

*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Ontario, Alberta and British Columbia, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or any state securities laws. Accordingly, these securities may not be offered or sold within the United States except in compliance with the registration requirements of the 1933 Act and applicable state securities laws or under exception from those laws. See "Plan of Distribution".*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Kilo Goldmines Ltd. at Suite 1200, 141 Adelaide Street West, Toronto, Ontario, M5H 3L5, Telephone (416) 360-3415, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## PRELIMINARY SHORT FORM PROSPECTUS

New Issue

April 20, 2011



**Minimum: \$5,000,000/25,000,000 Units**

**Maximum: \$•/• Units**

### **Each Unit comprised of One Common Share and One-Half of One Common Share Purchase Warrant**

This short form prospectus qualifies the distribution (the "Offering") of a minimum of 25,000,000 and a maximum of • units (each, a "Unit", and collectively, the "Units") of Kilo Goldmines Ltd. (the "Corporation" or "Kilo") at a price of \$0.20 per Unit (the "Offering Price"). Each Unit will be comprised of one common share in the capital of the Corporation (a "Common Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Common Share at a price of \$0.30 for a period of 24 months from the date of closing of the Offering, subject to adjustment in certain events. The Common Shares and Warrants comprising the Units will separate immediately upon the closing of the Offering and certificates representing the Units will not be issued. The Offering is made pursuant to an agency agreement (the "Agency Agreement") dated •, 2011 between the Corporation and M Partners Inc. and Cormark Securities Inc. (the "Co-Lead Agents") as co-lead agents, and Euro Pacific Canada Inc. (collectively with the Co-Lead Agents, the "Agents"). The Offering Price and composition of the Units has been determined by negotiation between the Corporation and the Co-Lead Agents.

The outstanding Common Shares are listed and posted for trading on the TSX Venture Exchange (the "TSXV" or the "Exchange") under the trading symbol "KGL". The Common Shares are also listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange. On April 19, 2011, the last trading day prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.215. The Corporation has applied to list the Common Shares comprising the Units qualified by this short form prospectus and any Common Shares issuable

upon the exercise of the Warrants and Compensation Options (as defined below) on the TSXV. Listing will be subject to the Corporation fulfilling the listing requirements of the TSXV. **There is currently no market through which the Warrants may be sold and none is expected to develop. Purchasers may not be able to resell the warrants purchased under this short form prospectus. See "Risk Factors".**

**PRICE: \$0.20 per Unit**

	<b>Price to the Public</b>	<b>Underwriters' Fee<sup>(1)</sup></b>	<b>Net Proceeds to the Corporation<sup>(2)</sup></b>
Per Unit	\$0.20	\$0.014	\$0.186
Total Minimum Offering	\$5,000,000	\$350,000	\$4,650,000
Total Maximum Offering	\$•	\$•	\$•

Notes:

- (1) The Corporation has agreed to pay to the Agents a cash commission of 7.0% of the gross proceeds of the Offering (the “**Agents' Fee**”). The Corporation has also agreed to reimburse the Agents for certain expenses incurred in connection with the Offering. The Agents and selling group members will also receive non-transferable options (each, a “**Compensation Option**”, and collectively, the “**Compensation Options**”) to purchase that number of Units as is equal to 7.0% of the number of Units sold pursuant to the Offering. Each Compensation Option will entitle the holder to acquire one Unit at a price of \$0.20 until the date which is 24 months following the Closing Date (as hereinafter defined), subject to adjustment in certain events. The grant of the Compensation Options is also qualified by this short form prospectus.
- (2) Before deducting expenses of the Offering, estimated to be approximately \$•, which together with the Agents' Fee, will be paid from the proceeds of the Offering.

**This Offering is not underwritten or guaranteed by any person.** The Agents, and any selling group members, conditionally offer the Units, as agents on a best efforts basis, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Kirsh Securities Law Professional Corporation and on behalf of the Agents by Cassels Brock & Blackwell LLP.

<b>Agents' Position</b>	<b>Maximum Size</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Compensation Options <sup>(1)(2)</sup>	Options to purchase up to • Units	• months from the Closing Date (as defined below)	\$0.20 per Unit
Total Securities under options issuable to the Agents	• Common Shares • Warrants		

Notes:

- (1) Assuming completion of the maximum Offering in full.
- (2) The grant of the Compensation Options is also qualified by this short form prospectus.

**This Offering is subject to a minimum subscription of \$5,000,000 being received by the Issuer on or before 90 days from the date of this prospectus.** See "Plan of Distribution" and "Use of Proceeds".

Provided that the minimum Offering is subscribed for, it is expected that the closing of the Offering will occur on or about •, 2011, or such later date as the Corporation and the Co-Lead Agents may agree (the “**Closing Date**”). The Offering will be discontinued if the minimum Offering has not been subscribed for on or prior to the 90<sup>th</sup> day from

the date of this prospectus, unless the Agents and each of the persons or companies that have subscribed for Units during that period consent to a continuation of the Offering.

Until the Closing Date, all subscription funds received by the Agents will be held by the Agents pending closing of the minimum Offering. If the minimum Offering has not been subscribed for on or prior to the 90<sup>th</sup> day from the date of this prospectus, the Agents shall promptly return the proceeds of subscriptions to the subscribers without interest or deduction unless such subscribers have otherwise instructed the Agents.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Definitive certificates evidencing the Common Shares and Warrants comprising the Units will be available for delivery on the Closing Date. Subject to applicable laws, the Agents may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

**Investing in the Units involves risks. Prospective investors should carefully consider the risk factors described in this short form prospectus under "Risk Factors".**

The Corporation's head office and principal place of business is located at Suite 1200, 141 Adelaide Street West, Toronto, Ontario, M5H 3L5, Telephone (416) 360-3415.

*All dollar amounts in this short form prospectus are in Canadian dollars, unless otherwise indicated.*

**TABLE OF CONTENTS**

DOCUMENTS INCORPORATED BY REFERENCE ..... 1  
FORWARD-LOOKING STATEMENTS ..... 2  
ELIGIBILITY FOR INVESTMENT ..... 2  
THE CORPORATION ..... 2  
CONSOLIDATED CAPITALIZATION ..... 13  
USE OF PROCEEDS ..... 13  
PLAN OF DISTRIBUTION ..... 14  
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS ..... 16  
PRIOR SALES ..... 18  
TRADING PRICE AND VOLUME ..... 19  
DESCRIPTION OF SECURITIES BEING DISTRIBUTED ..... 19  
RISK FACTORS ..... 21  
INTERESTS OF EXPERTS ..... 26  
AUDITORS, TRANSFER AGENT AND REGISTRAR ..... 26  
STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION ..... 27  
AUDITOR’S CONSENT ..... 28  
CERTIFICATE OF THE CORPORATION ..... C-1  
CERTIFICATE OF THE AGENTS ..... C-2

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Corporation at Suite 1200, 141 Adelaide Street West, Toronto, Ontario, M5H 3L5, Telephone (416) 360-3415, and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents of the Corporation, filed with the securities commissions or similar authorities in certain of the provinces of Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

- (a) annual information form of the Corporation for the year ended September 30, 2010 dated April 12, 2011 (the “**AIF**”);
- (b) audited comparative consolidated financial statements of the Corporation and the notes thereto for the years ended September 30, 2010 and September 30, 2009 together with the auditor's report thereon;
- (c) management's discussion and analysis of the Corporation for the years ended September 30, 2010 and September 30, 2009;
- (d) unaudited interim financial statements of the Corporation for the three months ended December 31, 2010, which financial statements have subsequently been reviewed by the external auditors of the Corporation in connection with the filing of this short form prospectus;
- (e) management’s discussion and analysis of the Corporation for the three months ended December 31, 2010; and
- (f) management information circular of the Corporation dated April 19, 2010 issued in connection with the annual and special meeting of the shareholders of the Corporation held on May 20, 2010;
- (g) material change report of the Corporation dated November 10, 2010 announcing the increase in size of the brokered private placement; and
- (h) material change report of the Corporation dated October 13, 2010 announcing the closing of the private placement.

Any document of the type referred to above (excluding confidential material change reports) or business acquisition report filed by the Corporation with the securities commissions or similar authorities in Canada after the date of this short form prospectus and prior to the completion or termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus.

**Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any such modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be considered in its unmodified or superseded form to constitute part of this short form prospectus; rather only such statement as so modified or superseded shall be considered to constitute part of this short form prospectus.**

## FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain forward-looking statements that involve various risks and uncertainties. When used herein and therein, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, and similar expressions, as they relate to the Corporation or its management, are intended to identify forward-looking statements. Such statements are subject to known and unknown risks, uncertainties, assumptions and other factors outside of management’s control that could cause actual results to differ materially from those expressed in the forward-looking statements. These risks and uncertainties include, but are not restricted to: risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations; results of any initial feasibility, pre-feasibility and feasibility studies, and the possibility that any future exploration, development or mining results will not be consistent with our expectations; mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development; the potential for delays in exploration or development activities or the completion of feasibility studies, if any; risks related to commodity price and foreign exchange rate fluctuations; risks related to foreign operations; the uncertainty of profitability based upon the cyclical nature of the industry in which we operate; risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities; risks related to environmental regulation and liability; political and regulatory risks associated with mining and exploration; risks related to the certainty of title to our properties; risks related to the uncertain global economic environment; and other risks and uncertainties related to our prospects, properties and business strategy.

See “Risk Factors” and the factors identified under the heading “Risk Factors” in the AIF incorporated by reference herein. Although the forward-looking statements contained in this short form prospectus and the documents incorporated by reference are based upon what management believes to be reasonable assumptions, the Corporation cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of the short form prospectus and, in the case of documents incorporated by reference herein, as of the dates of such documents and, except in accordance with applicable law, the Corporation undertakes no obligations to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Kirsh Securities Law Professional Corporation, counsel to the Corporation, and Cassels Brock & Blackwell LLP, counsel to the Agents, based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the “**Tax Act**”), provided the Common Shares are listed on a designated stock exchange for the purposes of the Tax Act (including tier 1 and 2 of the TSXV), the Common Shares and Warrants will, on the date of closing of the Offering, be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan (a “**RRSP**”), registered retirement income fund (a “**RRIF**”), deferred profit sharing plan, registered education savings plan, registered disability savings plan and tax-free savings account (a “**TFSA**”) (collectively “**Deferred Income Plans**”), provided that, in the case of the Warrants, each person that is in annuitant, a beneficiary, an employer or a subscriber under, or a holder of, such a Deferred Income Plan deals at arm’s length with the Corporation.

