



**KILO GOLDMINES LTD.**

**ANNUAL INFORMATION FORM  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**APRIL 12, 2011**

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## **KILO GOLDMINES LTD.**

### **ANNUAL INFORMATION FORM**

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#### **GENERAL INFORMATION**

##### **References**

References in this annual information form (“AIF”) to “Kilo”, the “Company”, “we”, “us” and “our” refer to Kilo Goldmines Ltd. and its subsidiaries (as the context requires).

##### **Date of Information**

The information in this AIF is presented as at April 12, 2011 unless otherwise indicated.

#### **NOTE REGARDING FORWARD-LOOKING INFORMATION**

Certain information contained in this AIF constitutes “forward-looking information”, which is information regarding possible events, conditions or results of operations that is based upon assumptions about future economic conditions and courses of action. All information other than matters of historical fact may be forward-looking information. In some cases, forward-looking information can be identified by the use of words such as “seek”, “expect”, “anticipate”, “budget”, “plan”, “estimate”, “continue”, “forecast”, “intend”, “believe”, “predict”, “potential”, “target”, “may”, “could”, “would”, “might”, “will” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this AIF includes, but is not limited to: information about our exploration and development activities, including information regarding the potential mineralization and resources of our projects, statements about drill results and core intersection lengths, in that they constitute estimates, based on certain assumptions of mineralization that may be encountered if a deposit were to be mined, our exploration and development plans, including anticipated costs and timing thereof, and anticipated time to production, and expectations regarding plans for growth through future acquisitions, exploration activities, farm-ins or otherwise. By its nature, forward-looking information involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to differ materially from those expressed or implied by such forward-looking information. Some of the risks and other factors that could cause actual results to differ materially from those expressed in the forward-looking information contained in this AIF include, but are not limited 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 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; 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 uncertain global economic environment; and other risks and uncertainties related our prospects, properties and business strategy. A discussion of these and other factors that may affect our actual results, performance, achievements or financial position is contained in “Risk Factors” and elsewhere in this AIF and other documents incorporated in this AIF. Although we have attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking information, readers are cautioned that this list is not exhaustive and there may be other factors that we have not identified. Readers are cautioned not to place undue reliance on forward-looking information contained in this AIF. Forward-looking information is based upon our beliefs, estimates and opinions as at the date of this AIF, which we believe are reasonable, but no assurance can be given that these will prove to be correct. Furthermore, we undertake no obligation to update or revise forward-looking information if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law. All forward-looking information contained in this AIF is expressly qualified by this cautionary note.

## **TECHNICAL INFORMATION AND DISCLOSURE FOR MINERAL PROJECTS**

The disclosure in this AIF of scientific or technical information for our mineral projects is based on the technical report described below under “Documents Incorporated By Reference”, which was prepared in accordance with National Instrument 43-101 – *Standards for Disclosure for Mineral Projects* of the Canadian Securities Administrators (“NI 43-101”), by or under the supervision of “qualified persons” under NI 43-101, or is otherwise based on information prepared by or under the supervision of Mr. Stanley D. Robinson, M.Sc. P.Geo., a consultant to the Company, who is also a “qualified person” under NI 43-101.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Information concerning our Adumbi prospect on our Somituri Property, which we are required to include in this AIF in the section entitled “Description of the Business and Properties”, has in some cases been included by incorporating by reference the technical report dated April 2011 and entitled "Mineral Resource Estimate of the Adumbi Prospect, Oriental Province, Democratic Republic of Congo" prepared by Mr. David Young, BSc (Hons), FGSSA, MSAIMM, FAusIMM and Mr. Johannes Reynhardt Krynauw PhD, FGSSA, PR Sci Nat of The Mineral Corporation (the “Adumbi Technical Report”).

The foregoing document is available for viewing under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CORPORATE STRUCTURE**

