**Consolidated Financial Statements**

# Kilo Goldmines Ltd.

**For the Six Months Ended March 31, 2009**

**Unaudited**

**INDEX**



## NOTICE TO READER

The accompanying unaudited interim consolidated financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

# Kilo Goldmines Ltd.

Consolidated Balance Sheets
Unaudited - see Notice to Reader

| | March 31, 2009 | September 30, 2008 (Audited) |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 2,345,651 | $ 170,062 |
| Receivables | 197,498 | 154,444 |
| Prepaid expenses and deposits | 39,754 | 26,179 |
| | 2,582,903 | 350,685 |
| **Deferred Transaction Costs** | - | 122,140 |
| **Resource Properties** (note 5) | 9,582,384 | 6,311,231 |
| **Capital Assets** (note 6) | 705,974 | 750,684 |
| **Reclamation Bonds** (note 12) | 126,000 | 126,000 |
| | $ 12,997,261 | $ 7,660,740 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | $ 610,540 | $ 347,651 |
| **Long Term Debt** (note 7) | - | 773,422 |
| | 610,540 | 1,121,073 |
| **Shareholders' Equity** | | |
| **Share Capital** (note 8) | 13,331,716 | 8,018,615 |
| **Warrants** (note 9) | 2,115,764 | 1,027,708 |
| **Stock Options** (note 10) | 1,899,981 | 1,842,525 |
| **Deficit** | (4,960,740) | (4,349,181) |
| | 12,386,721 | 6,539,667 |
| | $ 12,997,261 | $ 7,660,740 |

**Nature of Operations** (note 1)

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors:

Signed "Peter Hooper", Director    Signed "David Carbonaro", Director

# Kilo Goldmines Ltd.

Consolidated Statements of Operations and Deficit
For the Periods Ended March 31, 2009 and 2008
Unaudited - see Notice to Reader

| | Six Months Ended | | Three Months Ended | |
|---|---|---|---|---|
| | March 31, 2009 | March 31, 2008 | March 31, 2009 | March 31, 2008 |
| **Expenses** | | | | |
| Administrative and general | $ 54,333 | $ 117,545 | $ 28,790 | $ 75,908 |
| Amortization | 44,710 | 10,639 | 22,355 | 6,237 |
| Filing and transfer fees | 22,500 | - | 22,500 | - |
| Foreign exchange loss (gain) | 15,582 | (11,046) | 5,630 | (11,028) |
| Interest and financing costs | 976 | 1,899 | 675 | 1,927 |
| Occupancy | 33,462 | 13,500 | 23,244 | 8,100 |
| Professional and consulting fees (note 11) | 283,532 | 396,402 | 123,101 | 229,665 |
| Public and investor relations (note 11) | 152,364 | 133,828 | 101,825 | 118,910 |
| Salaries and wages | 7,003 | 16,599 | - | 16,599 |
| Stock-based compensation (note 10) | - | 496,250 | - | - |
| Travel | 998 | 63,568 | - | 20,130 |
| Less: | | | | |
| Interest income | (3,901) | (29,082) | (10) | (10,621) |
| **Net Loss for the Period** | (611,559) | (1,210,102) | (328,110) | (455,827) |
| **Deficit - Beginning of Period** | (4,349,181) | (1,726,339) | (4,632,630) | (2,480,614) |
| **Deficit - End of Period** | $(4,960,740) | $(2,936,441) | $(4,960,740) | $(2,936,441) |
| **Loss per Share - basic and diluted** | $ (0.03) | $ (0.05) | $ (0.01) | $ (0.02) |
| **Weighted Average Number of Common Shares Outstanding - basic and diluted** | 24,010,337 | 22,933,413 | 25,111,193 | 22,933,413 |