However, the holder of a trust governed by a TFSA (or, if certain proposals contained in the March 22, 2011 Federal Budget are enacted as proposed, the annuitant under a RRSP or RRIF) that holds Common Shares or Warrants will be subject to a penalty tax if such Common Shares or Warrants are a “prohibited investment” for the purposes of the Tax Act. Common Shares or Warrants will generally be a “prohibited investment” if the holder or the annuitant, as the case may be, has a “significant interest” (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm’s length for the purposes of the Tax Act. Prospective purchasers should consult their own tax advisors regarding their particular circumstances.

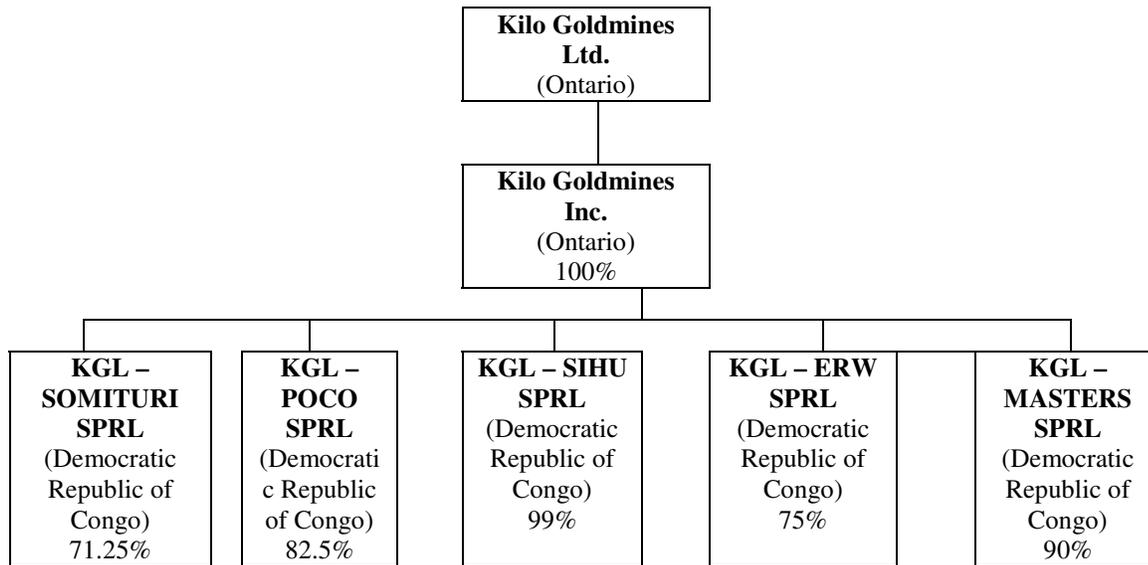
## THE CORPORATION

The Corporation was incorporated on September 12, 2006 under the *Business Corporations Act* (Ontario) as “Blue Ribbon Capital Corporation”. The name of the Corporation was changed to “Kilo Goldmines Ltd.” by the filing of

Articles of Amendment under the *Business Corporations Act* (Ontario) effective on March 20, 2009 in connection with the acquisition of Kilo Goldmines Inc. ("**Old Kilo**") through amalgamation with a wholly-owned subsidiary of the Corporation, which constituted the Corporation's "Qualifying Transaction" under the policies of the TSXV.

The registered and head office of the Corporation is located at Suite 1200, 141 Adelaide Street West, Toronto, Ontario M5H 3L5.

The following chart illustrates the Corporation's corporate structure and material direct and indirect subsidiaries.



The Corporation is a reporting issuer in the provinces of Ontario, Alberta and British Columbia and its Common Shares are listed on the TSXV under the trading symbol "KGL" and the Regulated Unofficial Market of the Frankfurt Stock Exchange under the symbol "0K2".

### **Summary Description of the Business and Properties**

The Corporation is a mineral exploration company focused on the exploration for gold and other minerals on its properties in Oriental Province of the Democratic Republic of Congo ("**DRC**"). The Corporation, through its DRC subsidiaries, holds mineral Exploitation Licences covering 606 square kilometres and mineral Exploration Licences covering 6,580 square kilometers.

The Corporation's principal property is the Somituri Property. A description of the Somituri Property and the Corporation's other mineral properties follows.

#### **Somituri Property**

The Somituri Property consists of 8 separate Exploitation Licences, covering 605.73 square kilometers, located in the Territories of Mambasa, and Wamba in the Districts of Ituri and Haut-Uele of Oriental Province in the northeastern part of the DRC approximately 400 kilometres west of the Ugandan border.

#### **Adumbi Prospect, Somituri Property**

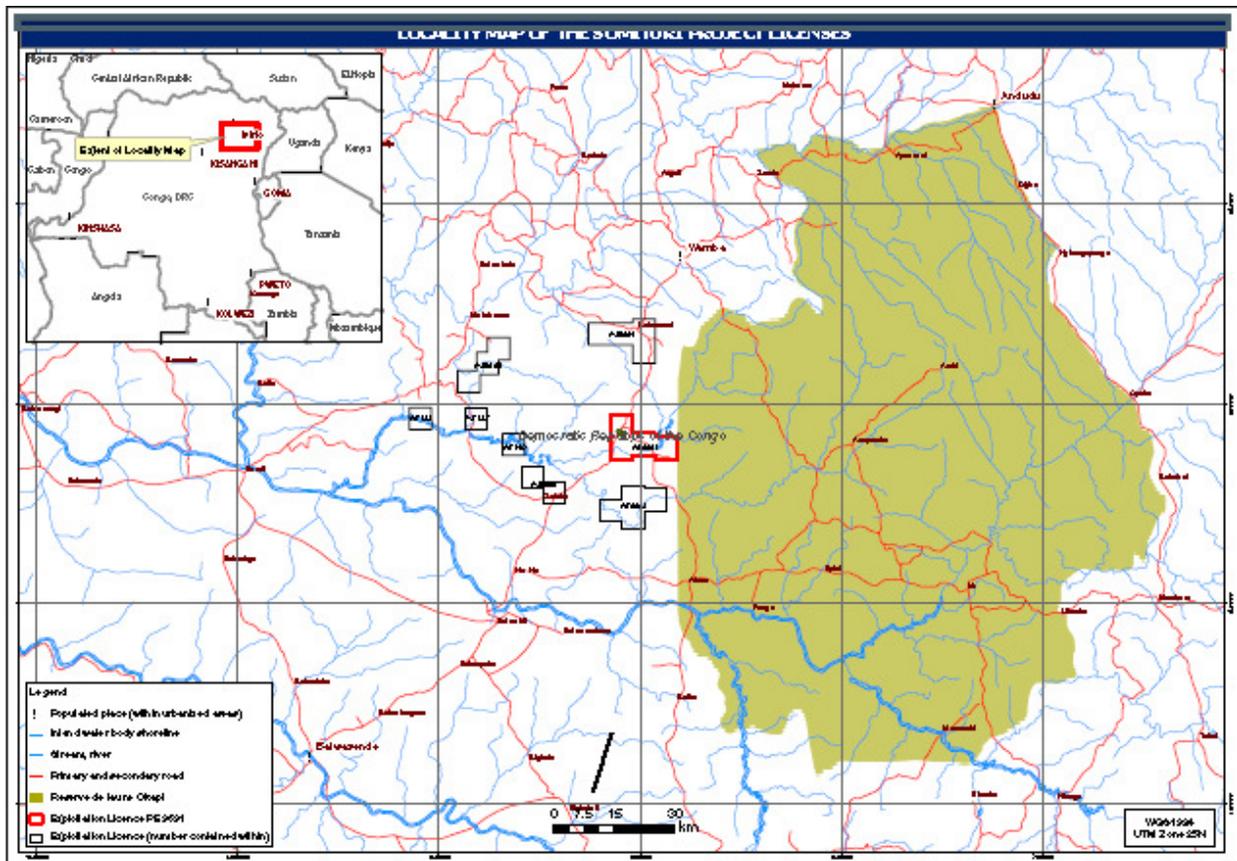
#### **Adumbi Technical Report**

*A technical report has been prepared for the Corporation entitled "Mineral Resource Estimate of the Adumbi Prospect, Oriental Province, Democratic Republic of Congo" dated April 2011 (the "**Adumbi Technical Report**"), prepared in accordance with National Instrument 43-101 of the Canadian Securities Administrators ("**NI 43-101**") by Mr. David Young, BSc (Hons), FGSSA, MSAIMM, FAusIMM and Mr. Johannes Reynhardt Krynauw PhD, FGSSA, PR Sci Nat, of independent geological consulting firm, the Mineral Corporation of South Africa. Mr. Young*

and Mr. Krynauw are qualified persons within the meaning of NI 43-101. The Adumbi Technical Report is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The following description of the Adumbi Prospect of the Somituri Property is based upon and in many cases is a direct extract of the disclosures contained in the Adumbi Technical Report and is qualified in its entirety by reference to the full Adumbi Technical Report.

### Property Description and Location

The Exploitation Licences comprising the Somituri Property, of which the Adumbi prospect is one, is located in the north-eastern DRC in the Mambasa and Wamba Territories, District of Ituri and Haut-Uele in Oriental Province (Province Orientale) of the DRC. The former Adumbi mine contained within the Adumbi prospect comprises approximately an area of 210 ha. Nia-Nia village is approximately half-way by road between Beni and Kisangani and situated about 30 kilometres south of the Adumbi prospect. Kisangani is the capital of Oriental Province.



Mineral tenure for the Adumbi prospect is held through a Permis d'Exploitation (“**Exploitation Licence**”) PE9691. The licence was granted to Société Minière de l’Ituri sprl (“**Somituri**”) for the period February 22, 2009 to February 22, 2039 for gold and diamonds. Exploitation Licence PE9691 forms part of a portfolio of eight Exploitation Licences covering a total of 605.73 square kilometres (the "Somituri Property") held by KGL - Somituri SPRL (“**KGL Somituri**”), a DRC company to which Somituri irrevocably assigned its interest in the Somituri Property pursuant to an assignment agreement dated April 29, 2010. Documentation has been filed with the DRC Cadastre Minière (“**CAMI**”) to effect the registration of these assignments however, the assignments have not yet been implemented by the CAMI and the licences remain registered in the name of Somituri pending re-registration. The remaining seven Exploitation Licences comprising the Somituri Property are PE9692, PE9693, PE9694, PE9695, PE137, PE138 and PE140, and are collectively referred to as the “Remaining Seven Licences”. Kilo Goldmines Inc., a wholly-owned subsidiary of the Corporation owns 71.25% of KGL Somituri. The balance of 28.75% is held 5% by the DRC and 23.75% by Somituri. The former Adumbi mine is one of several gold prospects within Exploitation Licence PE9691.