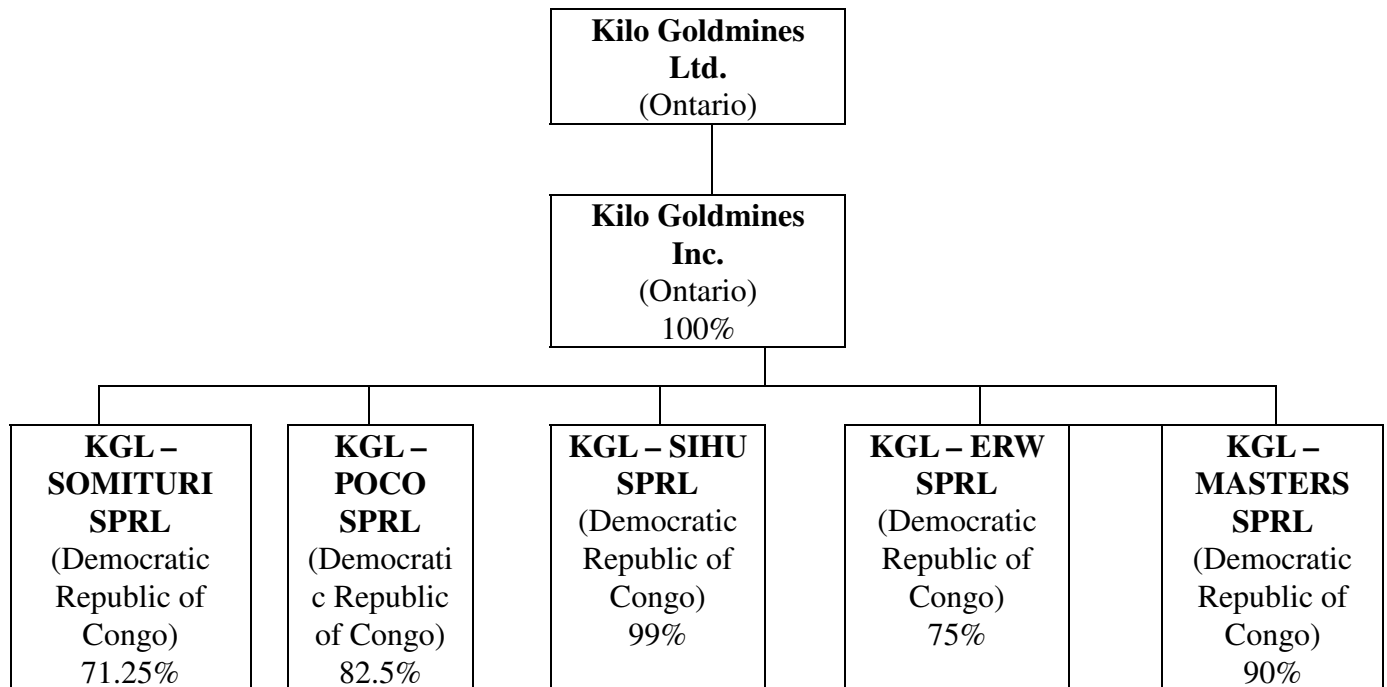
### **Name, Address and Incorporation**

The Company was incorporated on September 12, 2006 under the *Business Corporations Act* (Ontario) as "Blue Ribbon Capital Corporation". The name of the Company was changed to "Kilo Goldmines Ltd." by the filing of Articles of Amendment under the *Business Corporations Act* (Ontario) on March 12, 2009 in

connection with the acquisition of Kilo Goldmines Inc. ("Old Kilo") through amalgamation with a wholly-owned subsidiary of the Company, which constituted the Company's "Qualifying Transaction" under the policies of the TSX Venture Exchange (the "TSXV").

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

### Intercorporate Relationships



### GENERAL DEVELOPMENT OF THE BUSINESS

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

### Three Year History

Old Kilo was incorporated on January 18, 2006. Pursuant to an agreement dated November 15, 2006, Old Kilo acquired all of the rights and interests of Moto Goldmines Limited ("Moto") under three option agreements entered into with DRC companies to acquire various interests in three properties located in the north east DRC known as the Masters Property, the Somituri Property and the Sihu Property. The consideration for the transaction consisted of the assumption by Old Kilo of Moto's responsibilities under the option agreements relating to the properties and the issuance of 4,000,000 common shares of Old Kilo,

which number of shares would be increased to the extent it did not constitute at least 25% of number of outstanding common shares of Old Kilo upon the completion of a going public transaction (the "Moto Anti-Dilution Right"). Old Kilo also granted Moto the right, at its option, to acquire a 10% equity interest in the properties for consideration of US\$5.0 million exercisable when a bankable feasibility study is concluded if, at that time, the measured resources for the properties exceed two million ounces of gold.

By agreement with the optionors of each of the Masters, Somituri and Sihu properties, separate DRC companies were formed for each of the properties and shareholder agreements entered into providing for the transfers of the exploration licences to the respective DRC companies and setting out the parties' rights and obligations, including the funding of exploration expenditures. The shareholder agreements superceded the option agreements entered into between Moto and the counterparties.

On November 17, 2006, Old Kilo entered into an option to acquire a 75% interest in twenty Exploration Licences for mineral properties in the DRC known as the ERW Property, comprising approximately 7,000 square kilometres. The parties to the option agreement subsequently formed a DRC company, KGL-ERW SPRL, to hold the property with Old Kilo owning 75% of the share capital and the optionor of the ERW Property holding the remaining 25%.

On July 9, 2007, Old Kilo entered into an option agreement to acquire an 82.5% interest in fourteen Exploration Licences for mineral properties in the DRC known as the Poko Property, comprising approximately 4,100 square kilometres. The parties to the option agreement subsequently formed a DRC company, KGL-Poko SPRL, to hold the property with Old Kilo owning 82.5% of the share capital and the optionor of the Poko Property holding the remaining 17.5%.