# Kilo Goldmines Ltd.

Consolidated Cash Flow Statements
For the Periods Ended March 31, 2009 and 2008
Unaudited - see Notice to Reader

| | Six Months Ended | | Three Months Ended | |
|---|---|---|---|---|
| | March 31, 2009 | March 31, 2008 | March 31, 2009 | March 31, 2008 |
| **Cash Provided By (Used In):** | | | | |
| **Operating Activities** | | | | |
| Net loss | $ (611,559) | $(1,210,102) | $ (328,110) | $ (455,827) |
| Items not affecting cash: | | | | |
| Amortization | 44,710 | 10,639 | 22,355 | 6,237 |
| Stock based compensation | - | 496,250 | - | - |
| | (566,849) | (703,213) | (305,755) | (449,590) |
| Net changes in non-cash working capital: | | | | |
| Receivables | (43,054) | 80,243 | (27,165) | (17,923) |
| Prepaid expenses and deposits | (13,575) | (194,410) | (9,264) | (123,229) |
| Accounts payable and accrued liabilities | 357,924 | 110,872 | 67,853 | 251,686 |
| | (265,554) | (706,508) | (274,331) | (339,056) |
| **Financing Activities** | | | | |
| Share capital - private placements | 3,856,663 | 2,330,804 | 3,856,663 | 269,419 |
| Warrants - private placements | 864,866 | 1,027,708 | 864,866 | 109,331 |
| Transaction costs | (125,341) | (75,476) | (125,341) | (75,476) |
| Long term debt | (1,350,058) | - | (1,350,058) | - |
| Cash acquired on amalgamation | 648,954 | - | 648,954 | - |
| | 3,895,084 | 3,283,036 | 3,895,084 | 303,274 |
| **Investing Activities** | | | | |
| Resource property expenditures | (1,453,941) | (1,861,607) | (1,356,547) | (1,032,648) |
| Purchase of capital assets | - | (1,781) | - | (1,781) |
| Reclamation bonds | - | (120,000) | - | (120,000) |
| | (1,453,941) | (1,983,388) | (1,356,547) | (1,154,429) |
| **Change in Cash and Cash Equivalents** | 2,175,589 | 593,140 | 2,264,206 | (1,190,211) |
| **Cash and Cash Equivalents - Beginning of Period** | 170,062 | 1,365,599 | 81,445 | 3,148,950 |
| **Cash and Cash Equivalents - End of Period** | $ 2,345,651 | $ 1,958,739 | $ 2,345,651 | $ 1,958,739 |
| **Supplemental Cash Flow Information** | | | | |
| Interest received | $ 3,901 | $ 29,082 | $ 10 | $ 10,621 |
| **Significant Non-Cash Transactions Not Disclosed Above** | | | | |
| Shares issued for acquisition of resource properties | $ 1,156,006 | $ - | $ 1,156,006 | $ - |
| Warrants issued for acquisition of resource properties | $ 233,532 | $ - | $ 233,532 | $ - |

## 1. Nature of Operations

Kilo Goldmines Ltd. (the "Company") is an Ontario corporation which commenced operations on March 20, 2009 as described in note 2. 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 (see note 5) and intends to devote the majority of its efforts to these properties. To date, the Company has not earned significant revenues and is considered to be in the development stage.

The realization of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to develop these properties, and future profitable production or proceeds of disposition from these properties.

The Company operates in one industry segment, mining exploration, and in one geographic area, the Democratic Republic of Congo ("DRC"). The Company's operations in the DRC are affected by the DRC's political and economic environment. Although the environment has stabilized in recent years, there is a risk that this situation could deteriorate and adversely affect the Company's operations.

These interim consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced losses and negative operating cash flows. The application of the going concern concept is dependent on the Company's ability to generate future profitable operations. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become payable.

These interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these interim consolidated financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used. See also note 3.

## 2. Acquisition and 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 the Company (the "Going Public Transaction").

## 2. Acquisition and Amalgamation (continued)

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.