In accordance with the Mining Regulations of DRC, the surface area of an Exploitation Licence is measured in a unit defined as a carré (in English, a square) which is defined as an area that measures 30 seconds on each side. The

sides must be oriented north-south and east-west. A square has an area of 84.955 hectares or 0.84955 square kilometres. The maximum size allowable for an Exploration Licence is 471 carrés. As an Exploration Licence can be converted into an Exploitation Licence it follows that the maximum possible size of an Exploitation Licence is also 471 carrés. The Adumbi prospect Exploitation Licence (No 9691) covers an area of 12,234ha.

The registered holder of the mineral rights has a 95% undivided interest in the Exploitation Licence, subject to the provisions of the Mining Code 2002 and the Mining Regulations. The remaining 5% interest is held by the State as a free carried interest.

Prior to carrying out exploration, holders of an Exploration Licence must obtain "final approval" from the Ministry of Mines. Pursuant to the Mining Code 2002 holders of an Exploration Licence must complete and submit for approval an Etude D'Impact Environnemental et Plan de Gestion Environmental du Project, an impact assessment study and environmental management plan ("EIE-PGEP") in order to convert the Exploration Licence into an Exploitation Licence.

An EIE-PGEP report dated 11 December 2007 was prepared for the Exploration Licences that now comprise PE9681 and an acknowledgment receipt, number CE/5400/09, has been issued by the CAMI.

All holders of a Mineral Right must pay annual rent and taxes to the Government of the DRC prior to March 31st of each year and maintain journals of administrative and technical activities. Pursuant to a shareholders agreement dated April 29, 2010, which superceded all previous agreements among the KGL-Somituri shareholders, among other things, Kilo has committed to make exploration expenditures on the Somituri Property of 2,000,000 Euros during the three years following the agreement date with a minimum of 1,000,000 Euros during the first year (with credit given for prior expenditures). The work commitment has been satisfied. Kilo has also agreed to finance all activities of KGL-Somituri, until the filing of a bankable feasibility study, by way of loans which bear interest at the rate of 5%. Within thirty days of the receipt of a bankable feasibility study, the minority partners may collectively elect to exchange their equity participation for either a 2% net smelter royalty, or a 1% net smelter royalty plus an amount equal to 2 Euros per ounce of proven mineral reserves.

Kilo is not aware of any pre-existing environmental liabilities on the Adumbi prospect.

Mineralised zones on the Adumbi prospect (Exploitation Licence PE9691) include the former gold producers, Adumbi, Bagbaie, Manzako, Kitenge and Maipinji as well as a number of other auriferous quartz veins that were exploited during the Belgian administrative era.

#### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Adumbi prospect covers an undulating terrain that varies from about 600 metres above mean sea level ("mamsl") to about 800 mamsl. The property is drained by numerous creeks and streams. The hills tend to have relatively steep slopes and the valley floors within the areas of the linear hills are relatively narrow. Away from the linear hills the property is gently undulating and the entirety of the project is heavily covered by the Ituri Tropical Rainforest.

The Adumbi prospect is accessible by an all-weather road northerly from Nia-Nia to Village 47 (47 kilometres north of Nia-Nia). Access within the property is via several gravel roads and trails. Away from areas of habitation and artisanal activity access is on foot through the dense forest growth. Nia-Nia is accessible from the Ugandan border either through Mahagi in Orientale Province or through Kasindi in North Kivu Province. From Mahagi travel is via the all-weather road westerly to Bunia, Komanda, Mambasa, followed by Nia-Nia a distance of about 440 kilometres from the Ugandan border. From Kasindi travel is via the all-weather road westerly for 77 kilometres to Beni, then northerly to Komanda and westerly to Mambasa and on to Nia-Nia. The road north from Beni for 66 kilometres to the Oriental Province border was upgraded and paved in 2010. Nia-Nia is located about 360 kilometres east of Kisangani, the Capital of Oriental Province. Bunia and Beni are accessible several days per week via regularly scheduled commercial flights from Entebbe, Uganda. Kilo maintains an administrative office in Beni. Nia-Nia is also accessible by charter aircraft from Beni, Bunia or Kisangani. Kilo owns and maintains a 1,200 metre long grass-covered laterite base air-strip in Nia-Nia, which can accommodate propeller driven aircraft including medium sized cargo planes.

Kisangani is on the Congo River which links the NE DRC with Kinshasa, the DRC Capital City. Bunia and Beni are accessible several days per week via regularly scheduled commercial flights from Entebbe, Uganda. Kilo maintains an administrative office in Beni.

Entebbe (Uganda) is directly linked to South Africa, Europe, the United Kingdom and Asia via regularly scheduled commercial carriers. Entebbe is also linked to other African countries as well as Kinshasa, Lubumbashi and Kisangani via Nairobi, Kenya. In addition, Entebbe is linked to the DRC border points of Mahagi and Kasindi by paved highway from the deep sea port of Mombasa, Kenya.

The Adumbi prospect is located within a remote area of Oriental Province. Within the immediate environs there are a number of small villages connected to one another with unmaintained roads and trails. These villages are accessed by motorcycle, bicycle and on foot. In addition the larger rivers in the area provide access, at least part of the way, by dug-out canoe. The majority of these villages have less than 300 residents; several larger communities on the Nya-Nya to Wamba and Isiro road have populations exceeding several thousand residents.

The climate is typically tropical characterized by wet and dry seasons. The dry season covers the one to three month period of late December to February and the wet season covers the period of late February to late December. The average annual temperature is approximately 30°C. The annual low is approximately 19°C and the high is approximately 38°C and the annual rainfall is 1 approximately 1,780 mm. The Corporation carried out exploration on the Adumbi prospect throughout the entire 12 months of 2010 and progress was not impeded by weather.

The Adumbi prospect is well situated for development of a mining operation, as it is at a low altitude in undulating topography amenable to construction of access roads. On-site infrastructure to support a hardrock mining operation will have to be constructed. The immediate area will not be capable of supplying sufficient materials other than timber to support the construction of mine-site infrastructure. There is a significant local labour pool available for training and recruitment to any envisioned mining operation. Although some main roads dissect the district, it will be necessary to build access roads and bridges for any envisioned mine.

Under the DRC Mining Code 2002, an Exploitation Licence entitles its holder to the exclusive right to carry out, within the perimeter over which it has been granted, and during its term of validity, exploration, development, construction and exploitation works in connection with the mineral substances for which the licence has been granted, including, without restriction, to:

- (a) enter the exploitation perimeter to conduct mining operations;
- (b) build the installations and infrastructures required for mining exploitation;
- (c) use the water and wood within the mining perimeter for the requirements of the mining exploitation;
- (d) use, transport and freely sell his products originating from within the exploitation Perimeter.
- (e) proceed with concentration, metallurgical or technical treatment operations, as well as the transformation of the mineral substances extracted from the deposit within the exploitation perimeter; and
- (f) proceed to carry out works to extend the mine.

The holder or lessee of mining rights must compensate the surface rights owner for the damages caused by the works they carries out in connection with mining activities. Any occupation of land depriving the rightful holders of enjoyment of the surface rights, any modification rendering the land unfit for cultivation, shall cause the holder or lessee of the mining rights, at the request of the holders of the surface rights to pay fair compensation, corresponding either to the rent or the value of the land at the time of its occupation, plus fifty per cent. In the absence of an amicable settlement between the parties within three months from the date on which the dispute arises, the compensation shall be determined by a competent court in the DRC.

### History

From 1920 to 1959 gold was reported (unverified by the Corporation) to have been exploited from the Adumbi, Bagbaie, Kitenge and Maipinji mines contained within the Adumbi prospect (PE9691). During this period

approximately 291,000 ounces of gold production was reported (unverified by the Corporation). Gold mining was also reported to have been carried out from alluvial sources on two of the other Somituri Exploitation Licences. A total of 8 Exploitation Licences comprise the Somituri Property.

## Geological Setting

### *Regional Geology*

Archaean gneisses and granite-greenstone terrains cover much of northeast DRC and extend into the Central African Republic (“**CAR**”), western Uganda and southern Sudan. Old basement gneisses, dated at about 3.5Ga, are known as the Bomu (amphibolite-pyroxene gneisses and granites) and West Nile Complexes. Scattered greenstone belts known as the Ganguan and Kibalian Greenstone Belts have been dated at older than 2.9Ga and 2.81Ga, respectively.

The Archaean Ganguan supracrustal series overlies the Bomu Complex, and includes quartzites, slates and metavolcanics (talc schists). It is considered to be part of the Kibalian-Ganguan greenstones. The Ganguan series is intruded by aplitic and quartz veins and by small doleritic massifs. The Upper Congo Granite-Greenstone (“**UCGG**”) association of north DRC belongs to the granite-greenstone belts of northeastern DRC and CAR. In NE Congo, the greenstone belts are referred to as the Kibalian (Supergroup) of Archaean age. Greenstones form a number of zones of approximately 10 to 100 km<sup>2</sup> composed of metavolcanics and some metasediments. Granitoids form a significant part of the Precambrian rocks in northeastern DRC.

Some Upper Kibalian sediments have been identified with some andesitic volcanics, resting upon a Lower Kibalian volcanic granitoid association in DRC. The metavolcanics of the Lower Kibalian have been subdivided into ultramafic, mafic, intermediate and andesitic. The sediments of the upper Kibalian are pelites and banded iron formation (“**BIF**”, also referred to as itabirites). The Lower Kibalian is intruded by 2.81Ga old tonalites, whereas the Upper Kibalian is intruded by 2.46Ga old granodiorites and granites that represent most of the volume of the UCGG belt.

The UCGG associations of the Archaean greenstone belts of the northern Congo craton have been classified according to their characteristics and to that of their basement as, a) the type A UCGG association (about 95% of the gold output) consists of greenstones with abundant mafic-ultramafic volcanics and scarce sediments. Associated granitoids correspond to a typical TTG suite. The tonalites of this UCGG association intruded 2.8 - 2.9Ga ago, and b) the type B UCGG association comprises mafic-intermediate volcanics and sediments (mainly BIFs). Associated granodiorites and granites (2.4 - 2.5 Ga) represent most of the volume of the entire greenstone belts, intruded this type B association and its basement.

The areas of the volcanic-granitoid Lower Kibalian display a synclinal tectonic style, while the greenstones of the Upper Kibalian form belts less than 10 km wide, 30 - 60 km long, made up of units isoclinally folded along subvertical axial planes and horizontal axis. These units “float” within the granitoids.

### *Local Geology*

Adumbi Hill is located within the Upper Kibalian Paragneiss Complex, which regionally consists of quartzitic sandstone commonly containing pyrite, with lesser amounts of pelitic and graphitic shales, finegrained quartzitic sandstone, banded sericite schists, quartz-sericite schists, phyllites, spotted schists, red banded shale and banded iron formation (“**itabirites**”).

