Management Discussion and Analysis of the Unaudited Interim Consolidated Financial Statements
For the three month period ended December 31, 2010

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KILO GOLDMINES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
For the three month period ended December 31, 2010

This Management Discussion and Analysis ("MD&A") of Kilo Goldmines Ltd. ("Kilo" or the "Company") is dated February 28, 2011 and provides an analysis of the Company's performance and financial condition for the three month period ended December 31, 2010 , as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee.

This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements for the period ended December 31, 2010, including the related note disclosure. The Company's interim unaudited financial statements are presented on a consolidated basis with its wholly-owned subsidiary Kilo Goldmines Inc. and the partnership interests described in the notes to the financial statements, and are prepared in accordance with Canadian generally accepted accounting principles. All dollar figures included therein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise specified. Additional information relevant to the Company's activities can be found on SEDAR at ***www.sedar.com*** *or the Company's website at* ***www.kilogold.net.***

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

OVERALL PERFORMANCE

Principal Business and Corporate History

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

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

Amalgamation

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

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

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

DEVELOPMENTS DURING THE THREE MONTHS ENDED DECEMBER 31, 2010

Exploration Activities

KGL-SOMITURI

During the three month period ended December 31, 2010, the exploration program on the Somituri Project Exploitation Licence ("PE") 9691, which commenced in January 2010, continued with geological mapping, trench excavation and sampling, soil sampling and diamond drilling.

The Somituri Project consists of eight *Permis d'Exploitaiton* ("PE") (Exploitation Licence) covering 641.5 square kilometres of the Ngayu Archaean Greenstone Belt in Oriental Province of the Democratic Republic of Congo. The PEs are underlain by Upper Kibalian banded iron formation ("BIF"), clastic metasedimentary rocks, metavolcanics, and schists; quartz veins, fault and shear zone hosted, have intruded all of the lithologies. During the 1930s to 1958 the Bagbaie - Adumbi, Kitenge, Manzako and Maipinji gold mines, on PE 9691, produced approximately 300,000 ounces of gold, according to historical records unverified by the Company. The Adumbi gold bearing host rocks have been traced over a strike length of approximately two kilometres by the Company. The Kitenge gold bearing host rocks, oriented parallel to and approximately five hundred metres northeast of the Adumbi trend, have been traced over a strike length of about five kilometres. Fifteen hundred metres to the northeast of the Kitenge mine, is the former underground Manzako gold mine. The gold bearing host rocks of the Manzako mine have been mapped over a strike length exceeding two kilometres.

During the three month period ended December 31, 2010, 2,050.43 metres of diamond drilling were completed in 13 holes including the completion of two 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. These diamond drill holes intersected from northwest to southeast the hangingwall tuffaceous metasedimentary rocks, followed by chemical metasedimentary rocks consisting of banded iron formation ("BIF") characterized by chert banded with haematite (oxide zone) and chert banded with magnetite (sulphide zone). In addition the chemical metasedimentary rocks include intervals of chert, as well as minor intervals of chert banded with black shale and several narrow intervals of black shale; quartz veins occur throughout the chemical metasedimentary rocks. The footwall rocks consist of tuffaceous metasedimentary rocks and/or greywacke. The chemical metasedimentary rocks have been sheared; the structural setting is not well understood and the relationship between the footwall rocks and hangingwall rocks has not been determined.

The gold intersections in the diamond drill holes confirms continuation of the gold bearing rocks over at least 300 vertical metres with true widths in the order of 80 metres; the oxide zone has, in part at least, a 150 metre vertical continuation. The Adumbi Prospect gold bearing zone, confirmed over a strike length in excess of two kilometres remains open along strike to the northwest and to the southeast as well as to depth. Preliminary indications are that the gold is associated with a late stage pyrite mineralizing event.

Geological mapping was carried out over the former gold producer, the Bagbaie mine (herein referenced as the 'Adumbi North Prospect') 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. Samples from the drill core, trenches and soil were shipped to ALS Chemex in Mwanza, Tanzania for sample preparation and furtherance of pulps to ALS Chemex in Johannesburg for gold analysis.