From Nov. 2006 to October 2007 a number of site visits were made to the Masters Property for compiling historical data and to obtain geological information for inclusion in a NI 43-101 compliant technical report on the property. In October 2007 a site visit was made to the Adumbi – Kitenge area of the Somituri Property for the purpose of obtaining reconnaissance geological data to correlate with historical information and to determine logistics of exploring in the area.

During the fiscal year ended September 30, 2008, the Company made a number of site visits to the Masters Property for collection of geological information and planning of diamond drill hole locations. A number of soil samples were also collected on the Masters Property and the samples analyzed for low-detection gold. Etude D'Impact Environnemental et Plan de Gestion Environnemental du Project ("EIE-PGEP") reports were prepared for the Somituri Property as part of the process of converting the 20 Exploration Licences (PR's) covering the area to 8 Exploitation Licences (PE's).

During fiscal 2008, the Moto Anti-Dilution Right was amended to reduce the number of shares issuable to Moto upon completion of a going public transaction to 20% of the number of outstanding shares fully-diluted from 25%.

On November 13, 2008, the Company's KGL-ERW SPRL subsidiary entered into an Earn-in with Option to Joint Venture Agreement (the "Earn-in Agreement") with Rio Tinto Mining and Exploration Limited ("Rio Tinto") granting Rio Tinto an option to earn up to a 75% interest in the ERW Property in respect of iron ore

upon making certain cash payments and expenditures on the properties (see "Iron Ore Option Agreement" below).

On March 20, 2009 Old Kilo was amalgamated with a wholly-owned subsidiary of the Company, which constituted the Company's "Qualifying Transaction" under the policies of the TSXV. The common shares of the resulting company (the "Common Shares") were listed on the TSXV on April 21, 2009. In connection with the completion of the going public transaction, the Company issued 3,853,353 Common Shares and 1,297,400 warrants, each exercisable to acquire one Common Share at \$0.60 per share at any time on or before March 20, 2011, to Moto in full satisfaction of the Moto Anti-Dilution Right.

On April 30, 2009, the Common Shares of the Company commenced trading on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the trading symbol "02K".

On September 24, 2009 the Company completed a brokered private placement of units raising gross proceeds of \$10,012,500 from the sale of 22,250,000 units at a price of C\$0.45 per unit. Each unit consisted of one Common Share and one-half of one Common Share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional Common Share at a price of \$0.60 until September 24, 2011.

During the twelve months ended September 30, 2009, exploration activities of the Company focused on the Masters Property. Diamond drilling activities were initiated on PR8437, covering 102 square kilometres, and PR2634, covering 309 square kilometres, following soil sampling to delineate drill targets in addition to the active artisanal workings. A total of 1,781.7 metres of diamond drilling was carried out in 10 holes, over a strike length of 800 metres, to evaluate the gold potential beneath and along strike of an active artisanal working on PR8437. Sampling of some of the diamond drill core indicated the presence of elevated gold values but economically significant results were not obtained. A total of 2,573.80 metres was carried out in 10 diamond drill holes on PR2634 over a strike length of 700 metres to evaluate the gold potential of a gold-in-soil anomaly that subsequently developed into an active artisanal working. Diamond drill core samples returned gold values confirming the presence of in-situ gold over the entire 700 metres of drill tested strike length of the M3 target and it remained open along strike and to depth. One diamond drill hole, 251.20 metres in length, tested the M4 gold-in-soil anomaly but failed to return any significant gold values.

During the year ended September 30, 2009, the twenty Exploration Licences comprising the Somituri Property were converted into eight Exploitation Licences. Exploration activities were not carried out by the Company on these properties nor on the ERW, Poco or Sihu properties during the period.

During the twelve month period ended September 30, 2010, exploration activities of the Company focused on the Masters and Somituri properties. A total of 8 diamond drill holes for 1,802.85 metres were completed on the M1 former artisanal working on PR2634 of the Masters Property and logging and sampling of these holes was completed. In addition, one diamond drill hole was completed to a depth of 119.10 metres to evaluate an active artisanal site referenced as the M6 target. Diamond drill core samples from the M1 and M6 targets did not return significant gold values. The soil sampling on PR2634 delineated numerous gold-in-soil targets however, access roads could not be built with equipment available during the 2009 drilling program and therefore they were not drill tested.

Given that the Masters Exploration Licences were due for renewal in 2011 (which requires a 50% relinquishment pursuant to the Mining Code 2002), coupled with significant exploration results from the Somituri Property, the Company made the decision to consolidate efforts on the most promising immediate exploration target where increased shareholder value appears more favourable in a shorter timeframe. As a result, despite the untested potential of portions of the Masters Property, acquisition and exploration costs associated with the Masters property were written off.

