Consolidated Financial Statements

Kilo Goldmines Ltd.

For the years ended September 30, 2009 and 2008

INDEX

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF
KILO GOLDMINES LTD.

We have audited the consolidated balance sheets of Kilo Goldmines Ltd. as at September 30, 2009 and 2008 and the consolidated statements of operations and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants

Toronto, Canada
December 17, 2009

Kilo Goldmines Ltd.

Consolidated Balance Sheets
As at September 30

	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	$ 9,242,200	$ 170,062
Subscriptions receivable	20,000	-
Receivables	230,955	154,444
Prepaid expenses and deposits	50,043	26,179
	9,543,198	350,685
Deferred Transaction Costs	-	122,140
Resource Properties (note 4)	11,825,405	6,311,231
Capital Assets (note 5)	686,974	750,684
Reclamation Bonds (note 12)	126,000	126,000
	$ 22,181,577	$ 7,660,740
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,586,104	$ 347,651
Long Term Debt (note 6)	-	773,422
	1,586,104	1,121,073
Shareholders' Equity		
Share Capital (note 7)	20,774,735	8,018,615
Warrants (note 8)	3,976,519	1,027,708
Stock Options (note 9)	1,875,012	1,842,525
Contributed Surplus (note 10)	340,715	-
Deficit	(6,371,508)	(4,349,181)
	20,595,473	6,539,667
	$ 22,181,577	$ 7,660,740

Nature of Operations (note 1)

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

Approved on behalf of the Board of Directors:

Signed "Peter Hooper", Director   Signed "James Mustard", Director

Kilo Goldmines Ltd.

Consolidated Statements of Operations and Deficit
For the years ended September 30

	2009	2008
Expenses		
Administrative and general (note 11)	$ 259,768	$ 287,603
Amortization	89,776	41,369
Directors' fees	38,423	-
Financial services	87,368	-
Foreign exchange loss (gain)	62,345	14,786
Interest and financing costs	4,942	8,962
Occupancy (note 11)	62,258	30,377
Professional and consulting fees (note 11)	993,044	734,294
Public and investor relations (note 11)	240,807	229,489
Salaries and wages	7,003	116,242
Stock-based compensation (note 9)	35,396	1,106,330
Travel	145,792	91,699
Less:		
Interest income	(4,595)	(38,309)
Net Loss for the Year	(2,022,327)	(2,622,842)
Deficit – Beginning of Year	(4,349,181)	(1,726,339)
Deficit - End of Year	$ (6,371,508)	$ (4,349,181)
Loss per Share, basic and diluted	$ (0.06)	$ (0.11)
Weighted Average Number of Common Shares Outstanding, basic and diluted	32,371,533	22,933,413

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

Kilo Goldmines Ltd.

Consolidated Cash Flow Statements
For the years ended September 30

	2009	2008
Cash Provided By (Used In):		
Operating Activities		
Net Loss	$ (2,022,327)	$ (2,622,842)
Items not affecting cash:		
Stock based compensation	35,396	1,106,330
Amortization	89,776	41,369
	(1,897,155)	(1,475,143)
Net changes in non-cash working capital:		
Decrease (increase) in receivables	(76,511)	49,636
Decrease (increase) in prepaid expenses and deposits	(23,864)	27,974
Increase (decrease) in accounts payable and accrued liabilities	40,220	168,257
	(1,957,310)	(1,229,276)
Financing Activities		
Share capital – private placements, net of issue costs	11,324,694	2,330,804
Warrants – private placements, net of issue costs	2,781,691	1,027,708
Deferred transaction costs	-	(75,476)
Cash acquired upon amalgamation	648,954	-
Long term debt	(773,422)	-
	13,981,917	3,283,036
Investing Activities		
Resource property expenditures	(2,926,403)	(2,669,344)
Purchase of capital assets	(26,066)	(453,953)
Reclamation bonds	-	(126,000)
	(2,952,469)	(3,249,297)
Change in Cash and Cash Equivalents	9,072,138	(1,195,537)
Cash and Cash Equivalents - Beginning of Year	170,062	1,365,599
Cash and Cash Equivalents - End of Year	$ 9,242,200	$ 170,062
Supplemental Cash Flow Information		
Interest received	$ 4,595	$ 38,309
Non Cash Financing and Investing Activities		
Common shares issued for resource properties	$ 1,156,006	$ -
Warrants issued for resource properties	$ 233,532	$ -
Stock options issued for private placement commission	$ 337,806	$ -

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

1. Nature of Operations

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

The Company is in the process of exploring its mineral resource properties (see note 4) and intends to devote the majority of its efforts to these properties. To date, the Company has not earned significant revenues and is considered to be in the development stage.