The technical and analytical results are detailed in the Press Releases issued during the three month period ended December 31, 2010, specifically on October 19th, 21st and 27th, November 23rd and December 7th. Reported gold intersections include 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 Adumbi Prospect drill holes SADD0005, SADD0006, SADD0015 and SADD0016 (*partial results*) respectively as well as 4.70 metres grading 9.37 g/t gold in drill hole SMDD0002 on the Manzako Prospect. As of December 31, 2010 Kilo had completed 9,784.6 metres of the planned 10,000 metre 2010 drilling program.

The Company has engaged The Mineral Corporation to prepare a resource estimate for the Adumbi Prospect of the the Somituri Project.

Other Properties

The Company did not carry out any exploration activities on the KGL-MASTERS, KGL-ERW, KGL-SIHU and KGL-POKO properties during the three months ended December 31, 2010. During the year ended September 30, 2010, the Company determined that it had no further interest in exploring or developing the KGL-MASTERS and KGL-POKO properties. As such, the acquisition costs and exploration expenditures related to these properties were expensed in full.

SELECTED ANNUAL INFORMATION

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

For the fiscal periods ended September 30,	**2010**	**2009**
	$	**$**
Net revenues	18,207	4,595
Loss before discontinued operations and extraordinary items	3,460,800	2,022,327
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.05	0.06
Net loss	11,671,751	2,022,327
Net loss, per share basic and diluted	0.18	0.06
Total assets	16,610,431	22,181,577
Total long term liabilities	Nil	Nil
Cash dividends	Nil	Nil

Project Expenditures

During the three months ended December 31, 2010 exploration was focused exclusively on the Company's KGL-SOMITURI properties. Total exploration expenditure amounted to $2,375,258, an increase of $1,154,709 over the spend in the three months ended December 31, 2009, when the Company's exploration activities concentrated on the KGL-MASTERS properties, with only limited exploration commencement expenditure on the KGL-SOMITURI properties.

KGL-SOMITURI

During the three month period ended December 31, 2010, the Company incurred expenditures of $2,370,657 on the KGL-SOMITURI group of properties. Expenditures increased by $2,103,957 when compared to expenditures of $266,700 for the three months ended December 31, 2009. Drilling expenditure amounted to $2,042,631 during the three month period ended December 31, 2010, whereas in the period ended December 31, 2009, drilling expenditures were $32,929. The Company incurred trenching and soil sampling charges of $27,936 during the three months ended December 31, 2010, and no such expenditures were incurred in the three months ended December 31, 2009. The Company incurred geological expenses of $5,719, and professional fees of $183,795 during the three months ended December 31, 2010. Geological and professional fees incurred during the three months ended December, 2009 were $132,871 and $42,850 respectively. Administrative and project management expenses of $62,484 were incurred during the three month period ended December 31, 2010, representing increases over the administrative and project management expenses of $56,497 incurred during the three months ended December 31, 2009. The remaining expenditures incurred during the three months ended relate to trenching, travel, planning, equipment purchases and gridding.

KGL-ERW

During the three month period ended December 31, 2010, $1,740 (2009- $148) was spent on professional fees.

KGL-SIHU

During the three month period ended December 31, 2010, $2,861 was spent on professional fees, a decrease of $3,147 for the same period ended December 31, 2009.

KGL-MASTERS

Following exploration activity undertaken on the KGL-MASTERS group of properties, the Company determined that it had no further interest in exploring or developing these properties and accordingly wrote off expenditures incurred to date during the year ended September 30, 2010. Consequently no exploration expenditures were incurred on these properties during the period ended December 31, 2010. During the comparable period ended December 31, 2009 the Company spent $946,879, of which $648,041 was spent on drilling; $152,682 on administrative and project management costs; professional fees of $54,477; security costs of $36,171; and $55,508 on travel, soil sampling and repairs and maintenance.