During the twelve month period ended September 30, 2010 a multi-faceted exploration program comprised of geological mapping, adit sampling, trench sampling, soil sampling and diamond drilling commenced on the Somituri Property Exploitation Licence PE9691 (the "Adumbi prospect"). Four adits, in the former Adumbi mine, totaling 592.5 metres were continuous horizontal channel sampled, 7,589 metres of a planned 10,000 metre diamond drilling program was completed in 18 holes (including 2 that were in progress at fiscal year end), and 562.2 metres of trenching were completed in nine trenches (including 2 that were in progress at fiscal year end). Twenty diamond drill holes were collared to evaluate the central portion as well as the strike extension of the colonial era Adumbi gold mine. The Adumbi gold mine was explored down dip of the workings exposed in the adits. Five drill holes were completed on the Kitenge prospect, a former gold producer, 3 drill holes targeted the past producing Manzako gold deposit and one hole tested the Monde Arabe artisanal workings, all contained within the Adumbi prospect (PE9691). Geological mapping was carried out and 832 soil samples, including quality control, were collected for analysis. The sampling results were very encouraging including intersections of 151.0 metres grading 1.61 g/t gold and 34.80 metres grading 3.04 g/t gold in the Adumbi prospect drill holes. Gold recoveries of 99.98% were reported by cyanide solution.

The Company did not carry out any exploration activities on the ERW, Sihu and Poko properties during the fiscal year ended September 30, 2010. The Company has no further plans to explore or develop the Poko Property and all associated acquisition and exploration costs have been written off.

In closings that occurred on August 5, 2010, August 25, 2010, October 7, 2010 and November 5, 2010, the Company 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.

During the three month period ended December 31, 2010, the exploration program of geological mapping, trench excavation and sampling, soil sampling and diamond drilling that commenced in January 2010 on the Adumbi prospect continued. A total of 2,050.43 metres of diamond drilling were completed in 13 holes including the completion of 2 holes that were in progress at the beginning of the period and 171.45 metres of trenching were completed in four trenches on the Adumbi prospect. The diamond drill holes were collared to evaluate the central portion of the colonial era Adumbi gold mine. The gold intersections in the diamond drill holes confirmed continuation of the gold bearing rocks over at least 300 vertical metres with true widths in the order of 80 metres.

Geological mapping was carried out over the former the Bagbaie mine situated about 1.5 kilometres to the



northwest of the Adumbi prospect and 400 soil samples, including duplicates and commercial quality control samples, were collected from the Adumbi North prospect, over the Adumbi prospect, and on the projected northwest strike extension of the Kitenge prospect. Reported gold intersections included 83.70 metres grading 2.01 g/t gold, 11.45 metres grading 3.33 g/t gold, 21.00 metres grading 5.01 g/t gold and 58.80 metres grading 2.07 g/t gold in the former Adumbi mine drill holes as well as 4.70 metres grading 9.37 g/t gold in a Manzako prospect drill hole. The Company did not carry out any exploration activities on the Masters, ERW, Sihu or Poko properties during the three month period.

During the three month period ended March 31, 2011, the exploration program consisted of the calculation of an inferred resource estimate for the Adumbi prospect. Sampling of diamond drill core from the Adumbi prospect was carried out for metallurgical test work. In addition, geological mapping, trench excavation and sampling was carried out over a number of targets on the Adumbi prospect and additional core sampling of selected 2010 diamond drill holes was completed. Reconnaissance geological mapping and sampling commenced on PE9692 located approximately 35 kilometres to the northwest of the Adumbi prospect.

During the three month period trenching was also carried out on the Adumbi mine, and the Kitenge and Manzako prospects. On the former Adumbi mine, 3 trenches totaling 166.40 metres were excavated and sampled; two were being excavated at the end of the period. One trench, 206.80 metres, was completed and sampled on the Kitenge prospect. On the Manzako prospect four trenches totaling 146.30 meters were completed and sampled; two additional trenches were in progress at the end of the period.

During the three month period ended March 31, 2011, selected sites on PE9692 were trenched and sampled. Assay results have not yet been received. The Company did not carry out any exploration activities on the Masters, ERW, Sihu or Poko properties during the three month period.

On March 2, 2011, the Company announced the completion of a NI 43-101 compliant resource estimate of the Adumbi prospect prepared by independent consulting firm, The Mineral Corporation of South Africa. Using a cut-off grade of 0.5 g/t gold, the prospect was estimated to contain an inferred mineral resource of 2,030,000 ounces of gold contained within 46,307,259 million tonnes grading 1.37 g/t gold.

In March 2011 the licences for the Somituri, ERW and Sihu properties were renewed however, those relating to Masters and Poco were not renewed and exploration of those properties will not be pursued further.