Accordingly:

i) the assets and liabilities of Old Kilo are included in the balance sheet at their historic carrying value

ii) the net assets of Blue Ribbon are included at fair value which equalled their carrying value

iii) share capital, contributed surplus and deficit of Blue Ribbon are eliminated

Blue Ribbon's net assets acquired are as follows:

| | |
|---|---|
| Cash | $ 648,954 |
| Receivables | 16,702 |
| Deferred transaction costs | 48,942 |
| Accounts payable and accrued liabilities | (53,927) |
| | $ 660,671 |

The comparative figures presented in these financial statements are the historical results of Old Kilo.

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

## 3. Interim Financial Statements

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles and are based on accounting principles and practices consistent with those used in the preparation of the Company's annual audited consolidated financial statements. These statements have not been reviewed by the Company's auditors. Certain information and note disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim consolidated financial statements should be read together with the audited consolidated financial statements and the accompanying notes for the year ended September 30, 2008.

## 4. Summary of Significant Accounting Policies

These interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada, and reflect the following significant accounting policies:

### a) Financial Instruments

The Company records all financial instruments at fair value. Subsequent measurement and changes in fair value will depend on the initial classification of the financial instrument, as follows: held for trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available for sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables and other liabilities are recorded at amortized costs.

The Company has classified its financial instruments as follows:

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

### b) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of operations during the reporting period. Significant estimates and assumptions include those related to the recoverability of resource properties and the valuation of stock options and warrants. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

### c) Cash and Cash Equivalents

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.

### d) Resource Properties

Acquisition costs of resource properties together with direct exploration and development expenditures thereon are deferred in the accounts. If production is attained, these costs will be amortized on a units-of-production basis. If the properties are abandoned, sold or considered to be impaired in value, the costs of the properties and related deferred expenses will be written down at that time.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Senior management regularly reviews the carrying amount of mineral properties and deferred exploration and development costs to assess whether there has been any impairment in value.

## 4. Summary of Significant Accounting Policies (continued)

### e) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the Company's assets on the following basis and rates per annum:

| | |
|---|---|
| Building | 25 years on a straight line basis |
| Vehicles | 5 years on a straight line basis |
| Furniture and fixtures | 5 years on a straight line basis |
| Computer equipment | 3 years on a straight line basis |

### f) Income Taxes

The Company accounts for income taxes using the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax assets are recorded only to the extent that, based on available evidence, it is more likely than not that they will be realized.

### g) Stock-Based Compensation and Other Stock-Based Payments

The Company records all stock-based payments using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Stock-based compensation costs are amortized over the vesting period.

### h) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on translation of monetary assets and liabilities are included in the determination of earnings for the period.

### i) Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

### j) Basic and Diluted Loss per Share

The basic loss per share is computed based on the weighted average number of common shares outstanding during the period. The diluted loss per share is calculated using the treasury method, and is equal to the basic loss per share due to the anti-dilutive effect of share purchase options.

## 4. Summary of Significant Accounting Policies (continued)

### k) Basis of Consolidation

These interim consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary Kilo Goldmines Inc., and the partnership interests described in note 5. All interorganizational accounts and transactions have been eliminated on consolidation. All of the Company's exploration activities are conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interest in resource properties as described in note 5. 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.

### l) Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. Section 1535 was effective for the Company as of October 1, 2007. The Company's capital is composed of shareholders' equity. The Company's objective is to raise sufficient capital to execute its exploration plan. The Company does not use any capital-based metrics. The Company does not have any externally imposed capital requirements. There have not been any changes to the overall capital risk management strategy during the period ended March 31, 2009.

### m) Financial Instruments

CICA Handbook Section 3862, Financial Instruments - Disclosures, and CICA Handbook Section 3863, Financial Instruments - Presentation, replace CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Sections 3862 and 3863 were effective for the Company as of October 1, 2007. Disclosure requirements pertaining to Section 3862 are contained in note 13.