KGL-POKO

The Company also took the decision not to explore on these properties in the year ended September 30, 2010, and consequently wrote off expenditures incurred to date. No exploration expenditures were incurred during the period ended December 31, 2010. In the three month period ended December 31, 2009, $814 was spent on the KGL-POKO group of properties.

General and Administrative Operating Activities

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

For the three month period ended December 31, 2010, the Company's net loss was $1,184,396 compared to net losses of $726,160 for the three month period ended December 31, 2009.

Total expenses increased by $450,833 to $1,184,978 when compared to the three months ended December 31, 2009.

Administrative and general expenses for the three month period ended December 31, 2010 decreased by $43,714 to $31,330 due to a reduction in accounting fees and lower telecommunications charges.

Professional fees increased by $23,406 to $236,952, partly offsetting the reduction of accounting fees. Professional fees for the three month period ended December 31, 2009 amounted to $213,546.

The Company incurred losses on foreign exchange during the three month period ended December 31, 2010, as the Canadian Dollar fluctuated against the United States Dollar and the British Pound. Foreign exchange losses for the three month period ended December 31, 2010 amounted to $44,134, an increase of $39,768 over the foreign exchange losses of $4,366 incurred during the three months ended December 31, 2009.

Travel expenses for the three months ended December 31, 2010 totaled $76,573, against expenses of $61,375 during the three months ended December 31, 2009. The increase in travel during the period was due to travel to the DRC in connection with the Company's properties, and increased senior management travel related to the Company's ongoing operations.

Stock-based compensation for the three month period ended December 31, 2010 was $597,876 as a result of the continued vesting of stock options granted during the year ended September 30, 2010, and of the options granted in November 2010. Stock-based compensation for the three month period ended December 31, 2009 was $225,107.

SELECTED QUARTERLY INFORMATION

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

Fiscal Year	2011	2010				2009		
For the quarters ended	Dec 2010	Sept 2010	June 2010	Mar 2010	Dec 2009	Sep 2009	Jun 2009	Mar 2009
	$	$	$	$	$	$	$	$
Net revenues	582	Nil	2,749	7,473	7,985	184	510	10
Loss before discontinued operations and extraordinary items	1,184,396	424,929	1,587,811	721,900	726,160	632,464	778,304	328,110
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.01	0.01	0.02	0.01	0.01	0.02	0.02	0.01
Net loss	1,184,396	8,635,880	1,587,811	721,900	726,160	632,464	778,304	328,110
Net loss, per share basic and diluted	0.01	0.14	0.02	0.01	0.01	0.02	0.02	0.01

Factors Affecting Quarterly Results

Fluctuations in quarterly results are caused by issuance of stock option compensation, administrative costs and fees related to new property acquisitions, and levels of exploration activities. The net loss for the quarter ended September 30, 2010 reflects the write-off of acquisition and exploration costs associated with properties that the Company has no further plans to explore or develop.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $1,885,035 as at December 31, 2010, compared to $6,320,534 at December 31, 2009. As at December 31, 2010, the Company held cash and cash equivalents of $2,254,205 versus $6,726,626 as at December 31, 2009. The Company raised gross proceeds of $8,410,940 through private placements during the quarter ended December 31, 2010. The changes in cash and cash equivalents, as well as in the Company's working capital position, reflect the significant investment in exploration activity recorded in the period and in the prior twelve months.

Until such time as the Company generates cash flow from its properties, the Company is dependent on obtaining financing to fund the exploration and development of its resource properties and for any new projects. Further information is provided in the accompanying Financial Statements.

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

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

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

Share Capital

As at March 1, 2011 the Company's share position consisted of:

Shares outstanding (i)	113,978,984
Options outstanding (ii)	13,558,833
Warrants outstanding (iii)	42,592,400

(i) Shares outstanding

a) During the three months ended December 31, 2010, the Company:

i) Issued 18,314,700 units pursuant to private placements at an issue price of $0.20 per unit. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time on or before October 7, 2010. In connection with these private placements, the Company paid fees totalling $354,221, of which $79,700 was allocated to warrants, and issued 1,247,029 stock options.

ii) Issued 23,740,000 units pursuant to private placements at an issue price of $0.20 per unit. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time on or before November 5, 2010. In connection with these private placements, the Company paid fees totalling $305,550, of which $68,749 was allocated to warrants, and issued 1,475,250 stock options.

iii) Issued 420,000 common shares pursuant to the exercise of stock options for cash proceeds of $65,100.

iv) Issued 250,000 common shares pursuant to the exercise of warrants for cash proceeds of $75,000.