### **Significant Acquisitions**

The Company did not complete any significant acquisitions as defined in National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators during the fiscal year ended September 30, 2010.

## DESCRIPTION OF THE BUSINESS AND PROPERTIES

Kilo's principal property interests are contained within the Adumbi prospect of the Somituri Property, a description of which is provided below.

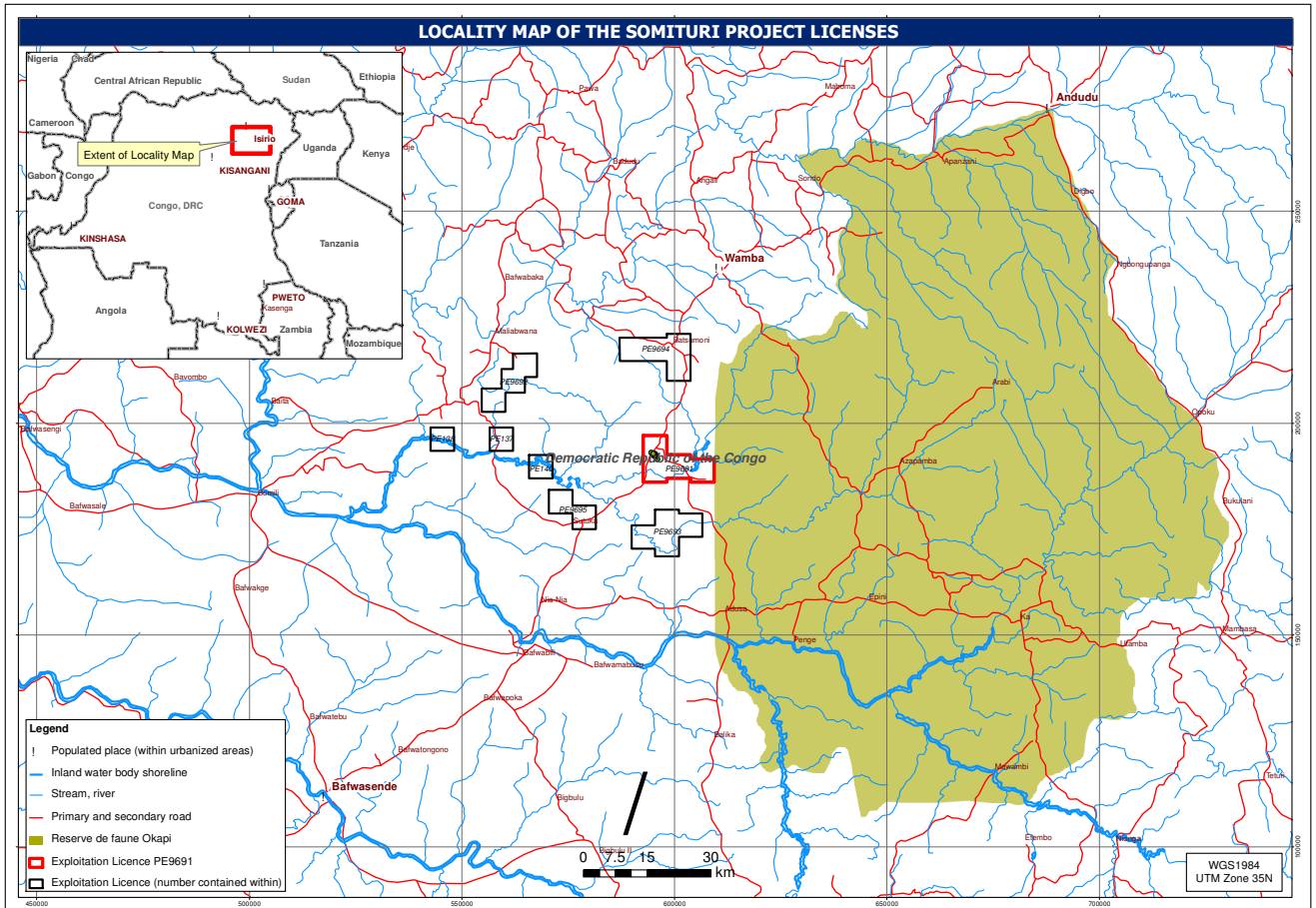
### **ADUMBI PROSPECT, SOMITURI PROPERTY**

#### **Adumbi Technical Report**

*A technical report has been prepared for the Company 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 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 Company'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 Company 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 Environnemental 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 SPRL 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 Mambasa, 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 Nia-Nia 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 Company 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 hard-rock 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 Company) 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 Company). 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 cuiriasse. The Karoo formation comprises black shales, elluvial 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 greywackeies 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 Company 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 Company 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 sub-vertically 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 cut-off 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 northeeast, 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 Company 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 sub-vertically 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 Company 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 Company'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

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

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.