Intrusive rocks in the area of the Adumbi prospect, intruding indiscriminately all the basement formations, consist of possibly Late Proterozoic dolerite/diabase and doleritic gabbro and diorite. Quartz veins, are predominantly associated with the Upper Kibalian. The Proterozoic Lindian metasedimentary rocks unconformably overlie the Kibalian rocks. Palaeozoic, Cenozoic and Quaternary metasediments and alluvial sediments are locally present within the project area. Post Karoo rocks are essentially represented by lateritic cuirasse. The Karoo formation comprises black shales, alluvial and alluvial deposits.

### *Property Geology*

Gold in the Ngayu Greenstone Belt is known to be associated with siliceous chemical metasedimentary rocks including BIFs, and quartz veins. Exploitation Licence PE9691 is underlain by Upper Kibalian rocks. The dominant

lithologies include a well bedded BIF unit, tuffaceous metasedimentary rocks (which are variously described as greywackes and black shales) and a mafic intrusion.

### Exploration

Exploration carried out on the Adumbi prospect (Exploitation Licence PE9691) was limited to local mapping, trench and adit sampling coupled with soil sampling in selected areas, and drilling. Surveys, such as airborne geophysics, ground geophysical surveys, regional geochemical surveys were not carried out.

The Corporation carried out an initial exploration program on PE9691 from January to December 2010. Geological mapping, collection of 1,043 soil samples, 593 metres of adit sampling, 734 metres of trench excavation and sampling and 6,607 metres of diamond drilling was completed on PE9691. A fully functional exploration camp was constructed about 0.5 kilometres to the west of Adumbi Village.

The Corporation explored a 2,058 metre strike length of the Adumbi prospect with 31 drill holes (including 6 re-drilled abandoned holes) totaling 6,510.78 metres on 17 section lines. In addition the Adumbi prospect was explored by the sampling of 4 adits and excavation and sampling of 12 trenches.

The previously producing Kitenge gold mine and its northwest strike extension were explored over a 2km strike length with five drill holes, two trenches, a road cutting and three lines of soil sampling. Manzako, a former gold producer from surface and underground, was targeted over a 1 360 metre strike length by three drill holes. An artisanal working, locally known as Monde Arabe, which may be the northwest strike extension of the Kitenge gold-bearing structure, was tested with one drill hole.

Other than some initial work commenced in January 2010 on PE9692, to date no field exploration work has been carried out on any of the other seven Exploitation Licences comprising the Somituri Property.

### Mineralization

Mineralization on Exploitation Licence PE9691 (Adumbi prospect) is known to occur at Bagbaie (referred to as Adumbi North), the former Adumbi mine, Kitenge, Manzako, Monde Arabe, Maipinji, and Vatican. The mineralization on PE9691 predominantly occurs as gold in association with sulphides, mainly fine grained pyrite. Gold bearing mineralization in the Adumbi prospect is hosted within the BIFs, consisting of chert, magnetite BIF, hematite BIF and lesser amounts of chert banded with fine-grained clastic metasedimentary rocks and chert banded with black shale. Locally thin layers of black shale are interlayered with the BIFs.

Diamond drilling on the Adumbi prospect intersected gold-bearing mineralization over a strike length in excess of 2.0 kilometres. This gold mineralized structure strikes northwest-southeast and dips steeply to subvertically to the northeast. The drilling in the 1.2 kilometre long central section intersected mineralized BIFs over true widths in the order of 100 metres over a depth below surface of 350 metres.

Kilo has identified an inferred mineral resource of 46.3 million tonnes at a gold grade of 1.37g/t above a cutoff grade of 0.5 g/t at the Adumbi prospect. The width of the mineral resource varies from 20 metres to 140 metres over a strike length of 1.2 kilometres.

Gold mineralization within the Adumbi prospect is related to the northwest trending shear zones, which dip steeply towards the northeast, and which in some parts of the area seem to utilise the competency contrast between two lithologies, namely the BIF - chert and the tuffaceous - greywacke metasedimentary rocks.

High gold values are associated with marked silicification (mainly quartz veining), coupled with iron- and magnesium-rich carbonate flooding and sulphidisation of magnetite in the BIF. It has been observed that gold on PE9691 occurs in association with pyrite, pyrrhotite and arsenopyrite. The following observations were also noted in historical literature reviewed. Chalcopyrite and galena have been noted as being present. Also, gold has been observed to occur within the pyrite as electrum. It was noted that the highest gold grades do not have a direct correlation with the grades of arsenic. In polished section, associated with the gold mineralization, ankerite and calcite were observed in addition to quartz.

## Drilling

The Corporation carried out 9,639 metres of diamond drilling on the former Adumbi mine, Kitenge, Manzako and Monde Arabe areas from February to December 2010 under a contract with SENEX sprl, a DRC subsidiary of the drilling company Geosearch. Two helicopter portable Longyear 38 diamond drill rigs were utilized. Drill holes commenced with PQ size drill rods (core diameter of 85mm). Once the upper weathered zone and fractured formations had been drilled, the drill hole was reduced to HQ sized core (63mm) through the transition zone from highly weathered and/or oxidised units to fresh unweathered competent rocks. The fresh rock was drilled with NQ size drill rods, producing 48mm diameter core. Downhole survey data was collected at 15 m intervals using a FlexIT survey tool with a digital readout. The data was digitally stored, and manually transferred to the daily drill log sheets by SENEX sprl personnel. The location of the drill site collars was determined in the field with a hand held Garmin 60CSx GPS (WGS 84 Zone 35N UTM coordinates). The drill site preparation was generally completed manually, although a bulldozer was used on accessible sites. After clearing the drill pad, the collar site was pegged with respect to UTM coordinates determined by GPS. A compass was used to establish a line oriented with respect to magnetic north to indicate the drill hole azimuth. Once the drilling rig was moved onto the pad by a Eurocopter B3 helicopter, a Kilo geologist verified the set-up orientation of the drill hole by a clinometer and a compass. Rehabilitation of sites is the responsibility of Kilo. Concrete markers are being erected on the drill hole collar. Standard procedure is that drill rig personnel placed the recovered drill core into metal core trays labelled at the drill site with the drill hole number. End-of-run markers are placed in the core tray between the end and start of each recovered drill run. Information on core recovery, depth of the run, stickup length and ground conditions are recorded for each run and inspected by Kilo geologists. The core is transported from the drill site by helicopter to the core yard facility at Kilo's exploration camp.

Diamond drilling on the Adumbi prospect intersected gold-bearing mineralization over a strike length in excess of 2.0 kilometres. This gold mineralized structure strikes northwest-southeast and dips steeply subvertically to the northeast. The drilling in the 1.2 kilometre long central section intersected mineralised BIFs over true widths in the order of 100 metres over a depth below surface of 350 metres. (The true width is the width normal to the interpreted ore body sidewalls and can be generally considered as the horizontal width of the ore body.)

## Sampling and Analysis

Trench samples were dug by labourers, using picks and shovels to bedrock where practicable. Sampling commenced following completion of geological logging of trenches. In mineralised sections, and sections of geology considered to be favourable for mineralisation, a maximum sample length of 1.0m was applied. Approximately 1.5m sample lengths within deemed to be unmineralised, lithologies were generally applied. Sampling intervals did not cross lithological boundaries, with the exception where the presence of narrow veining hosted within a unit were sampled. After all the sample intervals were marked, continuous channel samples were collected from each marked interval, under the supervision of the geologist. Sampling took place along one wall of the trench to minimise the possibility of contamination.

Sampling intervals in adits were marked by inserting concrete nails into the rock at the ends of each sample. Horizontal chip channel samples were collected by hammer and chisel over predetermined sample intervals. The sampling was based on the lithological and alteration characteristics. Sample lengths varied from 0.5m - 2m in horizontal length.

The drill core (laid in appropriately sized SANDVIK metal core trays) was transported from the drill site in an aluminium bin by helicopter, using a sling. Prior to logging and sampling the drill core was digitally photographed in order to maintain a permanent record. All of the drill core photographs were downloaded into the Somituri Property database retained in Corporation computers on site and in the corporate office in Toronto, Canada.

One metre sample lengths were marked on the core in the BIF horizon during logging. The sample depths for each sample were entered into a sample ticket book, which contained removable duplicate sample ticket tags. The core sample numbers and sample intervals were written onto pre-printed diamond drill log forms. Each marked sample was split along its length by trained staff using a dedicated drill core diamond saw.

The core was broken at the sample position marks using a geological pick. The 1m sampling lengths were reduced when necessary, e.g. where lithological contacts or core size changes were encountered, with the bottom/top end of the sample being about 2cm from the contact. One half of the core was replaced in the core tray and the remaining

half was placed in a plastic sample bag, in which the sample number is folded in along the open end of the bag, which was then closed using a stapler. Sample tags were placed in the core box at the position of the bottom end where samples had been obtained. A brick was sawn (“brick cleaning”) after each sample had been split to ensure that no cross-contamination takes place between samples.

The total length of core through the BIF horizon was sampled and a further 30m above and below the contacts with the hanging- and footwalls. Sample lengths in the hangingwall and footwall were increased to 2m. Hanging- and footwall zones where there are any features, such as sulphide concentrations, which may be gold-bearing, were also sampled. Sampling intervals ranged between 0.5m – 2.0m, depending on lithological and alteration characteristics. Samples in the mineralised section were generally 1.0m in length or less. Samples did not cross lithological, alteration, or sulphide mineralization boundaries or where core size was changed.

The individual samples were placed into large rice bags, labelled and weighed and retained in locked storage on-site. Samples were transported in Company owned vehicles to the Corporation's administrative office in Beni, and then to ALS Chemex in Tanzania by a commercial freight forwarding agent.

Summary of adit, drillhole and trench samples

<b>Sample Type</b>	<b>No. of Samples</b>
Adit	512
Drill hole	3644
Trench	614
Total	4770

The following items have the potential to affect reliability of analytical results based on The Mineral Corporation's observations: (i) chain of custody during sample transport; (ii) possible sample contamination within the laboratory due to poor dust collection; (iii) possible inadequate pulp particle size for the assay charge; and (v) inhomogenous medium being sampled, i.e. a nugget effect.

Based on the site visit and data verification on results received to date, The Mineral Corporation was of the opinion that the sampling quality is within acceptable standards and no material biases were identified.

Logging took place on site at the Adumbi exploration camp. The Mineral Corporation observed the logging procedures on site and noted the following: (i) an initial visual assessment of the core was made and zones of good and poor mineralization were noted; and (ii) detailed geological logging was then completed. Notes were made of the lithology, alteration, mineralization and general rock description. The rock description recorded colour and approximate mineral assemblage.