(ii) Options outstanding

a) During the three months ended December 31, 2010, the Company:

i) Granted 1,247,029 fully vested stock options to agents of the Company pursuant to private placements as described in note (i) above. Each option entitles the holder to purchase one unit at a price of $0.20 at any time on or before October 2, 2012. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time before October 7, 2012.

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

Expected dividend yield	Nil
Risk-free interest rate	1.21%
Expected life	2.0 years
Expected volatility	148%

ii) Granted 1,475,250 fully vested stock options to agents of the Company pursuant to private placements as described in note (i) above. Each option entitles the holder to purchase one unit at a price of $0.20 at any time on or before November 5, 2012. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.30 per share at any time before November 5, 2012.

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

Expected dividend yield	Nil
Risk-free interest rate	1.27%
Expected life	2.0 years
Expected volatility	135%

iii) Granted 2,220,000 fully vested stock options to directors, officers and consultants of the Company. Each option entitles the holder to purchase one common share at an exercise price for each share of $0.30 at any time up to November 19, 2015.

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

Expected dividend yield	Nil
Risk-free interest rate	1.39%
Expected life	5.0 years
Expected volatility	120%

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

b) As at March 1, 2011, the following options were outstanding:

Option Price	Number of Options	Weighted Average Remaining Contractual Life
$0.60	637,883	1.25 years
$0.30	400,000	1.25 years
$1.00	500,000	1.25 years
$1.50	750,000	1.25 years
$0.50	319,200	0.25 years
$0.60	1,557,500	0.75 years
$0.45	4,104,000	3.75 years
$0.20	362,971	1.75 years
$0.20	105,000	1.75years
$0.60	300,000	1.25 years
$0.20	984,529	2.0 years
$0.20	1,317,750	2.0 years
$0.30	2,220,000	5.0years

(iii) Warrants outstanding

a) During the three months ended December 31, 2010, the Company:During the three months ended December 31, 2010, the Company

i) Issued 9,157,350 warrants pursuant to Private Placements. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.30 per share at any time on or before October 7, 2011.

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

Expected dividend yield	Nil
Risk-free interest rate	1.21%
Expected life	2 years
Expected volatility	148%

ii) Issued 11,870,000 warrants pursuant to Private Placements. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.30 per share at any time on or before November 5, 2011.

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

Expected dividend yield	Nil
Risk-free interest rate	1.27%
Expected life	2 years
Expected volatility	135%

iii) Issued 131,250 warrants in connection with the exercise of stock options. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before October 7, 2012. The fair value of the stock options was estimated at $3,375 as of the grant date and this amount has been reallocated from stock options to warrants upon the exercise of the stock options.

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

Expected dividend yield	Nil
Risk-free interest rate	1.21%
Expected life	2 years
Expected volatility	148%

iv) Issued 78,750 warrants in connection with the exercise of stock options. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share at any time on or before November 5, 2012. The fair value of the stock options was estimated at $2,025 as of the grant date and this amount has been reallocated from stock options to warrants upon the exercise of the stock options.

