Management Discussion and Analysis of Audited Consolidated Financial Statements
For the twelve month period ended September 30, 2009

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KILO GOLDMINES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
For the twelve month period ended September 30, 2009

This Management Discussion and Analysis ("MD&A") of Kilo Goldmines Ltd. ("Kilo" or the "Company") is dated January 21, 2010 and provides an analysis of the Company's performance and financial condition for the twelve month period ended September 30, 2009 , as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2009, including the related note disclosure. The Company's audited financial statements are presented on a consolidated basis with its wholly owned subsidiary Kilo Goldmines Inc. and the partnership interests described in the notes to the financial statements, and are prepared in accordance with Canadian generally accepted accounting principles. All dollar figures included therein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise specified. Additional information relevant to the Company's activities can be found on SEDAR at ***www.sedar.com*** *or the Company's website at* ***www.kilogold.net.***

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

OVERALL PERFORMANCE

Principal Business and Corporate History

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

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

Amalgamation

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

On March 20, 2009, pursuant to the Agreement, Old Kilo amalgamated with Blue Ribbon's wholly owned subsidiary. Completion of the transaction constituted Blue Ribbon's qualifying transaction. The shareholders of Old Kilo held the majority of the outstanding shares of the Company following the transaction, and accordingly, the transaction has been accounted for as a reverse takeover. Since Blue Ribbon's operations do not constitute an economic unit, the transaction has been accounted for as a capital transaction. Where appropriate, the comparative figures presented in this MD&A and the audited consolidated financial statements for the year ended September 30, 2008 are the historical results of Old Kilo.

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

DEVELOPMENTS DURING THE TWELVE MONTHS ENDED SEPTEMBER 30, 2009

Qualifying Reports

A report prepared to National Instrument 43-101 standards was completed during the period ended September 30, 2009. The report entitled "43-101 Report on the KGL MASTERS PROJECT Provinces of Nord Kivu and Orientale DEMOCRATIC REPUBLIC OF CONGO" dated January 15, 2009, was approved by the TSX Venture Exchange. The report, authored by Stanley Robinson, M.Sc., F.GAC., P.Geo., a qualified person, can be viewed on SEDAR at www.sedar.com.

Exploration Activities

Diamond drilling activities were initiated on the KGL-MASTERS properties during the twelve month period ended September 30, 2009, most specifically on PR 8437 which covers 102 square kilometers, and PR2634 which covers 309 square kilometres. Stanley Robinson, M.Sc., P.Geo, planned and supervised the exploration program.

Anomalous gold-in-soil values trending east-northeast south-southwest in the central portion of PR8437 in an area of elevated gold values that trends north-northeast across the Permis de Recherches were delineated.

A coincident copper, iron and zinc anomaly in soil samples, coupled with coincident anomalous nickel-in-soil, is interpreted to reflect the presence of a north-northeast trending mafic dyke across the entire Permis de Recherches on the east flank of the elevated background gold values.

Two molybdenum-in-soil anomalies, one immediately south of the M2 gold occurrence, and the other in the southeast corner of PR8437, were delineated. A preliminary suggested interpretation is that the molybdenum anomalies, particularly the one immediately south of active artisanal gold workings, the M2 gold occurrence, represents a granitic intrusive.

Infill soil sampling at 50 metre intervals on north-south lines halfway between the lines spaced at 400 metre intervals was recommended in areas that returned anomalous gold-in-soil values to delineate additional drill targets. It was further recommended that the infill soil samples only be analyzed for gold.

Ground magnetic surveys over the areas selected for infill soil sampling was recommended to be carried out simultaneously with the soil sampling.

A total of 1,781.70 metres of diamond drilling were carried out in ten holes, over a strike length of 400 metres, on the M2 gold occurrence, an active artisanal working, during June and July 2009, under contract by Geosearch International. Sampling of the diamond drill core is in progress; analytical data received for 3 of the ten drill holes indicate the presence of elevated gold values but economically significant results have not been obtained. Sampling of the remaining 7 drill holes is in progress.