### n) 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 transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

## 5. Resource Properties

| | September 30, 2008 | Additions | Sales | Write-Offs | March 31, 2009 |
|---|---|---|---|---|---|
| KGL-Masters (a) | $ 3,491,083 | $ 1,108,034 | $ - | $ - | $ 4,599,117 |
| KGL-Somituri (b) | 1,178,545 | 938,811 | - | - | 2,117,356 |
| KGL-Sihu (c) | 879,662 | 534,401 | - | - | 1,414,063 |
| KGL-ERW (d) | 615,644 | 518,687 | - | - | 1,134,331 |
| KGL-Poko (e) | 146,297 | 171,220 | - | - | 317,517 |
| | $ 6,311,231 | $ 3,271,153 | $ - | $ - | $ 9,582,384 |

| | September 30, 2007 | Additions | Sales | Write-Offs | March 31, 2008 |
|---|---|---|---|---|---|
| KGL-Masters (a) | $ 1,309,215 | $ 1,164,633 | $ - | $ - | $ 2,473,848 |
| KGL-Somituri (b) | 657,145 | 296,334 | - | - | 953,479 |
| KGL-Sihu (c) | 677,698 | 179,635 | - | - | 857,333 |
| KGL-ERW (d) | 295,993 | 205,341 | - | - | 501,334 |
| KGL-Poko (e) | 126,920 | 15,664 | - | - | 142,584 |
| | $ 3,066,971 | $ 1,861,607 | $ - | $ - | $ 4,928,578 |

a) KGL-Masters

On November 15, 2006, the Company acquired an option to acquire a 90% interest in eight Research Permits for mineral properties in the DRC, comprising approximately 2,400 square kilometres. The Research Permits expire on various dates up to October 9, 2011. The KGL-Masters SPRL partnership was created on July 5, 2007 and is 90% owned by the Company. An Assignment Agreement has been signed and the Company is in the process of transferring the property rights to the new entity. Pursuant to the KGL-Masters Partnership Agreement, the Company has committed to paying 25,000 USD on each of the property assignment Registration Date, and the six, twelve and eighteen month anniversaries of the Registration Date, and to issuing 100,000 common shares of the Company on the Registration Date and the first and second anniversaries of the Registration Date.

The Partnership Agreement requires the Company to finance all activities of KGL-Masters by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-Masters from revenues it generates, before distribution of dividends to the partners. As of March 31, 2009, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

Pursuant to a consulting agreement related to these properties, the Company has committed to issuing 18,000 stock options. As at March 31, 2009 these options had yet to be issued.

During the year ended September 30, 2008, KGL-Masters SPRL acquired an interest in three additional Research Permits.

## 5. Resource Properties (continued)

b) KGL-Somituri

On November 15, 2006, the Company acquired an option to acquire a 75% interest in twenty Research Permits for mineral properties in the DRC, comprising approximately 550 square kilometres. The Research Permits expired on December 14, 2007 and are in the process of being converted into thirty year Exploitation Permits. The Company is unable to definitively ascertain whether the application for Exploitation Permits will be successful but is taking any and all necessary steps to obtain the permits. The KGL-Somituri SPRL partnership was created on December 12, 2007 and is 75% owned by the Company. An Assignment Agreement has been signed and the Company is in the process of transferring the property rights to the new entity, which can only occur once the conversion of the Research Permits into Exploitation Permits is completed.

The Company has committed to paying 50,000 Euros, 75,000 Euros, 150,000 Euros, and 300,000 Euros on the property assignment Registration Date, and the first, second and third anniversaries of the Registration Date respectively. The Company has also committed to investing, at a minimum, 1,000,000 Euros during the first year after the Registration Date, and 500,000 Euros during each of the second and third years after the Registration Date in research activities.