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

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

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

These 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 to the carrying value of assets and liabilities and the balance sheet classifications used.

2. Acquisition and Amalgamation

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

2. Acquisition and Amalgamation (continued)

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

Accordingly:

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

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

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

Blue Ribbon's net assets acquired are as follows:

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

The comparative figures presented in these financial statements are the historical results of Old Kilo.

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

3. Summary of Significant Accounting Policies

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

a) Financial Instruments

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

3. Summary of Significant Accounting Policies (continued)

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash and cash equivalents	Held for trading
Receivables and subscriptions receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long term debt	Other liabilities

b) Use of Estimates

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

c) Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and short-term money market investments which on acquisition have a term to maturity of three months or less. As at September 30, 2009 and 2008, the Company did not hold any short-term money market investments.

d) Resource Properties

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

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

e) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the Company's assets as follows:

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

3. Summary of Significant Accounting Policies (continued)

f) Income Taxes

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

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

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

h) Foreign Currency Transactions

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

i) Related Party Transactions

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

j) Basic and Diluted Loss per Share

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

k) Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its wholly- owned subsidiary Kilo Goldmines Inc., and the partnership interests described in note 4. All interorganizational accounts and transactions have been eliminated on consolidation. All of the Company's exploration activities are conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interest in resource properties as described in note 4. 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.

3. Summary of Significant Accounting Policies (continued)

l) Comprehensive Income

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

During the years ended September 30, 2009 and 2008, the Company did not have any items that gave rise to any other comprehensive income or loss and accordingly, a statement of comprehensive income and loss has not been presented.

m) Accounting Changes

CICA Handbook Section 1506, Accounting Changes, permits voluntary changes in accounting policy only if they result in financial statements which provide more reliable and relevant information. Accounting changes are applied retrospectively unless it is impractical to determine the period of cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in account estimates are applied prospectively by including these changes in earnings. Section 1506 was adopted upon incorporation.

n) Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. Section 1535 was effective for the Company as of October 1, 2007. The Company's capital is composed of shareholders' equity. The Company's objective is to raise sufficient capital to execute its exploration plan. The Company does not use any capital-based metrics. The Company does not have any externally imposed capital requirements. There have not been any changes to the overall capital risk management strategy during the year ended September 30, 2009.

o) Financial Instruments

CICA Handbook Section 3862, Financial Instruments - Disclosures, and CICA Handbook Section 3863, Financial Instruments - Presentation, replace CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Sections 3862 and 3863 were effective for the Company as of October 1, 2007. Disclosure requirements pertaining to Section 3862 are contained in note 14.

3. Summary of Significant Accounting Policies (continued)

p) 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 transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

4. Resource Properties

	September 30, 2008	Additions	Sales	Write-Offs	September 30, 2009
KGL-Masters (a)	$ 3,491,083	$ 3,323,451	$ -	$ -	$ 6,814,534
KGL-Somituri (b)	1,178,545	1,158,034	-	-	2,336,579
KGL-Sihu (c)	879,662	543,214	-	-	1,422,876
KGL-ERW (d)	615,644	442,926	-	-	1,058,570
KGL-Poko (e)	146,297	46,549	-	-	192,846
	$ 6,311,231	$ 5,514,174	$ -	$ -	$11,825,405

