Management Discussion and Analysis of the Unaudited Interim Consolidated Financial Statements
For the three and nine month periods ended June 30, 2011

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KILO GOLDMINES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
For the three and nine month periods ended June 30, 2011

This Management Discussion and Analysis ("MD&A") of Kilo Goldmines Ltd. ("Kilo" or the "Company") is dated August 29, 2011 and provides an analysis of the Company's performance and financial condition for the three and nine month periods ended June 30, 2011 , 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 June 30, 2011, 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.

CORPORATE DEVELOPMENTS AND OVERALL PERFORMANCE

The Company entered a new phase of its development with the appointment of Mr David Netherway as Non-executive Chairman in July 2011. Mr Netherway succeeds Mr Peter Hooper, who was instrumental in the start-up of the Company leading to the successful announcement of its maiden NI43-101 compliant resource estimate of 2.0 million ounces. The Company also has announced the appointment of Mr. Alex van Hoeken as CEO with effect from September 1, 2011, in succession to Mr Klaus Eckhof who continues as a director of the Company..

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 NINE MONTHS ENDED JUNE 30, 2011

Exploration Activities

KGL-SOMITURI

During the nine month period ended June 30, 2011, the exploration program on the Somituri Project Exploitation Licence ("PE") 9691, which commenced in January 2010, continued with the calculation of an NI43-101 compliant inferred resource estimate calculated by the Mineral Corporation, of Johannesburg, South Africa.

This concluded 46,307,359 million tonnes grading 1.37 g/t gold for 2.03 million ounces of contained gold at a cut-off of 0.50 g/t gold. The reader is referred to a Press Release dated March 2, 2011 for further details, and the NI43-101 report is posted on SEDAR.

Selected intervals of the 2010 diamond drill core from the Adumbi gold deposit, the Kitenge Prospect and the Manzako Prospect were sampled. Metallurgical samples of oxide and of un-weathered mineralization, consisting of quarter core were collected from selected diamond drill holes over the strike length of the Adumbi gold deposit and forwarded to Wardell Armstrong in England. Trenching completed during the nine month period ended June 30 was 244.50 metres in 4 trenches on the Adumbi gold deposit, 235.10 metres in 6 trenches on the Manzako Prospect, 80 metres in 1 trench as well as the completion of a trench commenced in November 2010 to 206.00 metres on the Kitenge Prospect. In addition, geological mapping and rock sampling was carried out on PE 9692 of the Somituri Project and metallurgical testing has commenced.. Diamond drilling of 1,812.33 metres was completed on 10 holes and two holes are still in progress.

During the three month period ended June 30, 2011:

- a total of 1,812.33 metres of diamond drilling was completed on PE9691 of the Somituri Project. The diamond drilling consisted of 3 holes on the Adumbi gold deposit, 3 holes on the Canal Prospect, 2 holes on the Vatican Prospect, and 2 holes on the Kitenge Prospect. Two holes were in progress on June 30th, one on the Vatican Prospect and the other on the Canal Prospect.

- Trenching commenced on the Kitenge Prospect and was in progress at the end of the period
- Analytical results announced included 15.70m@1.00g/t Au in Kitenge trench SKT002 and 31.70m@4.39 g/t Au in Manzako trench SMT003; the reader is referred to Press Releases dated June 28th and 30th respectively for further details.

The Somituri Project consists of eight *Permis d'Exploitaiton* ("PE") (Exploitation Licence) covering 605.73 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.

From northwest to southeast, the Adumbi gold deposit consists of 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 2010 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 gold deposit has a confirmed strike length in excess of two kilometres and it 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.

Samples from the drill core and trenches were shipped to ALS Chemex in Mwanza, Tanzania for sample preparation and furtherance of pulps to ALS Chemex in Johannesburg or Vancouver for gold analysis.

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 nine months ended June 30, 2011. 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 and nine months ended June 30, 2011, the Company spent $1,948,505 and $6,371,480 respectively on the mineral properties. Exploration was focused exclusively on the Company's KGL-SOMITURI group of properties.

In the comparable periods ended June 30, 2010, exploration activities had included the KGL-MASTERS properties in addition to KGL-SOMITURI, and total expenditures amounted to $2,928,947 and $8,039,917 respectively, including costs associated with the acquisition of KGL-ERW properties.

KGL-SOMITURI

During the three and nine month periods ended June 30, 2011, the Company incurred expenditures of $1,933,178 and $6,287,267 respectively on the KGL-SOMITURI group of properties. Expenditures decreased by $931,350 when compared to expenditures of $2,864,528 for the three months ended June 30, 2010, and increased by $294,957 for the nine month period. Drilling expenditure amounted to $4,633,091 during the nine month period ended June 30, 2011, just $155,523 less than the spend for the nine months ended June 30, 2010 when drilling expenditures were $4,788,615. The Company incurred trenching and soil sampling charges of $59,923 and $136,266 during the three months and nine months ended June 30, 2011, compared with $151,563 incurred in the nine months ended June 30, 2010.