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

Based on the sample preparation techniques observed at the ALS Chemex preparation facility, the security protocols described by Company 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 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 Company 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 Company vehicle to the Company'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 cut-off grade.

#### **Mineral Resources (0.5 g/t cut-off)**

<b>Cut off (g/t Au)</b>	<b>Tonnes above cut off</b>	<b>Grade 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.

## **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 Company'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 subsidiary, KGL – ERW SPRL, which holds the ERW Property licences, has entered into an Earn-in Agreement with Rio Tinto whereby Rio Tinto can earn up to a 75% interest in the ERW West Property Licences for the purpose of exploring for an mining iron ore (see "Iron Ore option Agreement" below).

Planned exploration by Kilo will be 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 plans to 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 consists 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 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.

Planned exploration includes a review of 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 is planned for the Exploration Licence underlain with Upper Kibalian rocks. Gold within the Oriental Province is frequently hosted within the Upper Kibalian rocks.

The Company has not carried out any exploration activities on its ERW, Sihu and Poko properties. The Company has determined that it has no further plans to explore or develop the Masters and Poko properties, has written off all associated acquisition and exploration costs and has not renewed the licences related to these properties.

### **IRON ORE OPTION AGREEMENT**

In November 2008 the Company's indirect 75% owned subsidiary, KGL – ERW SPRL, entered into an Earn-in Agreement with Rio Tinto whereby Rio Tinto was granted an option to acquire up to a 75% interest in certain of the prospecting licences of KGL – ERW SPRL for the purpose of exploring for and mining iron ore. The 75% interest could be earned by Rio Tinto by making cash payments to KGL – ERW SPRL and incurring expenditures in the aggregate amount of US\$83,000,000 over the 8 year option period. Under amendments to the Rio Tinto Earn-in Agreement in 2009, the same aggregate payments and expenditures are required to be made however, the time for completion has been extended over a new 12 year option period. To December 31, 2010, cash payments totaling US\$750,000 and exploration expenditures of approximately US\$7.4 million have been made by Rio Tinto pursuant to the Earn-in Agreement.

Notwithstanding the Corporation's indirect 75% equity interest in KGL – ERW SPRL, in consideration for other contractual concessions made by the remaining 25% owner in connection with Kilo Goldmines Inc.'s earn-in of its 75% interest in the subsidiary, in December 2009 the parties entered into an agreement whereby they agreed to allocate all payments received from Rio Tinto under the Earn-in Agreement on a 60% (KGI) and 40% (minority owner) basis after applicable expenses.

### **RISK FACTORS**

An investment in our securities is subject to certain risks, including those set out below and under the heading “Note Regarding Forward-Looking Information” elsewhere in this AIF, and should be carefully considered by an investor before making any investment decision. Additional risks not currently known to us, or that we currently believe to be immaterial, may also affect our business and negatively impact upon an investment in our securities.

#### *Risks Relating to the Company*

#### **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 Company 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 Company 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 Company 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 Company 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 Company 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 Company is exposed to risks of political instability and changes in government policies, laws and regulations in the DRC. The Company 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 Company's control and may adversely affect the Company's business. The Company'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 Company's foreign operations, the Company 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 Company 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 Company'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 Company 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 Company has not entered into any foreign currency hedging contracts.

### **Environmental Matters**

All phases of the Company'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 Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties or by illegal mining activities.

### **Governmental Matters**

The Company 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 Company'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 Company'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 Company'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 Company must receive licenses and permits from appropriate governmental authorities. There can be no assurance that the Company 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 Company 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 Company's projects in the mine development stage.

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

In the event of a dispute arising in respect of the Company's foreign operations, the Company 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 Company 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 Company's business, assets, prospects, financial condition and results of operations.

The Company'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 Company's financial condition and prospects.

**Limited Operating History and Losses**

The Company to date has limited experience in mining or processing of metals. The Company 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 Company will generate profits in the future.

**No History of Mineral Production**

The Company 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 Company or any future properties, nor is there any assurance that the exploration programs of the Company thereon will yield any positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where minerals can profitably be produced thereon. Factors which may limit the ability of the Company 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 Company 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 Company or others, delays in mining, monetary losses and possible legal liability. Although the Company 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 Company 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 Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company 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 Company.

**Land Title**

Although the nature and extent of the interests of the Company in the properties in which it holds an interest has been reviewed by or on behalf of the Company and title opinions have been obtained by the Company 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 Company to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Furthermore, in certain cases, the Company 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 Company 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 Company's operations. In addition, the Company 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. 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 Somituri, the assignor. While the Company 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 Company.

**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 Company 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 Company.