	September 30, 2007	Additions	Sales	Write-Offs	September 30, 2008
KGL-Masters (a)	$ 1,309,215	$ 2,181,868	$ -	$ -	$ 3,491,083
KGL-Somituri (b)	657,145	521,400	-	-	1,178,545
KGL-Sihu (c)	677,698	201,964	-	-	879,662
KGL-ERW (d)	295,993	319,651	-	-	615,644
KGL-Poko (e)	126,920	19,377	-	-	146,297
	$ 3,066,971	$ 3,244,260	$ -	$ -	$ 6,311,231

a) KGL-Masters

On November 15, 2006, the Company acquired an option to acquire a 90% interest in eight Research Permits for mineral properties in the DRC, comprising approximately 3,170 square kilometres. The Research Permits expire on various dates up to October 9, 2011. The KGL-Masters SPRL partnership was created on July 5, 2007, and is 90% owned by the Company. An Assignment Agreement has been signed and the Company is in the process of transferring the property rights to the new entity. As at September 30, 2009, five of the Research Permits have been registered in the name of KGL-Masters SPRL. Pursuant to the KGL-Masters Partnership Agreement, the Company has committed to paying 25,000 United States Dollars on each of the property assignment Registration Date, and the six, twelve and eighteen month anniversaries of the Registration Date, and to issuing 100,000 common shares of the Company on each of the Registration Date and the first and second anniversaries of the Registration Date.

4. Resource Properties (continued)

The Partnership Agreement requires the Company to finance all activities of KGL-Masters by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-Masters from revenues it generates. As of September 30, 2009, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

Pursuant to a consulting agreement related to these properties, the Company has committed to issuing 18,000 stock options. As at September 30, 2009, these options had yet to be issued.

During the year ended September 30, 2008, KGL-Masters SPRL acquired an interest in three additional Research Permits which are governed by the same Partnership Agreement. The Company is in the process fo transferring the property rights into KGL-Masters SPRL.

b) KGL-Somituri

On November 15, 2006, the Company acquired an option to acquire a 75% interest in twenty Research Permits for mineral properties in the DRC, comprising approximately 1150 square kilometres. The twenty Research Permits expired on December 14, 2007, and have been converted into eight thirty year Exploitation Permits. The KGL-Somituri SPRL partnership was created on December 12, 2007, and is 75% owned by the Company. An Assignment Agreement has been signed for the original twenty Research Permits and the Company is in the process of concluding a new Assignment Agreement to transfer the eight Exploitation Permits into the new entity. Upon transfer of the Exploitation Permits into KGL-Somituri SPRL, a five percent equity interest in KGL-Somituri SPRL must be granted to the State.

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

During the year ended September 30, 2008, the Company signed a new Partnership Agreement under which the Company has agreed to finance all activities of KGL-Somituri between the execution date of the new Partnership Agreement and the filing of a bankable feasibility study by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-Somituri from revenues it generates to the extent of 75% of available funds, with the remaining 25% to be distributed to the equity holders. The minority partners may also request that one or more of the permits be transferred into new entities owned by the Company in exchange for a 2% net smelter royalty. As of September 30, 2009, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

4. Resource Properties (continued)

c) KGL-Sihu

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

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

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

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

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

4. Resource Properties (continued)

d) KGL-ERW

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

A failure to meet the above-noted payment and investment obligations allows the minority partner to ask for cancellation of the Agreement and reassignment of the Research Permits for consideration of one dollar. The Partnership Agreement requires the Company to finance all activities of KGL-ERW by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-ERW from revenues it generates to the extent of 75% of available funds, with the remaining 25% to be distributed to the equity holders. As of September 30, 2009, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

Subsequent to the year ended September 30, 2009, the Partnership Agreement was amended by way of a Partnership Amending Agreement. Pursuant to the Partnership Amending Agreement, the Company's obligation to pay 60,000 United States Dollars, 140,000 United States Dollars, 200,000 United States Dollars, and 300,000 United States Dollars on the property assignment Registration Date, and the first, second and third anniversaries of the Registration Date respectively was replaced by the payment of 200,000 United States Dollars upon signing of the Partnership Amending Agreement, and the issuance of 1,050,000 common shares of the Company. Also pursuant to the Partnership Amending Agreement, the Company's obligation to issue options to purchase 200,000 shares of the Company on each of the first, second and third anniversaries of the Registration Date has been replaced by the issuance of options to purchase 500,000 common shares of the Company upon signing of the Partnership Amending Agreement, and options to purchase 250,000 common shares of the Company on the second anniversary of the Effective Date of the Partnership Amending Agreement, provided the agreement with Rio Tinto Mining and Exploration Limited, as discussed below, has not previously been terminated.