The Company incurred and professional fees of $94,952 during the three months ended June 30, 2011. Professional fees incurred during the three months ended June 30, 2010 were $180,246. For the nine months ended June 30, 2011, professional fees increased by $285,415 over the nine months ended June 30, 2010. Administrative expenses of $79,290 and $300,774 were incurred during the three and nine month periods ended June 30, 2011, representing decreases over the administrative expenses of $248,915 and $515,440 incurred during the three and nine months ended June 30, 2010. Property taxes amounting to $367,720 were paid during March 2011, compared with $374,144 during 2010. The remaining expenditures incurred during the three months ended relate to, travel, planning, and equipment purchases.

KGL-ERW

During the three month period ended June 30, 2011, $3,660 (2010-$10,933) was spent on professional fees. During the comparative period in 2010, expenditures of $661,039 were incurred of which $546,000 related to property acquisition costs, $87,402 to property taxes, and $16,556 to professional fees. For the nine months ended June 30, 2011, net expenditures were $55,700 (2010-$661,039)

KGL-SIHU

Exploration has not yet commenced on the KGL-Sihu properties. Expenditure for the nine months to June 30, 2011 amounted to $28,517 of which $14,000 related to property taxes and the remainder to professional fees. During the nine months ended June 30, 2010 property taxes amounted to $39,865 and professional fees to $22,300.

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 June 30, 2011. During the comparable period ended June 30, 2010, prior to cessation of activities, the Company spent $1,287,276 on this group of properties.

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 June 30, 2011. In the nine month period ended June 30, 2010, $37,147 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 and nine month periods ended June 30, 2011, the Company's net losses were $812,688 and $2,532,708 compared to net losses of $1,587,811 and $3,035,871 for the three month and nine month periods ended June 30, 2010.

Total expenses decreased by $776,057 to $814,503 when compared to the three months ended June 30, 2010. Total expenses decreased by $518,956 to $2,535,122 when compared to the nine months ended June 30, 2010.

Administrative and general expenses for the three months ended June 30, 2011 decreased by $18,288 and by $113,915 for the nine month period ended June 30, 2011 when compared to the periods ended June 30, 2010, mainly due to a reduction in accounting fees. Professional and consulting fees increased by $142,746 to $393,900 for the three month period ended June 30, 2011, which included a once-off charge of $116,000 related to termination settlements. For the nine month period ended June 30, 2011, fees increased by $221,113 to $878,744, of which $116,000 related to the termination settlements and the remainder due to higher legal fees as well as a part offset against the reduction in accounting fees reflected in administrative and general expenses.

The Company recorded a loss on foreign exchange during the three month period ended June 30, 2011, as the Canadian Dollar fluctuated against the United States Dollar and the British Pound. Foreign exchange losses for the three month period were $24,956 and losses of $68,063 were incurred for the nine month period ended June 30, 2011. In the comparative periods losses of $80,128 and $115,241 were recorded.

Travel expenses for the three months ended June 30, 2011 totaled $125,543, against expenses of $56,886 during the three months ended June 30, 2010. Expenditure of $295,501 for the nine month period ended June 30, 2011 was $73,922 higher than the $221,579 incurred in the nine month period ended June 30, 2010.

No stock-based compensation was recorded for the three month period ended June 30, 2011 whilst in the comparative three month period ended June 30, 2010 the expense was $969,162. For the nine month period ended June 30, 2011 stock-based compensation was $598,826, a decrease of $709,188 over the prior year comparative. Expenditure reflects the vesting of stock options granted during the year ended September 30, 2010, and the options granted in November 2010.

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	**June 2011**	**Mar 2011**	**Dec 2010**	**Sept 2010**	**June 2010**	**Mar 2010**	**Dec 2009**	**Sep 2009**
	$	**$**	**$**	**$**	**$**	$	$	$
Net revenues	1,815	18	582	Nil	2,749	7,473	7,985	184
Loss before discontinued operations and extraordinary items	812,688	535,624	1,184,396	424,929	1,587,811	721,900	726,160	632,464
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.01	_	0.01	0.01	0.02	0.01	0.01	0.02
Net loss	812,688	535,624	1,184,396	8,635,880	1,587,811	721,900	726,160	632,464
Net loss, per share basic and diluted	0.01	_	0.01	0.14	0.02	0.01	0.01	0.02

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 $5,804,572 as at June 30, 2011, compared to negative $1,387,801 working capital at June 30, 2010. As at June 30, 2011, the Company held cash and cash equivalents of $5,938,160 versus $200,891 as at June 30, 2010. The Company raised gross proceeds of $8,410,940 through private placements during the quarter ended December 31, 2010, and a further $10,000,000 gross was raised in May 2011.