The M2 gold occurrence is an artisanal working centered on a small hill, and consists of two known parallel quartz veins about 1 to 2 metres thick separated by about 15 metres of granite sheared to muscovite schist, that host numerous thin auriferous quartz veins and veinlets. The parallel quartz veins strike approximately 290° - 110° and dip about 60° towards the north-northeast. The M2 target workings have been explored and exploited over a strike length of about 200 metres.

Pyrite, oxidized to hematite, occurs disseminated throughout the sheared granite, and quartz veins and veinlets are present. Drilling targeted and intersected the quartz veins that the artisanal miners are exploiting and recovering gold. Visible gold was only observed in samples collected by the artisanal miners; it is unknown if gold is present in the diamond drill core. Granite is the most abundant rock type intersected in all of the diamond drill holes. In addition, diorite, mica schists, mafic volcanic flows, quartz veins and diabase were intersected.

All of the lithological units, with the exception of diabase and quartz veins, exhibit tectonic characteristics that suggest all of these units were subjected to the same tectonic events. The granite is interpreted to consist of a swarm of sills injected into the bedding planes of the lithological units. Possibly, the granite sills originated from an interpreted granite body, based on a molybdenum-in-soil anomaly, situated to the south of the M2 gold occurrence.

No further diamond drilling is warranted on the M2 gold occurrence until the analytical data is received and reviewed.

During the twelve month period ended September 30, 2009, a total of 12 holes for 2,574.10 metres were drilled on the M3 Target, 1 hole totalling 138.71 metres was drilled on the M4 target and 56 metres had been drilled in 2 holes in progress on the M1 Target on PR2634.

During the year ended September 30, 2009, a preliminary interpretation was made on soil geochem data covering an area that included the M1 target artisanal workings. Analytical data of 1,590 samples had not been received by September 30, 2009.

A significant gold-in-soil anomaly in the vicinity of the M1 target was not delineated. However, the soil sampling program successfully delineated other gold-in-soil anomalies within an 8 square kilometre area that includes the M1 Target, notably the 1 kilometre long M3 target. The M3 target also developed into a major artisanal working with an area of exploitation over 400 metres along strike. In addition, several other gold-in-soil anomalies identified as M4 and M6 were delineated

The 12 diamond drill holes collared to evaluate the M3 Target gold-in-soil anomaly and the active artisanal workings intersected quartz veins hosted predominantly in intermediate metavolcanic flows and tuffs. Sections mineralized with disseminated polymetallic sulphides, pyrite, pyrrhotite, and traces of chalcopyrite and sphalerite were intersected. The occasional speck of visible gold was observed in quartz. Logging and sampling of the drill core is in progress. As of September 30, 2009, samples had not been submitted for analysis.

Granite with the occasional quartz vein was intersected in the diamond drill hole that tested the M4 Target, gold-in-soil anomaly. Significant mineralization was not intersected; logging and sampling is in progress.

The two diamond drill holes in progress on the M1 Target had not intersected the zone of interest by September 30, 2009. The M1 Target consists of a foliated quartz vein that varies from 1 metre to 2 metres thick, trends east-west direction and dips steeply to the north. This auriferous quartz vein, the subject of extensive artisanal exploitation, is hosted in Precambrian Upper Kibalian schistose rocks.

During the year ended September 30, 2009, the twenty Exploration Licences of the KGL-SOMITURI project were converted into eight Exploitation Licences. Exploration activities were not carried out on the properties during the twelve month period ended September 30, 2009.

The Company did not carry out any exploration activities on the KGL-ERW properties during the twelve month period ended September 30, 2009. During the year ended September 30, 2009, the Company signed an agreement with Rio Tinto Mining and Exploration Limited ("Rio") granting Rio an earn-in with respect to certain mineral rights (primarily iron ore) on its ERW property. Rio has the ability to earn a 51% interest in those mineral rights by making cash payments and exploration expenditures totalling 23,000,000 United States Dollars by December 31, 2013. Rio can earn an additional 24% interest by making additional cash payments and exploration expenditures totalling 60,000,000 United States Dollars by December 31, 2018. Subsequently, the Company will have several funding and net smelter royalty conversion options available to exercise at its option.