Pursuant to a consulting agreement related to these properties, the Company has committed to issuing 36,000 stock options. As at September 30, 2009, these options have yet to be issued.

4. Resource Properties (continued)

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

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

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

e) KGL-Poko

On July 9, 2007, the Company acquired an 82.5% interest in fourteen Research Permits for mineral properties in the DRC, comprising approximately 4,100 square kilometres, for consideration of 91,400 United States Dollars. The Research Permits expire on October 9, 2011. The KGL-Poko SPRL partnership was created on July 23, 2007 and is 82.5% owned by the Company. An Assignment Agreement has been signed and the Company is in the process of transferring the property rights to the new entity. As at September 30, 2009, twelve of the Research Permits were identified as being held under force majeure by the DRC's Ministry of Mines.

The Partnership Agreement requires the Company to finance all activities of KGL-Poko by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-Poko from revenues it generates. As of September 30, 2009, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

4. Resource Properties (continued)

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

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

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

5. Capital Assets

	2009			2008		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	$ 210,132	$ -	$ 210,132	$199,250	$ -	$ 199,250
Building	203,962	16,316	187,646	203,962	8,158	195,804
Vehicles	351,561	101,807	249,754	350,479	31,711	318,768
Furniture and fixtures	22,821	5,241	17,580	18,062	1,311	16,751
Equipment	9,343	38	9,305	-	-	-
Computer equipment	22,662	10,105	12,557	22,662	2,551	20,111
	$ 820,481	$ 133,507	$ 686,974	$ 794,415	$ 43,731	$ 750,684

6. Long Term Debt

Long term debt consisted of the following:

a) $382,842 owed to a supplier. The amount was payable January 31, 2010, and was non-interest bearing.

b) $390,580 owed to a supplier. The amount was payable April 1, 2010, bore interest at 4% per annum, and was subject to various early payment options if the Company achieved certain financial goals. See also note 11(b).

During the year ended September 30, 2009, both of these amounts were repaid.

7. Share Capital

a) Authorized:

Unlimited common shares

b) Common Shares Issued and Outstanding:

	Number	Amount
Kilo Goldmines Inc.		
Balance - September 30, 2007	20,583,413	$ 5,733,643
Issued for cash	2,350,000	2,431,422
Issuance costs	-	(146,450)
Balance - September 30, 2008, and March 19, 2009	22,933,413	$ 8,018,615
Kilo Goldmines Ltd. (formerly Blue Ribbon Capital Corporation)		
Balance - September 30, 2008, and March 19, 2009	6,050,000	$ 885,948
Consolidation of outstanding shares	(4,537,500)	-
Issued to shareholders of Blue Ribbon	907,500	-
Elimination of Deficit in Blue Ribbon	-	(375,242)
Elimination of Contributed Surplus in Blue Ribbon	-	149,965
Issued for cash	32,930,000	12,382,600
Issued to shareholders of Kilo Goldmines Inc.	22,933,413	8,018,615
Issued to Moto Goldmines Limited (note 4)	3,853,353	1,156,006
Issuance costs	-	(1,046,751)
Costs of Going Public Transaction (note 2)	-	(396,406)
Balance - September 30, 2009	62,136,766	$ 20,774,735

During the year ended September 30, 2009, the Company:

i) Issued 22,933,413 common shares in exchange for the 22,933,413 issued and outstanding common shares of Kilo Goldmines Inc. in connection with the acquisition and amalgamation as described in note 2. Upon amalgamation, the shares of Kilo Goldmines Inc. had a recorded value of $8,018,615, which has been allocated to the common shares issued.

7. Share Capital (continued)

ii) Issued 10,060,000 units (pursuant to private placements) for proceeds of $5,030,000, of which $905,400 was allocated to common share purchase warrants (“warrants”) (see note 8).

Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.60 per share at any time on or before March 20, 2011.

In connection with these private placements, the Company paid fees totalling $225,190, of which $40,534 was allocated to warrants, and issued 319,200 stock options (see note 9).

iii) Issued 620,000 units (pursuant to private placements) for proceeds of $310,000, of which $62,000 was allocated to warrants (see note 8).

Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.60 per share at any time on or before April 15, 2011.

iv) Issued 22,250,000 units (pursuant to private placements) for proceeds of $10,012,500, of which $2,002,500 was allocated to common share purchase warrants (“warrants”) (see note 8).

Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.60 per share at any time on or before September 24, 2011.

In connection with these private placements, the Company paid fees totalling $738,376, of which $147,675 was allocated to warrants, and issued 1,557,500 stock options (see note 8).

v) Issued 3,853,353 common shares to Moto Goldmines Limited in connection with property acquisitions as described in note 4.

vi) Issued 907,500 common shares to the existing shareholders of Blue Ribbon after consolidating its common shares on a 1:4 basis, pursuant to the Going Public Transaction (note 2).

During the year ended September 30, 2008, Old Kilo:

i) Issued 2,350,000 units (pursuant to private placements) for proceeds of $3,525,000, of which $1,093,578 was allocated to warrants (see note 8).

Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $1.50 per share and expiring twelve months after the Company’s common shares commence trading on a recognized exchange (the “expiry date”).

In conjunction with these private placements, the Company paid fees totalling $183,750 and committed to issuing 122,500 stock options to a company controlled by a significant shareholder and former director. As at September 30, 2009, these options had yet to be issued. The Company also paid legal fees of $28,570 to a law firm in which two directors are partners.

8. Warrants

	Number	Amount
Kilo Goldmines Inc.		
Balance - September 30, 2007	-	$ -
Issued for cash	2,350,000	1,093,578
Issuance costs	-	(65,870)
Balance - September 30, 2008, and March 19, 2009	2,350,000	$ 1,027,708
Kilo Goldmines Ltd. (formerly Blue Ribbon Capital Corporation)		
Balance - September 30, 2008, and March 19, 2009	-	$ -
Issued to shareholders of Kilo Goldmines Inc.	2,350,000	1,027,708
Issued for cash	16,465,000	2,969,900
Issued to Moto Goldmines Limited (note 4)	1,297,400	233,532
Issuance costs	-	(254,621)
Balance - September 30, 2009	20,112,400	$ 3,976,519

During the year ended September 30, 2009, the Company:

i) Issued 5,030,000 warrants pursuant to private placements (see note 7).

ii) Issued 1,297,400 warrants to Moto Goldmines Limited in connection with property acquisitions. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.60 per share at any time on or before March 20, 2011.

The fair value of the warrants in (i) and (ii) above, 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	1.00%
Expected life	2 years
Expected volatility	100%

8. Warrants (continued)

iii) Issued 310,000 warrants pursuant to private placements (see note 7).

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

Expected dividend yield	Nil
Risk-free interest rate	1.00%
Expected life	2 years
Expected volatility	110%

iv) Issued 11,125,000 warrants pursuant to private placements (see note 7).

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	0.58%
Expected life	2 years
Expected volatility	120%

During the year ended September 30, 2008, Old Kilo:

i) Issued 2,350,000 warrants pursuant to private placements (see note 7).

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	3.92%
Expected life	2 years
Expected volatility	100%

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.

8. Warrants (continued)

As at September 30, 2009 , the following warrants were issued and outstanding:

a) 2,350,000 warrants entitling the holder to purchase one common share of the Company at $1.50 per share at any time on or before April 21, 2010.

b) 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.

c) 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.

d) 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.

9. Stock Options

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

b) During the year ended September 30, 2009, the Company:

i) Granted 319,200 stock options to an agent. Each option entitles the holder to purchase one unit at a price of $0.50 at any time on or before March 20, 2011. Each unit consists of one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.60 at any time on or before March 20, 2011. The stock options were granted pursuant to the Going Public Transaction described in note 2, and therefore, the value of $57,456 has been allocated as to $47,114 to share issuance costs and $10,342 to warrant issuance costs.

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

Expected dividend yield	Nil
Risk-free interest rate	1.00%
Expected life	2.0 years
Expected volatility	100%

9. Stock Options (continued)

ii) Granted 300,000 stock options to a consultant pursuant to a consulting agreement, 100,000 of which vest three months after the start of the agreement, with a further 66,667, 66,667 and 66,666 vesting six, nine, and twelve months after the start of the agreement respectively. Each option entitles the holder to purchase one common share at a price of $0.50 at any time on or before April 1, 2011. The estimated value of these stock options is $60,000. As at September 30, 2009, the Company has expensed $35,396 as stock-based compensation.