## **Competition**

The mining industry is competitive in all of its phases. The Company 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 Company. As a result of this competition, the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company'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 Company 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 Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company 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 Company 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 Company 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 Company 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 Company's internal controls over financial reporting may have a material adverse impact on the Company, 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 Shares*

#### **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 prices, the U.S. dollar, the Canadian dollar, 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 Company 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 Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Company'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 Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company 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.

## **DIVIDENDS**

We have not paid any cash dividends during the last three financial years. Payment of cash dividends in the future is dependent upon our earnings and financial condition and other factors which the directors may deem appropriate at the time. However, there are no restrictions on our ability to pay cash dividends on the Common Shares.

## **MARKET FOR SECURITIES**

### **Trading Price and Volume**

The Common Shares of the Corporation are listed for trading on TSXV under the symbol "KGL" and the Regulated Unofficial Market of the Frankfurt Stock Exchange under the symbol "02K". The following table sets forth information relating to the monthly trading of the Common Shares on the TSXV for the fiscal year ended September 30, 2010.

<u>Period</u>	<u>High</u> (Cdn.\$)	<u>Low</u> (Cdn.\$)	<u>Volume</u> (# of Shares)
October 2009	0.52	0.38	1,476,306
November 2009	0.69	0.39	6,435,941
December 2009	0.73	0.38	1,426,548
January 2010	0.52	0.395	807,380
February 2010	0.48	0.365	3,448,425
March 2010	0.49	0.38	1,781,300
April 2010	0.59	0.42	1,050,633
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

### **Prior Sales**

Other than the issuances of warrants and stock options disclosed in Notes 7 and 8, respectively, to the audited consolidated financial statements of the Company for the year ended September 30, 2010 which

notes are incorporated by reference herein, the Company did not issue or sell any securities that were not listed or quoted on a marketplace during the financial year ended September 30, 2010.

### DIRECTORS AND OFFICERS

Directors are elected at each annual meeting and hold office until the next annual meeting or until their successors are elected or appointed. The following information sets out, for each director and executive officer of the Company, his name, province and country of residence, the positions and offices in the Company currently held by that individual, the period during which such individual has served as a director of the Company and that individual's principal occupation during the past five years:

<b>Name, Province and Country of Residence</b>	<b>Position with Company</b>	<b>Period of Service as a Director</b>	<b>Present Occupation and Principal Occupation for Last Five Years</b>
Peter Hooper <sup>(1)</sup> Ontario, Canada	Executive Chairman and Director	since March 2009	Also serves as President, Macusani Yellowcake Inc. (uranium exploration company)  From 2006 until March 2009 Mr. Hooper served as Chief Executive Officer of the Company's subsidiary, Kilo Goldmines Inc., and between 2004 and 2006 served as Chief Operating Officer of Afcan Mining (a mineral exploration and mining company)
Klaus Eckhof Avenue de Guelfes, Monaco	President, Chief Executive Officer and Director	since April. 2009	Between 1994 and May 2007 Mr. Eckhof served as a director of Iguana Resources (a mineral exploration and mining company)
Philip Gibbs, Ontario Canada	Chief Financial Officer	N/A	Mr. Gibbs also serves as Chief Financial Officer of Macusani Yellowcake Inc. (a uranium exploration company) and PMI Gold Corporation (a gold exploration company)  Mr. Gibbs has served as Chief Financial Officer of PMI Gold Corporation since



			March 2008 and prior to March 2008 served as acting Chief Financial Officer to Luxell Technologies Inc. (a developer of display screen technology).
James Mustard <sup>(1)</sup> Vancouver, BC	Director	since March 2009	Vice President, Investment Banking, PI Financial Corp. (financial services company)  Between September 2007 and October 2009 Mr. Mustard served as President of Canada Zinc Metals Corp. (formerly Mantle Resources Corp.) (a base metals exploration company), and between October 1996 and September 2007 served as Vice President and Senior Mine Analyst of Haywood Securities Inc. (an investment dealer).
Jacques Bouchard <sup>(1)</sup> St. Lambert, Quebec	Director	since March 2009	Lawyer, Director of International Affairs Heenan Blaikie LLP (a law firm)

(1) Member of the Audit Committee. The Corporation does not have an Executive Committee.

As of April 12, 2011 the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over 1,100,000 Common Shares representing approximately 1.0% of the number of Common Shares of the Company outstanding.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of the Company is, as at the date of this AIF, or has been within the last ten years, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an "Order"), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company,

other than Klaus Eckhof who was a director and Chairman of De Biera Goldfields Inc. which was subject to a cease trade order issued by the British Columbia Securities Commission dated June 23, 2006 for failure to file a technical report to support certain disclosures made by that company.

No director or executive officer of the Company or any shareholder holding a sufficient number of Common Shares of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the last ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Corporation.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors and executive officers.