All sample preparation took place at the ALS Chemex sample preparation facility in Mwanza, Tanzania. Standard procedures and quality controls are in place to ensure that samples are prepared in compliance with client requirements. The laboratory does not have a LIMS (digital Laboratory Management System) in place at present, but perusal of the laboratory records indicated that continual control of individual samples is maintained during the various preparation phases.

The sample preparation procedures carried out by ALS Chemex consisted of the following: (i) the samples were sorted and compared with the packing slips; (ii) the samples were placed in metal trays and air dried; final drying was in an oven; (iii) the samples were weighed; (iv) the entire sample was crushed to a minimum of 70% passing a 2mm screen; (v) the entire sample was pulverised to 90% less than 75 microns; and The sample pulps were shipped by commercial courier to either ALS Chemex in Johannesburg, South Africa or to ALS Chemex in Vancouver, Canada for analysis.

ALS Chemex in Mwanza, Tanzania, submitted pulps of soil, adit, trench and diamond drill core samples to the ALS Chemex full service facilities in Johannesburg, South Africa and in Vancouver, Canada. The sample analysis was carried out as follows:

The gold values in the soil sample pulps were determined on a 30g charge by the Fire Assay method with an ICP finish. Gold was reported in ppb;

- Multi-element suite of 34 elements were analyzed by the low level ICP method;
- The gold content in adit, trench and diamond drill core pulps were determined on a 50g charge by the fire assay method with an Atomic Absorption (“AA”) finish (ALS Assay method Au-AA24).
- In the fire assay with AA finish method, a prepared sample is fused with a mixture of lead oxide, sodium carbonate, borax, silica and other reagents, as required, inquartered with 6mg of gold-free silver and cupelled to yield a precious metal bead (inquartering is the addition of gold-free silver). The bead is then digested in 0.5ml dilute nitric acid in a microwave oven. 0.5ml concentrated hydrochloric acid is added and the bead is further digested in the microwave oven at a lower power setting. The digested solution is cooled, diluted to a total volume of 4ml with demineralised water and analysed by atomic absorption spectrometry against matrix-matched standards.
- Gold was reported in ppm; and
- Adit, trench and diamond drill core pulps samples that returned gold values greater than 10 ppm were re-assayed by the gravimetric method (ALS Assay method Au-AA24). In this method, a prepared sample is fused with a mixture of lead oxide, sodium carbonate, borax, silica and other reagents in order to produce a lead button. The lead button containing the precious metal is cupelled (oxidation and melting of lead under high temperatures, which is absorbed into a porous cupel) to remove the lead. The remaining gold and silver bead is parted in dilute nitric acid, annealed and weighed as gold.

Based on the sample preparation techniques observed at the ALS Chemex preparation facility, the security protocols described by Corporation geologists and the analytical procedures adopted by the ALS Chemex Laboratory, Johannesburg, The Mineral Corporation was satisfied that the protocols and procedures have been followed to acceptable levels for the use in its mineral resource estimation.

The Corporation also inserted blanks and standards into the sampling streams, duplicate trench samples were inserted as well. Corporation geologists only duplicated samples from the trenches and one adit. Certified reference materials (standards) were introduced by Corporation geologists into the sample streams and also internally by ALS Chemex.

The Mineral Corporation undertook the following steps to verify the validity of the data used in its mineral resource evaluation. A site visit was conducted during which information was obtained on logistics and the geology of the Adumbi-Kitenge-Manzako area, and an assessment made of the exploration methods and types and quality of information obtained with regard to the geology, artisanal activity and bore hole logging. Following the Adumbi visit, the ALS Chemex sample preparation facility in Mwanza was inspected. Field sheets from 21 boreholes were inspected by The Mineral Corporation. The borehole logging and sampling data was checked against the Excel database that was provided to The Mineral Corporation with good correspondence between the intervals noted in the field logs and those entered in the electronic database encountered. A random sample of analytical results from 10 boreholes within the electronic borehole logs were cross checked with gold grade as reported in the laboratory certificates with no errors encountered in this process. The Mineral Corporation resubmitted four sample pulps of samples prepared by ALS Chemex in Mwanza, and previously assayed, to the ALS Chemex laboratory in Johannesburg as unknown samples.

#### Security of Samples

No employee, officer, director or associate of the Corporation carried out any sample preparation of samples from the exploration programme on the Adumbi prospect. All collected samples were retained in a locked secure shed until they were dispatched by Corporation vehicle to the Corporation's administrative office in Beni. A commercial freight forwarding agent transported the samples from Beni to ALS Chemex laboratory in Mwanza, Tanzania for sample preparation.

#### Mineral Resource and Mineral Reserve Estimates

The Mineral Corporation has estimated the resources of the Adumbi prospect as follows at a 0.5 g/t cutoff grade.

Mineral Resources (0.5 g/t cut-off)

<b>Cut off (g/t Au)</b>	<b>Tonnes above cut off</b>	<b>Grate above cut off(g/t Au)</b>	<b>Million ounces gold above cut-off)</b>
0.50	46,307,259	1.37	2.03

Insufficient laboratory density determinations have been made for an analytically determined density to be applied. An assumed density of 3.0 t/m<sup>3</sup> was applied to material interpreted to be fresh and 2.7 t/m<sup>3</sup> to material interpreted to be weathered. A nominal depth below surface of 40m was used to distinguish between weathered and fresh material. The Mineral Corporation considers the lack of reliable density information to be a limitation in the mineral resource estimate and this is reflected in the restriction of the mineral resources to the inferred category.

### Mining Operations

No mining or mine development operations have been conducted by Kilo on the Somituri Property.

### Mineral Processing and Metallurgical Testing

To date minor amounts of auriferous ore sourced from the artisanal workings on the Adumbi Prospect, Kitenge and Manzako have been tested for gold extraction via cyanide leaching. The gold grades of the material tested vary from 3.52g/t to 140.00 g/t (average 41.79g/t) and the gold recoveries vary from 55.13% to 99.98% (average 87.28%).

It should be noted that the gold abundances in the hand-picked artisanal ore samples are significantly higher than the modelled gold grades likely to occur at the Adumbi Prospect. It should further be noted that the artisanal workings and hence material employed in this test work, is likely to be from above the water-table and contain oxide material that could have improved gold recoveries with respect to the underlying sulphide material.

### Exploration and Development

Results to date indicate that the Exploration Licence PE9691 (the Adumbi prospect) has the potential to host at least one or more large gold deposits. The Corporation's consulting geologist has recommended that infill drilling of the delineated inferred resources be carried out to convert these inferred resources to the indicated category. In addition, metallurgical testing, petrographic studies, an environmental study to international standards as well as a preliminary economic assessment are also recommended. Preliminary reconnaissance exploration is recommended to be immediately implemented on each of the remaining seven unexplored Exploitation Licences of the Somituri Property with the ultimate objective of defining drill targets.

### Other Properties

#### **ERW Property**

The ERW Property holdings consist of one isolated Exploration Licence west of Mambasa in Oriental Province, DRC (the "ERW East Property"), covering 237 square kilometres overlying Upper Kibalian metavolcanics and metasediments that are known to host active gold artisanal sites, and an additional 17 Exploration Licences as a contiguous block (the "ERW West Property"), covering 5,960 square kilometres and approximately centred on Isiro, also in Oriental Province, DRC. This ERW West Property is underlain by two parallel belts of Upper Kibalian metavolcanics and metasediments and is known to host high grade haematite iron ore. The Corporation's 75% owned subsidiary, KGL – ERW SPRL, which holds the ERW Property licences, has entered into an Earn-in with Option to Joint Venture Agreement with Rio Tinto Mining and Exploration Limited ("**Rio Tinto**"). Under the agreement, Rio Tinto can earn up to a 75% interest in the ERW West Property Licences for the purpose of exploring for and mining iron ore upon making cash payments to KGL – ERW SPRL and incurring expenditures in the aggregate amount of US\$83,000,000 over a 12 year option period.

Subject to available funds, Kilo would like to carry out an airborne magnetic survey reconnaissance geological mapping and soil sampling of selected areas over the ERW East property with the objective of defining targets for evaluation through drilling. From the airborne magnetic data of the ERW West Property, Kilo could select those areas that may be favourable for gold mineralization, carry out field investigations of reconnaissance mapping, rock and soil sampling, and trenching to define targets for follow-up drilling.

## SIHU Property

The Sihu Property holdings consist of twelve widely spaced individual Exploration Licences collectively comprising 383 square kilometres within Oriental Province, DRC. According to the geological map, five of these are underlain by basement orthogneiss and granite, one is underlain by basement migmatites, five are underlain by younger granitic intrusive and two of these straddle the granite orthogneiss contact. The remaining Exploration Licence is underlain with Upper Kibalian metavolcanics and metasediments.

Subject to available funds, Kilo would like to review any historical data, other exploration activity within the area of each of the Exploration Licences and a reconnaissance property visit to verify the underlying geology. Airborne magnetic and reconnaissance geological mapping and soil sampling of selected areas would be desirable for the Exploration Licence underlain with Upper Kibalian rocks. Gold within the Oriental Province is frequently hosted within the Upper Kibalian rocks.

## CONSOLIDATED CAPITALIZATION

The only material changes in the Corporation's share or loan capital on a consolidated basis since September 30, 2010 is as follows:

1. the Corporation, pursuant tranches of a brokered private placement completed on October 7, 2010 and November 5, 2010, issued an aggregate of 42,054,700 units at a price of \$0.20 per unit for gross proceeds of \$8,410,940. Each unit consisted of one Common Share and one-half of one Common Share purchase warrant. Each warrant entitles the holder to purchase one Common Share of the Corporation at a price of \$0.30 per share for 24 months from the date of issue;
2. from January 27, 2011 to the date hereof, the Corporation has issued 420,000 common shares upon the exercise of previously issued broker compensation options at a price of \$0.20 per share; and
3. from January 28, 2011 to the date hereof, the Corporation has issued 250,000 Common Shares upon the exercise of previously issued warrants at a price of \$0.30 per share.

Upon completion of the minimum Offering, there would be 138,978,984 Common Shares issued and outstanding. Upon completion of the maximum Offering, there would be • Common Shares issued and outstanding.

## USE OF PROCEEDS

### Proceeds

The net proceeds to be received by the Corporation from the minimum Offering and the maximum Offering, respectively, after deducting the Agents' Fee and the estimated expenses of the Offering of approximately \$•, will be approximately \$• and \$•, respectively. **The Offering is subject to a minimum subscription of \$5,000,000 being received by the Corporation on or before the 90<sup>th</sup> day following the date of this prospectus.** Until the Closing Date, all subscription funds received by the Agents will be held by the Agents pending closing of the minimum Offering. If the minimum Offering has not been subscribed for on or prior to the 90<sup>th</sup> day following the date of this prospectus, the Agents shall promptly return the proceeds of subscriptions to the subscribers without interest or deduction unless such subscribers have otherwise instructed the Agents.