During the period ended September 30, 2009, the Company signed a letter of intent to amend the agreement with Rio. Pursuant to the proposal, Rio would have the ability to earn a 51% interest in the mineral rights by making cash payments and exploration expenditures totalling 23,000,000 United States Dollars by December 31, 2013. Rio can earn an additional 13% interest by making additional cash payments and exploration expenditures totalling 33,600,000 United States Dollars by December 31, 2018. Finally, Rio can earn an additional 11% interest by making additional cash payments and exploration expenditures totalling 26,400,000 United States Dollars by December 31, 2020. All other terms and conditions of the original agreement remain unchanged.

Exploration activities were not carried out on the KGL-SIHU properties during the twelve month period ended September 30, 2009.

Exploration activities were not carried out on the KGL-POKO properties during the twelve month period ended September 30, 2009.

SELECTED ANNUAL INFORMATION

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

For the fiscal periods ended September 30,	**2009**	**2008**
	$	**$**
Net revenues	4,595	38,309
Loss before discontinued operations and extraordinary items	2,022,327	2,622,842
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.06	0.11
Net loss	2,022,327	2,622,842

Net loss, per share basic and diluted	0.06	0.11
Total assets	22,181,577	7,660,740
Total long term liabilities	Nil	773,422
Cash dividends	Nil	Nil

Project Expenditures

During the twelve months ended September 30, 2009, the Company incurred expenditures of $5,514,174 related to resource properties. This represents an increase of $2,269,914 from the $3,244,260 of project expenditures incurred during the twelve months ended September 30, 2008. During the year ended September 30, 2009, the Company commenced its drilling program on the KGL-MASTERS group of properties, as well as incurring significant costs for tax payments related to all properties. Furthermore, in conjunction with completing the transaction with Blue Ribbon discussed previously, the Company was required to issue 3,853,353 common shares and 1,297,400 common share purchase warrants in connection with the acquisition of the KGL-MASTERS, KGL-SOMITURI and KGL-SIHU properties, the fair value of which is included in the acquisition costs of these properties.

Project expenditures for the year ended September 30, 2009, were incurred as follows:

Fiscal Year	**2009**					
	KGL-Masters	**KGL-Somituri**	**KGL-Sihu**	**KGL-ERW**	**KGL-Poko**	**Total**
	$	$	$	$	$	$
Acquisition costs	579,355	853,507	514,486	122,093	40,218	2,109,659
Drilling	1,665,352	NIL	NIL	NIL	NIL	1,665,352
Sampling	147,233	NIL	NIL	NIL	NIL	147,233
Professional fees	273,824	135,915	28,728	206,598	6,331	651,396
Project management/ administration	614,646	168,612	NIL	114,235	NIL	897,493
Geological	NIL	NIL	NIL	NIL	NIL	NIL
Travel	38,039	NIL	NIL	NIL	NIL	38,039
Other	5,002	NIL	NIL	NIL	NIL	5,002
Current expenditures	3,323,451	1,158,034	543,214	442,926	46,549	5,514,174
Write-off of mineral properties	NIL	NIL	NIL	NIL	NIL	NIL
Balance- beginning of year	3,491,083	1,178,545	879,662	615,644	146,297	6,311,231
Balance- end of year	6,814,534	2,336,579	1,422,876	1,058,570	192,846	11,825,405

Project expenditures for the year ended September 30, 2008, were incurred as follows:

Fiscal Year	2008					
	KGL-Masters	**KGL-Somituri**	**KGL-Sihu**	**KGL-ERW**	**KGL-Poko**	**Total**
	$	$	$	$	$	$
Acquisition costs	384,296	53,800	85,450	47,967	NIL	571,513
Drilling	NIL	NIL	NIL	NIL	NIL	NIL
Sampling	487,190	NIL	NIL	NIL	NIL	487,190
Professional fees	391,014	245,681	79,273	130,361	13,184	859,513
Project management/ administration	485,839	182,243	NIL	115,496	NIL	783,578
Geological	144,746	NIL	NIL	NIL	NIL	144,746
Travel	288,783	39,676	37,241	25,827	6,193	397,720
Other	NIL	NIL	NIL	NIL	NIL	NIL
Current expenditures	2,181,868	521,400	201,964	319,651	19,377	3,244,260
Write-off of mineral properties	NIL	NIL	NIL	NIL	NIL	NIL
Balance-beginning of year	1,309,215	657,145	677,698	295,993	126,920	3,066,971
Balance- end of year	3,491,083	1,178,545	879,662	615,644	146,297	6,311,231

General and Administrative Operating Activities

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

In the twelve month period ended September 30, 2009, the Company's net loss was $2,022,327, compared to a net loss of $2,622,842 for the twelve month period ended September 30, 2008.

During the year ended September 30, 2009, total expenses decreased by $634,229 to $2,026,922 when compared to the year ended September 30, 2008.

During the twelve months ended September 30, 2009, administrative and general expenses decreased by $27,835 to $259,768. The decrease was due to a general tightening of spending on items such as communications, printing and photocopying, as well as a reduction of personnel performing administrative duties.

During the year ended September 30, 2009, the Company began to compensate its directors for their services. Total fees of $38,423 were paid to the Company's directors during the twelve month period ending September 30, 2009.

As a result of becoming a publicly traded entity, the Company incurred financial services expenses of $87,368 for the year ended September 30, 2009. There were no similar charges during the year ended September 30, 2008, as the Company was a privately owned entity.

Late in fiscal 2008, Kilo relocated their Toronto office resulting in an increase to occupancy expenses of $31,881 for the year ended September 30, 2009. Occupancy expenses for the year ended September 30, 2009 were $62,258, while the year ended September 30, 2008 had occupancy expenses of $30,377.

Professional fees increased by $258,750 to $993,044 during the twelve months ended September 30, 2009, as compared to the same period ended September 30, 2008. The increases were mainly due to additions to the management team, as well as a one-time CEO bonus payment related to the Going Public Transaction. Also contributing to the increase in professional fees was the fact that former employees of the Company began to invoice for their services on a monthly basis. As a result, salary and wage expenses of $116,242 incurred during the year ended September 30, 2008 decreased by $109,239 to $7,003 for the year ended September 30, 2009.

Travel expenses for the twelve months ended September 30, 2009 totaled $145,792, an increase of $54,093 from the same period ended September 30, 2008. The increase in travel during the year was due to travel to the Democratic Republic of Congo ("DRC") in connection with the Company's properties, and to increased senior management travel related to the Company's ongoing operations.

Stock-based compensation for the twelve months ended September 30, 2008 was $1,106,330 as a result of options issued to directors, officers and consultants. During the twelve months ended September 30, 2009, the Company issued 300,000 options to a consultant pursuant to a consulting agreement. As at September 30, 2009, all of these options had yet to vest, but the Company had recorded $35,396 of stock-based compensation expense for these options during the twelve months ended September 30, 2009.