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

Expected dividend yield	Nil
Risk-free interest rate	1.00%
Expected life	2.0 years
Expected volatility	100%

iii) Granted 1,557,500 stock options to an agent. Each option entitles the holder to purchase one unit at a price of $0.60 at any time on or before September 24, 2011. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.60 per share at any time on or before September 24, 2011. The stock options were granted pursuant to the private placements described in note 7 and therefore the value of $280,350 has been allocated as to $224,280 to share issuance costs and $56,070 to warrant issuance costs.

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

Expected dividend yield	Nil
Risk-free interest rate	0.58%
Expected life	2.0 years
Expected volatility	120%

During the year ended September 30, 2008, Old Kilo granted:

i) 700,000 fully vested stock options to directors and officers of the Company. Each option entitles the holder to purchase one common share of the Company at a price of $1.00 per share until three years after the shares of the Company begin trading on a stock exchange. The estimated fair value of these options was $496,250 and this amount has been expensed as stock-based compensation.

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

Expected dividend yield	Nil
Risk-free interest rate	4.22%
Expected life	4.0 years
Expected volatility	100%

9. Stock Options (continued)

ii) 700,000 fully vested stock options to directors, officers and employees of the Company. Each option entitles the holder to purchase one common share of the Company at a price of $1.50 per share until three years after the shares of the Company begin trading on a stock exchange. The estimated fair value of these options was $479,010 and this amount has been expensed as stock-based compensation.

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

Expected dividend yield	Nil
Risk-free interest rate	3.30%
Expected life	4.25 years
Expected volatility	100%

iii) 100,000 fully vested stock options to a director of the Company. Each option entitles the holder to purchase one common share of the Company at a price of $1.50 per share until three years after the shares of the Company begin trading on a stock exchange. The estimated fair value of these options was $66,360 and this amount has been expensed as stock-based compensation.

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

Expected dividend yield	Nil
Risk-free interest rate	2.95%
Expected life	4.0 years
Expected volatility	100%

iv) 100,000 fully vested stock options to an officer of the Company. Each option entitles the holder to purchase one common share of the Company at a price of $1.50 per share until three years after the shares of the Company begin trading on a stock exchange. The estimated fair value of these options was $64,710 and this amount has been expensed as stock-based compensation.

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

Expected dividend yield	Nil
Risk-free interest rate	3.40%
Expected life	3.75 years
Expected volatility	100%

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

9. Stock Options (continued)

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

	Number	Amount
Kilo Goldmines Inc.		
Balance - September 30, 2007	2,187,883	$ 736,195
Granted	1,600,000	1,106,330
Balance - September 30, 2008 and March 19, 2009	3,787,883	$ 1,842,525
Kilo Goldmines Ltd. (formerly Blue Ribbon Capital Corporation)		
Balance - September 30, 2008, and March 19, 2009	1,055,000	$ 149,965
Consolidation of outstanding options and elimination of contributed surplus	(791,250)	(149,965)
Granted to shareholders of Kilo Goldmines Inc.	3,787,883	1,842,525
Granted	2,176,700	337,806
Cancelled	(650,000)	(340,715)
Stock based compensation expensed	-	35,396
Balance - September 30, 2009	5,578,333	$ 1,857,012

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

	Number	Weighted Average Exercise Price
Kilo Goldmines Inc.		
Balance - September 30, 2007	2,187,883	$ 0.54
Granted	1,600,000	1.28
Balance - September 30, 2008, and March 19, 2009	3,787,883	$ 0.85
Kilo Goldmines Ltd. (formerly Blue Ribbon Capital Corporation)		
Balance - September 30, 2008, and March 19, 2009	1,055,000	$ 0.20
Consolidation of outstanding options	(791,250)	-
Granted to shareholders of Kilo Goldmines Inc.	3,787,883	0.85
Granted	2,176,700	0.57
Cancelled	(650,000)	(0.86)
Balance - September 30, 2009	5,578,333	$ 0.71

9. Stock Options (continued)

e) As at September 30, 2009, the following stock options were outstanding:

Option Price		Number of Options Unvested	Number of Options Vested	Weighted Average Remaining Contractual Life
$	0.80	-	151,250	0.5 years
$	0.80	-	112,500	0.5 years
$US	1.00	-	100,000	0.5 years
$	0.60	-	750,000	0.5 years
$	0.60	-	637,883	2.5 years
$	0.30	-	400,000	2.5 years
$	1.00	-	500,000	2.5 years
$	1.50	-	750,000	2.5 years
$	0.50	-	319,200	1.5 years
$	0.50	200,000	100,000	1.5 years
$	0.60	-	1,557,500	2.0 years
		200,000	5,378,333	

As at September 30, 2009, the weighted average exercise price of vested stock options is $0.75.

f) In connection with the private placements that took place during the year ended September 30, 2008, the Company committed to issuing 122,500 stock options to a company controlled by a significant shareholder and former director. As at September 30, 2009, these options had yet to be issued.

10. Contributed Surplus

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

Balance - September 30, 2008	$ -
Options cancelled	340,715
Balance - September 30, 2009	$ 340,715

11. Related Party Transactions

During the year ended September 30, 2009, the Company:

a) Incurred management fees of $348,000 (2008 - $217,060), administrative fees of $Nil (2008 - $40,000) and rent of $Nil (2008 - $18,900) with a company controlled by a director. The Company also incurred consulting fees of $132,000 (2008 - Nil) with two individuals related to this director. As at September 30, 2009, accounts payable and accrued liabilities included $3,915 (2008 - $3,465) payable to this company. The director is also an officer.

11. Related Party Transactions (continued)

b) Incurred legal fees of $535,729 (2008 - $573,400) with a firm in which two of the Company's directors are partners, of which $305,911 (2008 - $226,400) was capitalized as property acquisition costs, $161,372 (2008 - $57,140) was charged in connection with the Going Public Transaction, $Nil (2008 - $28,570) was included in share issuance costs and the remainder was included in professional fees. As at September 30, 2009 accounts payable and accrued liabilities included $24,146 (2008 - $390,580 was included in long term debt) payable to this firm. One of the directors is also an officer.

c) Incurred accounting fees of $248,265 (2008 - $120,608) with an accounting firm in which an officer is a partner, of which $62,412 (2008 - $Nil) was charged in connection with the Going Public Transaction and $185,853 (2008 - $120,608) was included in professional fees. As at September 30, 2009, accounts payable and accrued liabilities included $15,000 (2008 - $71,700) payable to this firm.

d) Incurred publicity and advertising fees of $39,600 (2008 - $26,974) with a company controlled by a person related to a director. As at September 30, 2009, prepaid expenses included $3,300 (2008 - $Nil) related to this company. The director is also an officer.

e) Incurred management fees of $134,722 (2008 - $Nil) with a director. As at September 30, 2009, accounts payable and accrued liabilities included $48,350 (2008 - $Nil) payable to this director. The director is also an officer.

Additional related party transactions are described separately in note 4(c), note 7(b), and note 9(f).

12. Reclamation Bonds

During the year ended September 30, 2008, the Company posted $126,000 in reclamation bonds as required by the DRC's Ministry of Mines. These amounts represent deposits on restoration costs to be incurred in the future to restore the resource properties to a specified state. Based on the exploration work performed to September 30, 2009 on the resource properties in the DRC, the Company's management estimates that no future obligations for site restoration costs exist as at September 30, 2009.

13. Income Taxes

a) Income Tax Expense

	2009	2008
Loss before income taxes	$ (2,022,327)	$ (2,622,842)
Statutory rate	33.50%	34.16%
Expected income tax recovery	(677,480)	(895,963)
Non-deductible expenses	12,063	378,027
Share issuance costs	(394,400)	(61,573)
Future tax assets acquired on RTO	(128,400)	81,791
Change in effective tax rates	99,400	81,791
Other	24,334	(3,554)
	(1,064,483)	(501,272)
Change in valuation allowance	1,064,483	501,272
Net expected future income tax recovery	$ -	$ -

13. Income Taxes (continued)

b) Future Income Tax Assets

The tax effects of temporary differences that give rise to the future income tax assets at September 30, 2009 and 2008 are as follows:

	2009	2008
Non-capital loss carry forwards	$ 1,526,800	$ 786,340
Share issuance costs	438,400	106,145
Capital assets	4,450	12,682
	1,969,650	905,167
Less: valuation allowance	(1,969,650)	(905,167)
Net future income tax assets	$ -	$ -

A valuation allowance has been applied against all of the above future income tax assets.

c) Non-Capital Losses

The Company has non-capital losses carried forward of approximately $5,265,000 (2008 - $2,711,000) available to reduce future years' taxable income. These losses will expire as follows:

2026	$ 148,000
2027	$1,105,000
2028	$1,774,000
2029	$2,238,000

14. Financial Instruments

Fair Values

Except as disclosed elsewhere in these financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

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.

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.

14. Financial Instruments (continued)

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.

As at September 30, 2009, cash and cash equivalents includes 387,968 United States Dollars, and accounts payable and accrued liabilities includes 812,952 United States Dollars, 239,744 United Kingdom Pounds Sterling and 30,021 European Euros.

At September 30, 2009, 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 year would have been $45,503 higher (lower).

At September 30, 2009, 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 year would have been $41,135 higher (lower).

At September 30, 2009, if the Canadian Dollar had weakened (strengthened) 10 percent against the European Euro with all other variables held constant, the net loss for the year would have been $4,709 higher (lower).

15. Commitments

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

b) Pursuant to a consulting agreement, the Company has agreed to issue an option to acquire 100,000 common shares of the Company to this consultant provided the agreement is in good standing when the Company's shares become traded on a stock exchange. The option has a term of three years from that date at an exercise price equal to the average trading price of the common shares on such exchange during the first ten trading days of such listing. As at September 30, 2009, these options had yet to be issued. In addition, provided that the agreement is in good standing on the first anniversary date that the Company's common shares become traded in a stock exchange, the Company has agreed to issue another option to acquire 100,000 common shares of the Company. The option has a term of three years from that date at an exercise price equal to the average trading price of the common shares on such exchange during the ten trading days prior to such grant.

c) The Company has committed to spending $230,000 on community-based initiatives in the DRC to improve the lives of the inhabitants of the areas in which the Company is focusing its exploration efforts. This commitment does not have a specified term and as at September 30, 2009, the Company had spent approximately $153,000.

15. Commitments (continued)

d) The Company has entered into leases for office premises and office equipment. The minimum lease commitments 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.

e) During the year ended September 30, 2009, the Company entered into an agreement for the provision of consulting services in exchange for a monthly fee of $5,000 payable monthly until April 1, 2010.

f) During the year ended September 30, 2009, the Company entered into an agreement for the provision of public and investor relations services in exchange for a monthly fee of $5,000 payable monthly, and the issuance of 300,000 stock options which vest over a period of one year from the date of the start of the agreement. The agreement can be terminated by either party by giving thirty days written notice. As at September 30, 2009, 100,000 of these stock options had vested.

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

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

i) During the year ended September 30, 2009, the Company entered into an agreement for the provision of public and investor relations services for a period of twelve months commencing April 1, 2009 in exchange for a fee of $15,000 payable in January 2010.

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

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

l) Additional commitments are disclosed in note 4 and note 9(f).

16. Subsequent Events

Subsequent to the year ended September 30, 2009, the Company:

a) Issued 861,303 common shares at $0.45 per share pursuant to a Debt Settlement Agreement with one of its suppliers.

b) Granted options to acquire 4,526,500 common shares to directors, officers and consultants. 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, other than for investor relations consultants, vest as to one-third immediately and one-third on each of the seven and thirteen month anniversaries of the date of grant. Options for investor relations consultants vest as to one-quarter immediately and one-quarter on each of the four, seven and thirteen month anniversaries of the date of grant. Other than 1,650,000 of the options already reserved for issuance under the options plan, all options are subject to shareholder approval for the increase in the number of shares reserved under its stock option plan to maintain the ratio of shares reserved under the plan to outstanding shares at 15% as a result of the private placement completed during the year ended September 30, 2009. All options granted are subject to regulatory approval and a four-month holding period.

An additional subsequent event is disclosed in note 4.