### Principal Purposes

The Corporation intends to use the estimated net proceeds of the minimum Offering or maximum Offering as follows:

Description of Expenditure	Net Proceeds Realized	
	Minimum Offering	Maximum Offering
<b><u>Somituri Property</u></b>		
<b><u>Phase 1</u></b>		
• Drilling	\$1,400,000	\$•
• Sampling	\$ 150,000	\$•
• Modelling, Geology, Metallurgy	\$ 400,000	\$•
• Technical Advisory and Environmental Studies	\$ 50,000	\$•
Total	\$2,000,000	\$•
<b><u>Phase2</u></b>		
• Drilling	\$1,100,000	\$•
• Sampling	\$ 125,000	\$•
• Modelling, Geology, Metallurgy	\$ 350,000	\$•
• Technical Advisory and Environmental Studies	\$ 50,000	\$•
Total	\$1,625,000	\$•
Working capital	\$•	\$•
<b>Total</b>	<b>\$•</b>	<b>\$•</b>

The objectives of the exploration programs described above are to define additional drill targets, establish additional mineral resources on the Somituri Property and to convert existing mineral resources into higher categories of mineral resources or mineral reserves. All Phase 2 exploration programs in the table above will be contingent upon successful completion of the corresponding Phase 1 program for the property. Mr. Stanley D. Robinson, M.Sc. P.Geo., a consultant to the Corporation and “qualified person” under NI 43-101, has reviewed the exploration budgets disclosed above and believes them to be reasonable. The Corporation intends to use the funds as stated in this short form prospectus; however, there may be circumstances where, on the basis of results obtained or for other sound business reasons, a re-allocation of funds may be necessary. Accordingly, management of the Corporation will have broad discretion in the application of the proceeds of the Offering. See “Risk Factors – Uncertainty of Application of Net Proceeds”.

In the year ended September 30, 2010, the Corporation had negative cash flow from operations of \$1,745,015. To the extent required, the net proceeds from the Offering will be used to fund negative operating cash flow in future periods.

#### **Investment of Proceeds Pending Application**

The unexpended net proceeds from the Offering will be invested in short-term government securities, certificates of deposits or guaranteed investment certificates issued by banks or trust companies or similar investments until such time as expenditures are required to be incurred. The Corporation does not have a formal investment policy.

#### **PLAN OF DISTRIBUTION**

Pursuant to an Agency Agreement dated April •, 2011 between the Corporation and the Agents, the Corporation has appointed the Agents as its agents to offer a minimum of 25,000,000 and a maximum of • Units for sale on a best efforts basis, if as and when issued by the Corporation, at the Offering Price, against delivery of certificates representing the Common Shares and Warrants, subject to compliance with all necessary legal requirements and to the conditions contained in the Agency Agreement. The Common Shares and Warrants comprising the Units will separate immediately upon the closing of the Offering. While the Agents have agreed to use their best efforts to

arrange for the sales of the Units, they are not obligated to purchase any of the Units. The Agents reserve the right to form a selling group of registered brokers and dealers for the distribution of the Offering.

The obligations of the Agents under the Agency Agreement are conditional and may be terminated by the Agents at their discretion on the basis of their due diligence, assessment of the state of the financial markets and upon the occurrence of certain stated events including any material adverse change in the business, affairs or financial condition of the Corporation. The Agency Agreement also provides that the Corporation will indemnify the Agents and their directors, officers, agents, shareholders and employees against certain liabilities and expenses or to contribute to payments that the Agents may be required to make in respect thereof.

Provided that the minimum Offering is subscribed for, the closing of the Offering will take place on such date as may be agreed upon by the Corporation and the Agents. The Offering will be discontinued if the minimum Offering has not been subscribed for on or prior to the 90<sup>th</sup> day following the date of this prospectus, unless the Agents and each of the persons or companies that have subscribed for Units during that period consent to a continuation of the Offering. Until the Closing Date, all subscription funds received by the Agents will be held by the Agents pending closing of the minimum Offering. If the minimum Offering has not been subscribed for on or prior to the 90<sup>th</sup> day following the date of this prospectus, the Agents shall promptly return the proceeds of subscriptions to the subscribers without interest or deduction unless such subscribers have otherwise instructed the Agents. Definitive certificates representing the Common Shares and the Warrants are expected to be available for delivery on the Closing Date. The Offering Price was determined by negotiation between the Corporation and the Co-Lead Agents.

The gross proceeds payable to the Corporation, assuming that the maximum Offering has been achieved, will be \$•. The Corporation has agreed to pay the Agents a cash commission of 7.0% of the gross proceeds of the Offering. The Corporation has also agreed to reimburse the Agents for certain expenses incurred in connection with the Offering. The Corporation has agreed to grant to the Agents and selling group members Compensation Options to purchase that number of Common Shares that is equal to 7.0% of the Units pursuant to the Offering. Each Compensation Option will entitle the holder to acquire one Unit at a price of \$0.20 until the date that is 24 months following the Closing Date. The grant of the Compensation Options is also qualified by this short form prospectus.

Pursuant to rules and policy statements of certain securities regulators, the Agents may not, at any time during the period of distribution of the Units, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. Such exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and stock exchanges, including the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. The Agents may engage in market stabilization or market balancing activities on the TSXV where the bid for or purchase of the Common Shares is for the purpose of maintaining a fair and orderly market in the Common Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be interrupted or discontinued at any time.

The Corporation has agreed with the Agents not to issue any Common Shares or securities convertible, exercisable or exchangeable into Common Shares, or announce any intention to do so, other than pursuant to: (a) the Offering; (b) the grant of stock options pursuant to the stock option plan of the Corporation; (c) the exercise of or conversion of outstanding convertible securities; and (d) arm's length acquisitions or strategic partnering, for a period of 60 days following the closing of the Offering without the prior written consent of the Agents, such consent not to be unreasonably withheld or delayed.

The Corporation has applied to list the Common Shares comprising the Units distributed under this short form prospectus and any Common Shares issuable upon the exercise of the Warrants and Compensation Options and Warrants underlying the Compensation Options on the TSXV. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. **There is currently no market through which the Warrants may be sold and none is expected to develop.**

The Units offered hereby have not been and will not be registered under the 1933 Act, or any state securities laws, and accordingly may not be offered or sold within the United States or to U.S. Persons except in compliance with the registration requirements of the 1933 Act and applicable state securities laws or in transactions exempt from

such requirements.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Kirsh Securities Law Professional Corporation, counsel to the Corporation, and Cassels Brock & Blackwell LLP, counsel to the Agents, the following summary describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder (a “**Holder**”) who acquires Common Shares and Warrants pursuant to the Offering, and who, for purposes of the Tax Act and at all relevant times, holds such securities as capital property and deals at arm’s length with and is not affiliated with the Corporation or the Agents. Generally, Common Shares and Warrants would be considered to be capital property to a Holder provided that the Holder does not hold the Common Shares and Warrants in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

This summary is not applicable to a Holder (i) that is a “financial institution”, as defined in the Tax Act for purposes of certain rules referred to as the mark-to-market rules, (ii), that is a “specified financial institution”, as defined in the Tax Act, (iii) an interest in which would be a “tax shelter investment” as defined in the Tax Act, or (iv) that has made a functional currency reporting election for purposes of the Tax Act. Such Holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the Regulations thereunder and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”). This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that all Proposed Amendments will be enacted in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in the law or administrative or assessing practice or policy of the CRA whether by legislative, regulatory, administrative, or judicial action, nor does it take into account tax legislation or considerations of any province, territory, or foreign jurisdiction, which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Holder.**

**This summary is not exhaustive of all federal income tax considerations. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.**

### *Allocation of Offering Price*

Holders will be required to allocate the aggregate cost of the Unit between the Common Share and the one-half Warrant on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. The Corporation intends to allocate as consideration for their issue \$● to each Common Share and \$● to each one-half Warrant. The Corporation believes that such allocation is reasonable but such allocation will not be binding on the CRA or a Holder. The cost to a Holder of a Common Share must be averaged with the adjusted cost base of all other Common Shares of the Corporation held by the Holder as capital property at that time.

### *Exercise of Warrants*

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Common Share. When a Warrant is exercised, the Holder’s cost of the Common Share acquired thereby will be equal to the aggregate of the Holder’s adjusted cost base of such Warrant and the exercise price paid for the Common Share. The Holder’s adjusted cost base of the Common Share so acquired will be determined by averaging the cost of the Common Share with the adjusted cost base to the Holder of all Common Shares held as capital property by the Holder immediately before the acquisition of the Common Share.

### **Taxation of Resident Holders**

The following section of this summary applies to Holders (“**Resident Holders**”) who, for the purposes of the Tax

Act, are or are deemed to be resident in Canada at all relevant times. Certain Resident Holders whose Common Shares might not otherwise be capital property, may, in certain circumstances, be entitled to have the Common Shares and every other “Canadian security”, as defined in the Tax Act, owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election does not apply to the Warrants. Resident Holders should consult their own tax advisors regarding this election.

#### *Expiry of Warrants*

The expiry of an unexercised Warrant generally will result in a capital loss to the Resident Holder equal to the adjusted cost base of the Warrant to the Resident Holder immediately before its expiry. See discussion below under the heading “*Capital Gains and Capital Losses*”.

#### *Taxation of Dividends*

A Resident Holder will be required to include in computing its income for a taxation year any dividends received, or deemed to be received, in the year by the Resident Holder on the Common Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Corporation designates the dividend as an “eligible dividend” in accordance with the provisions of the Tax Act. A dividend received or deemed to be received by a Resident Holder that is a corporation will generally be deductible in computing the corporation’s taxable income.

A corporation that is a “private corporation” (as defined in the Tax Act) or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), generally will be liable to pay a refundable tax under Part IV of the Tax Act at the rate of 33 $\frac{1}{3}$ % on dividends received or deemed to be received on the Common Shares in a year to the extent such dividends are deductible in computing taxable income for the year.

#### *Dispositions of Common Shares and Warrants*

A Resident Holder who disposes, or is deemed to dispose, of a Common Share or Warrant (other than on the exercise thereof) generally will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the Resident Holder of such Common Shares or Warrant, as the case may be, immediately before the disposition or deemed disposition. The taxation of capital gains and losses is described below under the heading “*Capital Gains and Capital Losses*”.