SELECTED QUARTERLY INFORMATION

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

Fiscal Year	2009				2008			
For the quarters ended	Sep 2009	Jun 2009	Mar 2009	Dec 2008	Sep 2008	Jun 2008	Mar 2008	Dec 2007
	$	$	$	$	$	$	$	$
Net revenues	184	510	10	3,891	2,248	6,951	10,621	18,489
Loss before discontinued operations and extraordinary items	632,464	778,304	328,110	283,449	981,210	431,530	455,827	754,275
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.02	0.02	0.01	0.01	0.04	0.02	0.02	0.03
Net Loss	632,464	778,304	328,110	283,449	981,210	431,530	455,827	754,275
Net loss, per share basic and diluted	0.02	0.02	0.01	0.01	0.04	0.02	0.02	0.03

Factors Affecting Quarterly Results

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

LIQUIDITY AND CAPITAL RESOURCES

The Company had $7,957,094 of working capital as at September 30, 2009, compared to $3,034 at September 30, 2008. As at September 30, 2009, the Company held cash and cash equivalents of $9,242,200 versus $170,062 as at September 30, 2008. This increase in cash and cash equivalents as well as the increase in the Company's working capital position reflects the Company's recent efforts to raise capital through the issuance of shares and warrants through private placements.

The Company is dependent on obtaining future financing for the exploration and development of its resource properties beyond fiscal 2010 and for any new projects.

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

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

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

Share Capital

As at January 21, 2010, the Company's share position consisted of:

Shares outstanding (i)	62,998,069
Options outstanding (ii)	10,104,833
Warrants outstanding (iii)	20,112,400

(i) Shares outstanding

a) During the twelve months ended September 30, 2009, the Company:

   i) Issued 22,933,413 common shares in exchange for the 22,933,413 issued and outstanding common shares of Kilo Goldmines Inc. in connection with the acquisition and amalgamation described previously.

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

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

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

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

   iv) Issued 22,250,000 units (pursuant to private placements) for proceeds of $10,012,500, of which $2,002,500 was allocated to warrants.

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

   v) Issued 3,853,353 common shares to Moto Goldmines Limited in connection with resource property acquisitions.

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

b) Subsequent to the year ended September 30, 2009, the Company issued 861,303 common shares at $0.45 per share pursuant to a Debt Settlement Agreement with one of its suppliers.

(ii) Options outstanding

Option Price	Number of Options	Weighted Average Remaining Contractual Life
$0.80	151,250	0.5 years
$0.80	112,500	0.5 years
$1.00 US	100,000	0.5 years
$0.60	750,000	0.5 years
$0.60	637,883	2.5 years
$0.30	400,000	2.5 years
$1.00	500,000	2.5 years
$1.50	750,000	2.5 years
$0.50	319,200	1.5 years
$0.50	300,000	1.5 years
$0.60	1,557,500	2.0 years
$0.45	4,526,500	5.0 years

Subsequent to September 30, 2009, the Company granted options to acquire 4,526,500 common shares to directors, officers and consultants. Each option entitles the holder to purchase one common share of the Company at a price of $0.45 per share for a five year period. The options, other than for investor relations consultants, vest as to one-third immediately and one-third on each of the seven and thirteen month anniversaries of the date of grant. Options for investor relations consultants vest as to one-quarter immediately and one-quarter on each of the four, seven and thirteen month anniversaries of the date of grant. Other than 1,650,000 of the options already reserved for issuance under the options plan, all options are subject to shareholder approval for the increase in the number of shares reserved under its stock option plan to maintain the ratio of shares reserved under the plan to outstanding shares at 15% as a result of the private placement completed during the year ended September 30, 2009. All options granted are subject to regulatory approval and a four-month holding period.

(iii) Warrants outstanding

a) During the twelve months ended September 30, 2009, the Company:

i) Issued 5,030,000 warrants pursuant to private placements as discussed previously.

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

Expected dividend yield	Nil
Risk-free interest rate	1.00%
Expected life	2 years
Expected volatility	100%

ii) Issued 1,297,400 warrants pursuant to Moto Goldmines Limited in connection with resource property acquisitions.

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

Expected dividend yield	Nil
Risk-free interest rate	1.00%
Expected life	2 years
Expected volatility	100%

iii) Issued 310,000 warrants pursuant to private placements as discussed previously.

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

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

iv) Issued 11,125,000 warrants pursuant to private placements as discussed previously.