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 August 28, 2011 the Company's share position consisted of:

Shares outstanding (i)	164,228,984
Options outstanding (ii)	17,384,633
Warrants outstanding (iii)	60,705,000

(i) Shares outstanding

a) During the nine months ended June 30, 2011, 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, 2012. 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, 2012. 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. The fair value of the stock options was estimated at $18,600 as of grant date.

iv) Issued 500,000 common shares pursuant to the exercise of warrants for cash proceeds of $150,000. The fair value of the warrants was estimated at $51,509 as of the date of issue.

v) Issued 50,000,000 units for gross proceeds of $10,000,000 pursuant to a prospectus offering. Each unit consists of one common share and one-half of one warrant. Each whole 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 May 12, 2013. In connection with the offering, the Company paid fees totaling $1,382,109 of which $241,869 was allocated to warrants, and issued 3,395,000 broker compensation options. Each compensation option entitles the holder to purchase one unit as described above at a price of $0.20 per unit for a period of 24 months following the closing.

(ii) Options outstanding

a) During the nine months ended June 30, 2011, 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 7, 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.

iv) Granted 3,395,000 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 May 12, 2013. 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 May 12, 2013.

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	1.37%
Expected life	2.0 years
Expected volatility	125%

b) As at August 28, 2011, the following options were outstanding:

Option Price	**Number of Options**	**Weighted Average Remaining Contractual Life**
$0.60	637,883	1.0 years
$0.30	200,000	1.0 years
$1.00	250,000	1.0 years
$1.50	500,000	1.0 years

$0.60	1,357,500	0.50 years
$0.45	1,254,000	3.50 years
$0.20	362,971	1.505 years
$0.20	105,000	1.505years
$0.60	300,000	1.0 years
$0.20	984,529	1.505 years
$0.20	1,317,750	1.50 years
$0.30	1,720,000	4.50years
$0.20	3,395,000	4.50years
$0.20	5,000,000	5.0 years
	17,384,633	

Grants and cancellations of options included in the above and which took place subsequent to June 30, 2011 are described in Note 16 to the Financial Statements for the period ended June 30, 2011.

(iii) Warrants outstanding

a) During the nine months ended June 30, 2011, 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, 2012.

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, 2012.

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.

v) Issued 25,000,000 warrants pursuant to a units offering. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share on or before May 12, 2013.

c) As at August 28, 2011 the following warrants were issued and outstanding:

i) 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.

ii) 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.

iii) 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.

iv) 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

v) 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, 2012.

vi) 11,698,750 warrants entitling the holder to purchase one common share of the Company at $0.30 at any time on or before November 5, 2012

vii) 25,000,000 warrants entitling the holder to purchase one common share of the Company at $0.30 at any time on or before May 11, 2013

COURSE OF BUSINESS TRANSACTIONS

Transactions with Related Parties

During the three and nine months ended June 30, 2011, the Company:

a) Incurred management fees of $171,000 with a company controlled by a director. The Company also incurred consulting fees of $108,000 and termination fees of $116,000 with two individuals related to this director. This director is also an officer.

b) Incurred legal fees of $1,244 with a firm in which a director and a former director are partners.

c) Incurred accounting fees of $24,000 with an accounting firm in which a former officer is a partner. As at June 30, 2011, accounts payable and accrued liabilities included $25,990 related to this accounting firm.

d) Incurred publicity and advertising fees of $54,000 with a company controlled by a person related to a director. The director is also an officer.

e) Incurred management fees of $187,498 with a director. The director is also an officer.

f) Incurred consulting fees of $67,500 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 June 30, 2011.

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 June 30, 2011, cash and cash equivalents include 3,254,248 United States Dollars, and accounts payable and accrued liabilities include 434,914 United States Dollars, 82,273 United Kingdom Pounds Sterling, 1,436 European Euros and 332,770 South African Rand.

At June 30, 2011, 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 $271,926 lower (higher).

At June 30, 2011, 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 $12,747 higher (lower).

At June 30, 2011, 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 $201 higher (lower).

At June 30, 2011, 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 $4,749 higher (lower).

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET APPLIED

International Financial Reporting Standards

The CICA has converged Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) for fiscal years commencing on or after January 1, 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 has engaged a specialist IFRS consultancy to assist with the implementation. The first phase of the plan, identification of applicable accounting and reporting differences, is complete, and phase two, evaluation of specific policies and exemptions to be adopted as part of the transition, is in progress.

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, though the Company does not anticipate a significant impact on the reporting of its results as a consequence of the change to IFRS 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.