#### *Capital Gains and Capital Losses*

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized by the Resident Holder in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a particular taxation year against taxable capital gains realized by the Resident Holder in the year. Allowable capital losses not deducted in a particular taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of any dividends received by such Resident Holder on the Common Share subject to and in accordance with the provisions of the Tax Act. Similar rules may apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

A Resident Holder that is a “Canadian-controlled private corporation” as defined in the Tax Act may be liable to pay an additional 62 $\frac{3}{4}$ % refundable tax on certain investment income, including taxable capital gains.

### *Alternative Minimum Tax*

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act.

### **Taxation of Non-Resident Holders**

The following section of this summary is generally applicable to Holders (“**Non-Resident Holders**”) who (i) for the purposes of the Tax Act, have not been and will not be deemed to be resident in Canada at any time while they hold Common Shares or Warrants; and (ii) do not use or hold the Common Shares or Warrants in carrying on a business in Canada. Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere.

### *Dividends*

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Corporation are subject to Canadian withholding tax at the rate of 25% unless reduced by the terms of an applicable tax treaty. Under the Canada-United States Income Tax Convention (1980) (the “**Treaty**”) as amended, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty and entitled to benefits under the Treaty (a “**U.S. Holder**”) is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a Corporation beneficially owning at least 10% of the Corporation’s voting shares). Non-Resident Holders should consult their own tax advisors.

### *Dispositions of Common Shares or Warrants*

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Common Share or Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Common Share or Warrant constitutes “taxable Canadian property” to the Non-Resident Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

As long as the Common Shares are listed on tier 1 or 2 of the TSXV at the time of disposition, based on the Proposed Amendments, the Common Shares and Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60 month period immediately preceding the disposition: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Corporation; and (ii) more than 50% of the fair market value of the shares of the Corporation was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option in respect of, or an interest in, or for civil law a right in, such property.

A Non-Resident Holder’s capital gain (or capital loss) in respect of Common Shares or Warrants that constitute or are deemed to constitute taxable Canadian property (and are not “treaty-protected property” as defined for purposes of the Tax Act) will generally be computed in the manner described above under the heading “*Taxation of Resident Holders—Dispositions of Common Shares and Warrants*”.

Non-Resident Holders whose Common Shares or Warrants are taxable Canadian property should consult their own tax advisors.

### **PRIOR SALES**

On January 11, 2010 the Corporation issued 1,050,000 Common Shares at a deemed price of \$0.52 to the minority shareholder of the Corporation’s KGL-ERW, SPRL subsidiary in connection with amendments to the shareholders’ agreement governing the subsidiary and relating to the transfer and exploration of the ERW Property.

On April 14, 2010 the Corporation granted 300,000 stock options under its stock option plan, each option exercisable at a price of \$0.60 until April 14, 2012.

On August 10, 2010, the Corporation issued 520,915 Common Shares at a deemed price of \$0.482 per share to the minority shareholders of the Corporation's KGL-Somituri, SPRL subsidiary in connection with amendments to the shareholders' agreement governing the subsidiary and relating to the transfer and exploration of the Somituri Property.

In closings that occurred on August 5, 2010, August 25, 2010, October 7, 2010 and November 5, 2010, the Corporation completed the sale of an aggregate of 48,740,000 units at a price of \$0.20 per unit for gross proceeds of \$9,748,000 in a brokered private placement. Each unit consisted of one Common Share and one-half of one Common Share purchase warrant, with each whole share purchase warrant entitling the holder to acquire one additional Common Share at a price of \$0.30 for a period of 24 months from the date of issue. In connection with the private placement, the Corporation issued an aggregate of 3,190,250 agent's compensation options entitling the holder to acquire an aggregate of 3,190,250 units having the same terms as those issued in the private placement and exercisable at a price of \$0.20 per unit for a period of 24 months from the date of issue.

On November 19, 2010 the Corporation granted 2,220,000 stock options under its stock option plan, each option exercisable at a price of \$0.30 until November 19, 2015.

From January 27, 2011 to the date hereof, the Corporation has issued 420,000 Common Shares upon the exercise of previously issued broker compensation options at a price of \$0.20 per share.

From January 28, 2011 to the date hereof, the Corporation has issued 250,000 Common Shares upon the exercise of previously issued warrants at price of \$0.30 per share.

#### TRADING PRICE AND VOLUME

The outstanding Common Shares of the Corporation are listed and posted for trading on the TSXV under the symbol "KGL". The Common Shares are also listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange. The following table sets forth information relating to the monthly trading of the Common Shares on the TSXV for the 12 most recently completed full or partial months.

<b>Period</b>	<b>High</b> <b>(Cdn.\$)</b>	<b>Low</b> <b>(Cdn.\$)</b>	<b>Volume</b> <b>(# of Shares)</b>
May 2010	0.45	0.20	3,393,760
June 2010	0.26	0.195	1,481,012
July 2010	0.26	0.205	3,638,874
August 2010	0.245	0.165	3,532,875
September 2010	0.36	0.19	1,010,250
October 2010	0.375	0.25	1,939,918
November 2010	0.32	0.27	2,056,913
December 2010	0.395	0.28	1,735,285
January 2011	0.52	0.34	4,063,060
February 2011	0.58	0.38	6,610,165
March 2011	0.47	0.265	3,928,093
April 1 to 19, 2011	0.32	0.20	3,901,449

On April 19, 2011, the last trading day on the TSXV immediately prior to the filing of this short form prospectus, the closing price of the Common Shares was \$0.215.

#### DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As at the date of this short form prospectus 113,978,984 Common Shares are issued and outstanding.

All investors are advised to consult their own taxation, accounting and legal advisors to determine the income tax benefits or consequences, if any, to the purchasers of Units.

The following is a summary of the material provisions of the Common Shares and Warrants comprising the Units:

### **Common Shares**

The holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. The holders of the Common Shares are entitled to receive such dividends in any financial year as the board of directors of the Corporation may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive the remaining property and assets of the Corporation.

### **Warrants**

The Warrants will be created and issued pursuant to the terms of a warrant indenture (the “**Warrant Indenture**”) to be entered into between the Corporation and • (the “**Warrant Agent**”), as warrant agent, on the closing of the Offering. The principal transfer offices of the Warrant Agent in Toronto, Ontario will be the location at which Warrants may be surrendered for exercise or transfer.

The following is a summary of the material attributes and characteristics of the Warrants. This summary does not, however, include a description of all of the terms of the Warrants. Reference should be made to the Warrant Indenture for a complete description of the terms of the Warrants.

Each Warrant will entitle the holder to purchase one Common Share at a price of \$0.30 per Common Share at any time before the period ending 24 months after the Closing Date after which time the Warrants will expire.

The Warrants will be transferable by the holder. However, there is currently no market through which the Warrants may be sold. See “**Plan of Distribution**”.

Neither the Warrants nor the Common Shares issuable upon exercise of the Warrants have been or will be registered under the U.S. Securities Act or any state securities laws, and the Warrants may not be exercised in the United States or by, or for the account or benefit of, a U.S. person unless an exemption from such registration requirements is available. Certificates evidencing the Warrants, and the Common Shares issuable upon exercise of the Warrants which are issued in the United States or to, or for the account or benefit of, a U.S. person, will bear a legend to this effect.

The Warrant Indenture will contain customary provisions designed to protect the holders of Warrants against dilution upon the happening of certain stated events, including standard adjustments in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share.

No fractional Common Shares will be issuable upon the exercise of Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

From time to time, the Corporation and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of Warrants may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either: (a) passed at a meeting of the holders of Warrants (at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants) by the affirmative vote of holders of Warrants representing not less than 66 2/3% of the aggregate number of then outstanding Warrants represented at the meeting and voted on such resolution; or (b) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66 2/3% of the aggregate number of then outstanding Warrants.

No fee or commission is payable to the Underwriters with respect to the exercise of Warrants.

## **RISK FACTORS**

An investment in the Corporation involves significant risks and must be considered speculative due to the nature of the Corporation's business. Prospective purchasers of Units should carefully consider the following risk factors, as well as the information included in the AIF which may be accessed at [www.sedar.com](http://www.sedar.com).

### *Risks Relating to the Corporation*

#### **Nature of Exploration and Development**

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Corporation will result in a profitable commercial mining operation.

Furthermore, resources and reserves are estimates based upon drilling results, past experience with mining properties, experience of the person making the resource/reserve estimates and many other factors. Resource/reserve estimation is an interpretative process based upon available data. The actual quality and characteristics of ore deposits and metallurgical recovery rates cannot be known until mining takes place, and will almost certainly differ from the assumptions used to develop reserves. Further, reserves are valued based on current costs and current prices and consequently may be reduced with declines in, or sustained low, metal prices.

#### **Ability to Raise Financing**

The Corporation has limited financial resources, has no operating cash flow and has no assurance that sufficient funding will be available to it for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Corporation will require additional financing if ongoing exploration of its properties is warranted.

Global financial markets have been subject to significant volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Access to financing has been negatively impacted by various factors. These factors, among others, may negatively impact the ability of the Corporation to obtain loans and/or other credit facilities or project financing in the future if development of any of its properties is pursued and, even if obtained, may impact the terms on which any such financing may be obtained.

#### **Foreign Operations**

The Corporation is exposed to risks of political instability and changes in government policies, laws and regulations in the DRC. The Corporation holds mineral interests in the DRC that may be affected in varying degrees by political stability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of the DRC. Any changes in regulations or shifts in political conditions are beyond the Corporation's control and may adversely affect the Corporation's business. The Corporation's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. There is no assurance that permits can be obtained, or that delays will not occur in obtaining all necessary permits or renewals of such permits for existing properties or additional permits required in connection with future exploration and development programs. In the event of a dispute arising at the Corporation's foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Corporation may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of the doctrine of sovereign immunity.

There can be no assurance that industries deemed of national or strategic importance to the DRC, such as mining, will not be nationalized. Government policy may change to discourage foreign investment, re-nationalization of the mining industry may occur and other government limitations, restrictions or requirements may be implemented.

There can be no assurance that the Corporation's assets in the DRC will not be subject to nationalization, requisition, expropriation or confiscation, whether legitimate or not, by any authority or body.

### **Currency Fluctuations**

The Corporation is exposed to currency fluctuations as it presently holds funds in Canadian dollars and a significant amount of its costs will be incurred in United States dollars, British pounds, South African rands and DRC francs (CDF). The Corporation has not entered into any foreign currency hedging contracts.

### **Environmental Matters**

All phases of the Corporation's operations are subject to environmental regulations in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. Environmental hazards may exist on the properties in which the Corporation holds interests which are presently unknown to the Corporation and which have been caused by previous or existing owners or operators of the properties or by illegal mining activities.

