Company's opening IFRS balance sheet will be as at October 1, 2010.

Application of IFRS Accounting Policies to Comparative Financial Statements and Effective Date of Adoption

For the Company, the first published interim financial statements under IFRS will be for the 3 month period ending December 31, 2011. Comparative financial statements will need to be provided for the period ending December 31, 2010. IFRS will then be applied going forward from the date of adoption for the period beginning October 1, 2011.

Impact on Information Systems and Technology

It is anticipated that the adoption of IFRS will have limited impact on information systems requirements. The main drivers for systems changes include:

- Additional information required as a result of enhanced note disclosures;
- Tracking of IFRS to GAAP differences during the transition; and
- Tracking sufficient level of details within the accounting records to allow management to maintain adherence with IFRS going forward.

The impact and changes to systems are on-going and will be prioritized as part of the project.

Impact on Reporting and Internal Controls

In accordance with the Company's approach to certification of internal controls required under Canadian Securities Administrators' National Instrument 52-109, all entity-level, information technology, disclosure and business process controls will require updating and testing to reflect changes arising from the conversion to IFRS. Where material changes are identified, these changes will be mapped and tested to ensure that no material control deficiencies exist as a result of the Corporation's conversion to IFRS.

Impact on Business

The Company anticipates the transition to IFRS to have a limited impact on business practices as a result only of changes to accounting for share based payments.

FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash and cash equivalents	Held for trading
Reclamation bonds	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. As at September 30, 2011, the Company did not have any cash equivalents.

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

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.

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.

As at September 30, 2011, the Company has cash of $3,973,264 and liabilities of $1,880,001 due within twelve months, sufficient to meet its current obligations. Until such time as the Company enters production and creates a revenue stream it is subject to liquidity risk.

Risks and Uncertainties

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.

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.

Political Risk

The Company operates in an environment of greater political risk than in first world spheres of operation. Presidential elections in November 2011 heightened the potential for unrest, but the country has resumed normal operations. 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.

Sensitivity Analysis

As at September 30, 2011, cash and cash equivalents include 2,644,831 United States Dollars, and accounts payable and accrued liabilities include 855,290 United States Dollars, 120,682 United Kingdom Pounds Sterling,5,923 European Euros and 357,019 South African Rand.

At September 30, 2011, 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 $187,275 higher (lower).

At September 30, 2011, 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 $19,471 higher (lower).

At September 30, 2011, 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 $832 higher (lower).

At September 30, 2011, 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 $4,656 higher (lower).

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 September 30, 2011, 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 twelve months ended September 30, 2011.

OTHER MD&A REQUIREMENTS

As at January 27, 2012 the Company had 217,444,201 common shares outstanding. If the Company were to issue 49,080,000 common shares upon conversion of all its outstanding warrants and 20,827,133 common shares upon conversion of all its outstanding options it would raise $19,400,080.

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.