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

Expected dividend yield	Nil
Risk-free interest rate	0.58%
Expected life	2 years
Expected volatility	120%

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

b) Warrants were issued and outstanding:

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

ii) 6,327,400 warrants entitling the holder to purchase one common share of the Company at $0.60 per share at any time on or before March 20, 2011.

iii) 310,000 warrants entitling the holder to purchase one common share of the Company at $0.60 per share at any time on or before April 15, 2011.

iv) 11,125,000 warrants entitling the holder to purchase one common share of the Company at $0.60 per share at any time on or before September 24, 2011.

COURSE OF BUSINESS TRANSACTIONS

Transactions with Related Parties

During the twelve months ended September 30, 2009, the Company:

a) Incurred management fees of $348,000 with a company controlled by a director. The Company also incurred consulting fees of $132,000 with two individuals related to this director. This director is also an officer.

b) Incurred legal fees of $535,729 with a firm in which two of the Company's directors are partners, of which $305,911 was capitalized as property acquisition costs, $161,372 was charged in connection with the Going Public Transaction, and the remainder was included in professional fees. One of the directors is also an officer.

c) Incurred accounting fees of $248,265 with an accounting firm in which an officer is a partner, of which $62,412 was charged in connection with the Going Public Transaction and $185,853 was included in professional fees.

d) Incurred publicity and advertising fees of $39,600 with a company controlled by a person related to a director. The director is also an officer.

e) Incurred management fees of $134,722 with a director. The director is also an officer.

Off-Balance Sheet Transactions

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

Proposed Transactions

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

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiary Kilo Goldmines Inc., and the partnership interests described in the notes to the financial statements. All interorganizational accounts and transactions have been eliminated on consolidation. All of the Company's exploration activities are conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interest in resource properties as described in the notes to the financial statements. Expenditures on these properties are capitalized to resource properties. Joint venture accounting which reflects the Company's proportionate interest in resource properties is applied by the Company only when commercial feasibility is established and the parties enter into formal comprehensive agreements for ownership and resource participation.

CAPITAL DISCLOSURES

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

FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

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

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

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

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

Currency Risk

The Company's primary operations are located in the DRC. The Company pays most of its DRC costs in United States Dollars, and is therefore subject to foreign exchange risk on this payment stream. The Company also pays suppliers in United Kingdom Pounds Sterling and European Euros and is therefore subject to foreign exchange risk on these payment streams.

Credit Risk

The Company monitors the financial condition of its venture partners and counterparties to contracts. The Company does not have a significant exposure to any individual third party. Credit risk on amounts receivable is limited to the outstanding balance of such amounts.

Sensitivity Analysis

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

At September 30, 2009, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the period would have been $45,503 higher (lower).

At September 30, 2009, if the Canadian Dollar had weakened (strengthened) 10 percent against the United Kingdom Pound Sterling with all other variables held constant, the net loss for the period would have been $41,135 higher (lower).

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

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET APPLIED

International Financial Reporting Standards

The Canadian Institute of Chartered Accountants ("CICA") plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (IFRS) over a period expected to end in 2011. The Company's transition date of October 1, 2011 will require restatement of the amounts reported by the Company for the year ended September 30, 2010 for comparative purposes.

The Company has begun the process of developing an IFRS conversion plan which includes an in-depth analysis of IFRS while identifying the differences between IFRS and the Company's current accounting policies. Once these key differences are identified, the Company can assess the impact of the conversion to IFRS, and develop an appropriate implementation plan. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures, and internal controls over financial reporting. The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures, and the design of internal controls over financial reporting at September 30, 2009, have concluded the Company's disclosure controls and procedures and design of internal controls over financial reporting are adequate and effective as per Multilateral Instrument 52-109 – Certification of Disclosure in Companies' Annual and Interim Filings.

There has been no change in the Company's internal control over financial reporting, or in any other factors that could significantly affect internal controls, during the twelve months ended September 30, 2009.

QUALIFIED PERSON

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

ADDITIONAL INFORMATION

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