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

Expected dividend yield	Nil
Risk-free interest rate	1.27%
Expected life	2 years
Expected volatility	135%

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

b) As at March 1, 2011 the following warrants were issued and outstanding:

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

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

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

iv) 500,000 warrants entitling the holder to purchase one common share of the Company at $0.60 per share at any time on or before December 13, 2011.

v) 2,342,650 warrants entitling the holder to purchase one common share of the Company at $0.30 per share at any time on or before August 5, 2012.

vi) 750,000 warrants entitling the holder to purchase one common share of the Company at $0.30 per share at any time on or before August 25, 2012

vii) 9,288,600 warrants entitling the holder to purchase one common share of the Company at $0.30 at any time on or before October 7, 2011.

viii) 11,948,750 warrants entitling the holder to purchase one common share of the Company at $0.30 at any time on or before November 5, 2011

COURSE OF BUSINESS TRANSACTIONS

Transactions with Related Parties

During the three months ended December 31, 2010, the Company:

a) Incurred management fees of $57,000 with a company controlled by a director. The Company also incurred consulting fees of $36,000 with two individuals related to this director. This director is also an officer.

b) Incurred legal fees of $221 with a firm in which a director and a former director are partners. As at December 31, 2010, accounts payable and accrued liabilities included this amount.

c) Incurred publicity and advertising fees of $18,000 with two companies controlled by a person related to a director. The director is also an officer.

e) Incurred management fees of $62,499 with a director. The director is also an officer.

f) Incurred consulting fees of $22,500 with a company controlled by an officer.

Off-Balance Sheet Transactions

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

Proposed Transactions

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

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

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

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

The Company lists its significant accounting policies in note 3 of its audited consolidated financial statements for the year ended September 30, 2010.

BASIS OF PRESENTATION

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

CAPITAL DISCLOSURES

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. Section 1535 was effective for the Company as of October 1, 2007. The Company's capital is composed of shareholders' equity. The Company's objective is to raise sufficient capital to execute its exploration plan. The Company does not use any capital-based metrics. The Company does not have any externally imposed capital requirements. There have not been any changes to the overall capital risk management strategy during the period ended December 31, 2010.

FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

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

Cash and cash equivalents include bank deposits and short-term money market investments which on acquisition have a term to maturity of three months or less.

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

Commodity Price Risk

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

Currency Risk

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

Credit Risk

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

Sensitivity Analysis

As at December 31, 2010, cash and cash equivalents include 1,629,326 United States Dollars, and accounts payable and accrued liabilities include 140,766 United States Dollars, 69,635 United Kingdom Pounds Sterling, 2031 European Euros and 306,732 South African Rands.

At December 31, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the period would have been $148,052 lower (higher).

At December 31, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the United Kingdom Pound Sterling with all other variables held constant, the net loss for the period would have been $10,803 higher (lower).

At December 31, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the European Euro with all other variables held constant, the net loss for the period would have been $270 higher (lower).

At December 31, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the South African Rand with all other variables held constant, the net loss for the period would have been $4,362 higher (lower).

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET APPLIED

International Financial Reporting Standards

The CICA plans to converge Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) over a period expected to end in 2011. The Company's transition date of October 1, 2011 will require restatement of the amounts reported by the Company for the year ended September 30, 2011 for comparative purposes.

The first phase of the Company's IFRS conversion plan includes an analysis of IFRS for the purpose of identifying the significant differences between IFRS and the Company's current accounting policies. The second phase of the conversion plan involves an identification and in-depth analysis of the accounting policies related to the differences identified in the first phase, which will result in the selection of the Company's ongoing IFRS policies and transitional exemptions. This phase will also include an analysis of changes to the Company's internal systems and procedures that will facilitate the adoption and implementation of new IFRS policies as well as the development of a new IFRS financial statement format. The third and final phase of the Company's IFRS conversion plan is to implement the accounting changes as well as the changes to the company's internal systems and procedures.

The Company is in the process of completing the first phase of the plan in order to identify the accounting and reporting differences between Canadian GAAP and IFRS and expects to complete this process by the end of fiscal 2010. Upon completion, phase two will commence and the Company will begin to evaluate the specific policies and exemptions to be adopted as part of the transition to IFRS.

The International Accounting Standards Board continues to revise current IFRS standards as well as introducing new standards. The Company will continue to monitor these changes for purposes of assessing their impact on the Company and its financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ('NI') 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

QUALIFIED PERSON

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

ADDITIONAL INFORMATION

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