### **Governmental Matters**

The Corporation is exposed to risks of political instability and changes in government policies, laws and regulations in the country in which it operates. The majority of the Corporation's assets consist of its mineral interests in the DRC that may be adversely affected in varying degrees by political instability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of the DRC. Any changes in regulations or shifts in political conditions are beyond Kilo's control and may adversely affect its business. The Corporation's operations may be adversely affected in varying degrees by government regulations, including those with respect to restrictions on foreign ownership, state-ownership of strategic resources, production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Kilo's operations may also be adversely affected in varying degrees by economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, risk of corruption including violations under U.S. and Canadian foreign corrupt practices statutes, fluctuations in currency exchange rates and high inflation.

The Corporation's operations, and the development of its properties, are subject to obtaining and maintaining licenses and permits from appropriate governmental authorities. There is no assurance that such licenses and permits can be obtained, renewed or re-registered, as applicable, or that delays will not occur in obtaining all necessary licenses and permits or renewals of such licenses and permits for Kilo's existing properties or additional permits required in connection with future exploration and development programs. Prior to any development of its principal properties, being the prospects contained within the Somituri Property (the "Properties"), the Corporation must receive licenses and permits from appropriate governmental authorities. There can be no assurance that the Corporation will obtain or continue to hold all licenses and permits necessary to develop or continue operating any of the Properties. Any failure to obtain or maintain the necessary licenses and permits to advance the development of any of the Properties will have a material adverse impact on the Corporation and its business, assets, financial condition, results of operations and prospects.

Even if any of the Properties can be advanced to a development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protections, mine safety and other matters. In addition, new laws and regulations governing operations and activities of mining companies could have a material adverse impact on any of the Corporation's projects in the mine development stage.

### **Inability to Enforce the Corporation's Legal Rights in Certain Circumstances**

In the event of a dispute arising in respect of the Corporation's foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction

of courts in Canada or elsewhere. The Corporation may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of, among other things, the doctrine of sovereign immunity. Any adverse or arbitrary decision of a court, arbitrator or other governmental or regulatory body may have a material adverse impact on the Corporation's business, assets, prospects, financial condition and results of operations.

The Corporation's inability to enforce its contractual rights could have a material adverse effect on its future cash flows, earnings, results of operations and financial condition, as well as its business, assets and prospects.

### **Estimates of Mineral Resources May Prove to Be Inaccurate**

Calculations of mineral reserves, mineral resources and metal recovery are only estimates, and there can be no assurance about the quantity and grade of minerals until reserves or resources are actually mined. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on commodity prices. Any material change in the quantity of resources, grade or stripping ratio or recovery rates may adversely affect the economic viability of the Properties and the Corporation's financial condition and prospects.

### **Limited Operating History and Losses**

The Corporation to date has limited experience in mining or processing of metals. The Corporation has experienced losses in all years of its operations. All activities have been of an exploration and development nature. There can be no assurance that the Corporation will generate profits in the future.

### **No History of Mineral Production**

The Corporation has never had an interest in a producing property. There is no assurance that commercial quantities of minerals will be discovered on any of the properties of the Corporation or any future properties, nor is there any assurance that the exploration programs of the Corporation thereon will yield any positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any property of the Corporation will ever be brought to a stage where minerals can profitably be produced thereon. Factors which may limit the ability of the Corporation to produce from its properties include, but are not limited to, the price of the minerals which are currently being explored for, availability of additional capital and financing and the nature of any mineral deposits.

### **Insurance and Uninsured Risks**

The business of the Corporation is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Corporation or others, delays in mining, monetary losses and possible legal liability. Although the Corporation may maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Corporation or to other companies in the mining industry on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards which it may not be insured against or which the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference

in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Corporation.

### **Land Title**

Although the nature and extent of the interests of the Corporation in the properties in which it holds an interest has been reviewed by or on behalf of the Corporation and title opinions have been obtained by the Corporation with regard to certain of such properties, there may still be undetected title defects affecting such properties. Title insurance generally is not available, and the ability of the Corporation to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Furthermore, in certain cases, the Corporation has not conducted surveys of the licences in which it holds direct or indirect interests and, therefore, the precise area and location of such licences may be in doubt. Accordingly, the properties in which the Corporation holds an interest may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Corporation's operations. In addition, the Corporation may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Pursuant to an assignment agreement dated April 29, 2010, the eight Exploitation Licences comprising the Somituri Property were irrevocably assigned to KGL - Somituri, a 71.25% indirect DRC subsidiary of the Corporation. Documentation has been filed with the CAMI to effect the registration of these assignments however, the assignments have not yet been implemented by the CAMI and the licences remain registered in the name of the assignor. While the Corporation believes that it has filed all necessary documentation and complied with all procedural requirements under DRC law to effect the re-registration of the Somituri Property Exploitation Licences into the name of KGL - Somituri, and failure to have the licences so re-registered could have a material adverse affect on the business and operations of the Corporation.

### **Costs of Land Reclamation**

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which the Corporation holds an interest. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of the Corporation.

### **Competition**

The mining industry is competitive in all of its phases. The Corporation faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious metals, base metals diamonds and iron ore. Many of these companies have greater financial resources, operational experience and technical capabilities than the Corporation. As a result of this competition, the Corporation may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Corporation could be materially adversely affected.

### **Fluctuations in Commodity Prices**

The price of the Common Shares, and the consolidated financial results and exploration, development and mining activities of the Corporation may in the future be significantly and adversely affected by declines in the price of gold and other minerals. The price of gold and other minerals fluctuates widely and is affected by numerous factors beyond the control of the Corporation such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market value of gold and other minerals could cause continued development of and commercial production from the properties in which the Corporation holds an interest to be impracticable. Depending on the price of gold and other minerals, cash flow from any mining operations may not be sufficient and the Corporation could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Any future production from the Corporation's mining

properties is dependent upon the prices of gold and other minerals being adequate to make these properties economic. In addition to adversely affecting the resource estimates of the Corporation and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### **Key Executives**

The Corporation is dependent upon the services of key executives, including the directors of the Corporation and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Corporation, the loss of these persons or the inability of the Corporation to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

### **Conflicts of Interest**

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Corporation should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (Ontario) and other applicable laws. See "Conflicts of Interest".

### **Internal Controls**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Any failure in the Corporation's internal controls over financial reporting may have a material adverse impact on the Corporation, its financial condition or its results of operations.

### **The Impact of Hedging Activities on Profitability**

Although Kilo has no present intention to do so, if appropriate in the future, it may hedge a portion of any future gold production in an effort to protect against low gold prices and/or to satisfy any covenants that may be required to obtain project financings. Although hedging activities may protect a company against low gold prices, they may also limit the price that can be realized on gold that is subject to forward sales and call options where the market price of gold exceeds the gold price in a forward sale or call option contract.

### *Risks Relating to the Offering*

#### **Market Price of Shares**

Securities of small-cap resource companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in gold and other metal prices, foreign exchange rates, the political environment in the DRC, or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the performance of the Corporation that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation's securities; lessening in trading volume and general market interest in the Corporation's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Corporation's public float may limit the ability of some institutions to

invest in the Corporation's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Corporation's securities to be delisted from any exchange upon which they trade, further reducing market liquidity. If an active market for the Common Shares cannot be sustained, the liquidity of an investor's investment may be limited and investors may lose their entire investment in Common Shares. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Corporation. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### **Uncertainty of Application of Net Proceeds**

Although the Corporation has generally provided for the use of proceeds from its financing activities, it cannot specify with certainty the amount of the net proceeds from its financing activities that will be allocated for each purpose. Accordingly, the Corporation's management will have broad discretion in the application of such proceeds.

### **Dividends**

The Corporation does not anticipate that any dividends will be paid on the Common Shares in the foreseeable future.

### **No Guarantee on Investment**

There is no guarantee that an investment in the Corporation will earn any positive return in the short or long term. In fact, an investor could lose her/his entire investment in the Corporation.

### **No Pre-emptive Rights**

The Corporation's articles authorize the issuance of an unlimited number of Common Shares for the consideration and on terms and conditions as shall be established by the board of directors without the approval of the shareholders. Holders of Common Shares of the Corporation have no pre-emptive rights in connection with such further issues.

### **Marketability of Warrants**

Since the Corporation does not intend to apply for listing of the Warrants on any securities exchange or for inclusion on any automated quotation system, there is no public market for the Warrants and none is expected to develop. Even if a market does develop for the Warrants, there can be no assurance that it will be a liquid market.

## **INTERESTS OF EXPERTS**

Certain legal matters relating to the Offering will be passed upon on behalf of the Corporation by Kirsh Securities Law Professional Corporation and on behalf of the Underwriters by Cassels Brock & Blackwell LLP. At the date hereof, directors, officers and shareholders of Kirsh Securities Law Professional Corporation own beneficially, directly or indirectly, less than 1% of the outstanding Common Shares and stock options to acquire 150,000 Common Shares. At the date of hereof, partners and associates of Cassels Brock & Blackwell LLP own beneficially, directly or indirectly, less than 1% of the outstanding Common Shares.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation are Collins Barrow Toronto LLP, Chartered Accountants, Toronto, Ontario who advise that they are independent of the Corporation within the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The registrar and transfer agent for the Common Shares is Equity Financial Trust Company at its principal office at 200 University Avenue, Suite 400 Toronto, Ontario, M5H 4H1.

### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

### AUDITOR'S CONSENT

We have read the short form prospectus of Kilo Goldmines Ltd. (the "Corporation") dated •, 2011 qualifying the distribution of a minimum of 25,000,000 and a maximum of • Units of the Corporation, each Unit consisting of one common share and one-half of one warrant to purchase one additional common share of the Corporation. We have complied with Canadian generally accepted standards for auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at September 30, 2010 and 2009 and the consolidated statements of operations and deficit and consolidated cash flows for the years then ended. Our report is dated December 14, 2010.

•

Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
•, 2011

**CERTIFICATE OF THE CORPORATION**

Dated: April 20, 2011

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of the provinces of Ontario, Alberta and British Columbia.

*(signed) "Klaus Eckhof"*  
Klaus Eckhof  
Chief Executive Officer

*(signed) "Philip Gibbs"*  
Philip Gibbs  
Chief Financial Officer

On behalf of the Board of Directors

*(signed) "Peter Hooper"*  
Peter Hooper  
Director

*(signed) "James Mustard"*  
James Mustard  
Director

**CERTIFICATE OF THE AGENTS**

Dated: April 20, 2011

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of the provinces of Ontario, Alberta and British Columbia.

**M Partners Inc.**

By: *(signed) "Thomas Kaufman"*  
Thomas Kofman  
Chairman

**Cormark Securities Inc.**

By: *(signed) "Dan Barnholden"*  
Dan Barnholden  
Director

**Euro Pacific Canada Inc.**

By: *(signed) "David Cusson"*  
David Cusson  
Chief Executive Officer