### **Conflicts of Interest**

To the best of the Corporation's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest between the Corporation and any directors or officers of the Corporation, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officers of the Corporation and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Corporation are aware of the existence of laws governing accountability of

directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Corporation will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Business Corporations Act* (Ontario) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

### **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of the Company consists of an unlimited number of Common Shares. As at April 12, 2011, 113,978,984 Common Shares were issued and outstanding.

The following is a summary of the material provisions of the Common Shares of the Company:

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

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

We are not a party to any material legal proceedings and are not aware of any such proceedings that are contemplated. During our financial year ended September 30, 2010: (i) no penalties or sanctions were imposed against us by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions were imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision; and (iii) we did not enter into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed below or elsewhere in this AIF, none of the following persons:

- (a) a director or executive officer of the Company;
- (b) a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of the Company's voting securities; or
- (c) an associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b) above,

has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Company or during the current financial year of the Company that has materially affected or will materially affect the Company other than:

1. The spouse and son of Peter Hooper, Executive Chairman of the Company, provide administrative services to the Company. The following aggregate fees were incurred and paid or payable to these persons (financial year to date: \$81,360; financial year ended September 30, 2010: \$144,000; financial year ended September 30, 2009: \$132,000; financial year ended September 30, 2008: \$87,500).
2. Legal services are provided to the Company by Heenan Blaikie LLP, a law firm in which Jacques Bouchard, a director, and David Carbonaro, a former director and Secretary, are partners. The following fees were incurred and paid or payable to Heenan Blaikie LLP (financial year to date: \$249; financial year ended September 30, 2010: \$130,625; financial year ended September 30, 2009: \$535,729; financial year ended September 30, 2008: \$544,319).
3. Accounting and bookkeeping services are provided to the Company by Forbes Andersen LLP, an accounting firm in which the Corporation's former Chief Financial Officer, Paul Andersen, serves as a partner. The following fees were incurred and paid or payable to Forbes Andersen LLP (financial year to date: \$39,000; financial year ended September 30, 2010: \$128,305; financial year ended September 30, 2009: \$248,265; financial year ended September 30, 2008: \$110,888).
4. Investor relations and promotional, publicity and advertising services in respect of web-based applications are provided to the Company by companies controlled by the son of Peter Hooper, Executive Chairman of the Company. The following aggregate fees were incurred and paid or payable to these companies (financial year to date \$41,783; financial year ended September 30, 2010: \$69,200; financial year ended September 30, 2009: \$39,600; financial year ended September 30, 2008: Nil).

#### **TRANSFER AGENT AND REGISTRAR**

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

#### **MATERIAL CONTRACTS**

Other than contracts entered into in the ordinary course of business, there are no material contracts entered into by the Company within our most recently completed fiscal year or prior thereto but which are still in effect.

## **INTEREST OF EXPERTS**

### **Names of Experts**

Set forth below are the persons and companies who prepared or certified a statement, report, valuation or opinion described, included or referred to in a filing that we made under National Instrument 51-102 during or relating to our most recently completed financial year.

A predecessor firm to the Company's auditors, Collins Barrow Toronto LLP, were first appointed as independent auditors of the Company on September 12, 2006. Collins Barrow Toronto LLP prepared the auditor's report on our annual consolidated financial statements for the financial years ended September 30, 2010 and 2009. Collins Barrow Toronto LLP is independent in accordance with the auditor's rules of professional conduct in Ontario.

Mr. Stanley D. Robinson, M.Sc. P.Geo., a geological consultant to the Company, and a "qualified person" under NI 43-101, prepared or supervised the preparation of certain scientific or technical information about the Company's mineral projects during its most recently completed financial year.

Mr. David Young, BSc (Hons), FGSSA, MSAIMM, FAusIMM and Mr. Johannes Reynhardt Krynauw PhD, FGSSA, PR Sci Nat, geological consultants with the Mineral Corporation of South Africa, are "qualified persons" under NI 43-101 and prepared or supervised the preparation of the Adumbi Technical Report.

### **Interests of Experts**

None of the experts named under "Names of Experts" has received or will receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of any of the Company's associates or affiliates in connection with the preparation or certification of any statement, report or valuation prepared by such person. To the knowledge of the Company, none of the experts so named (or any of the designated professionals thereof) held securities of the Company representing more than 1% of all issued and outstanding securities of that class as at the date of the statement, report or valuation in question.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). The information available at [www.sedar.com](http://www.sedar.com) includes copies of the full text of any and all of the technical reports prepared for the Company in respect of our properties described herein. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans and audit committee information, where applicable, is contained in our management information circular for our annual and special meeting of shareholders held on May 20, 2010 and will be contained in our management information circular for our annual meeting of shareholders to be held in 2011.

Additional financial information is provided in our consolidated financial statements and related management's discussion and analysis for our financial year ended September 30, 2010.