During the year ended September 30, 2008, the Company signed a new Partnership Agreement under which the Company has agreed to finance all activities of KGL-Somituri between the execution date of the new Partnership Agreement and the filing of a bankable feasibility study by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-Somituri from revenues it generates to the extent of 75% of available funds, with the remaining 25% to be distributed to the equity holders. The minority partners may also request that one or more of the permits be transferred into new entities owned by the Company in exchange for a 2% net smelter royalty. As of March 31, 2009, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

c) KGL- Sihu

On November 15, 2006, the Company acquired an option to acquire a 100% interest in twelve Research Permits for mineral properties in the DRC comprising approximately 370 square kilometres. Eleven of the Research Permits expired on February 6, 2008, and the Company has filed for extensions to those Research Permits. One Research Permit overlaps with a Research Permit held by another entity and the Company has not applied for an extension of this Research Permit, as it does not intend to explore and develop this property. The KGL-Sihu SPRL partnership was created on July 23, 2007 and is 99% owned by the Company; the remaining 1% is owned by one of the Company's directors. A Memorandum of Agreement and an Assignment Agreement have been signed and the Company is in the process of transferring the property rights to the new entity. Pursuant to the KGL-Sihu Memorandum Agreement which was executed between the parties, the Company has committed to paying 100,000 USD within 15 days of the signing of the Memorandum of Agreement, 100,000 USD on the earlier of December 31, 2007 or the date on which shares of the Company begin to trade on a public stock exchange, and 135,000 USD on each of the first and second anniversaries of the date on which shares of the Company begin to trade on a public stock exchange.

## 5. Resource Properties (continued)

During the year ended September 30, 2008, KGL-Sihu SPRL acquired an interest in two additional Research Permits, which expire on July 18, 2012. In addition, the request for extension of the Research Permits has been granted and the eleven permits now have an expiry date of February 5, 2013.

Pursuant to an agreement dated November 15, 2006, the rights to the three above-noted properties (collectively the "West Kilo Project") were acquired from Moto Goldmines Limited ("Moto") by assumption of Moto's responsibilities relating to the properties and for consideration of 4,000,000 common shares of the Company which shall be increased if and only if such number of common shares do not constitute at least 25% of the Company's outstanding common shares upon the completion of the Going Public Transaction (see also Note 2). Moto also has the right, at its option, exercisable when a banking feasibility study is concluded (if at that stage the measured resources exceed two million ounces) to acquire a 10% equity interest in the West Kilo Project for consideration of 5,000,000 USD.

During the year ended September 30, 2008, the agreement with Moto was amended so that the common shares issued to Moto as consideration shall be increased so that the total number of shares issued as consideration for the West Kilo Project shall constitute 20% of the Company's common shares, instead of 25%, upon completion of the Going Public Transaction. The Amendment expired December 16, 2008. Moto also has the right to nominate one person to the Company's Board of Directors and to veto any private placement contemplated by the Company for a period of six months from the commencement of trading of the Company's shares on the Exchange.

During the period ended March 31, 2009 the Company issued 3,853,353 common shares and 1,297,400 warrants exercisable at $0.60 per share at any time on or before March 20, 2011 in full satisfaction of its obligation to Moto.

d) KGL-ERW

On November 17, 2006, the Company acquired an option to acquire a 75% interest in twenty Research Permits for mineral properties in the DRC, comprising approximately 7,000 square kilometres. The Research Permits expire on February 4, 2012. The KGL-ERW SPRL partnership was created on July 4, 2007 and is 75% owned by the Company. An Assignment Agreement has been signed and the Company is in the process of transferring the property rights to the new entity. Pursuant to the KGL-ERW Partnership Agreement, the Company has committed to paying 60,000 USD, 140,000 USD, 200,000 USD, and 300,000 USD on the property assignment Registration Date, and the first, second and third anniversaries of the Registration Date respectively. The Company has also committed to issuing options to purchase 200,000 shares of the Company on each of the first, second and third anniversaries of the Registration Date. The options vest on the first, second and third anniversaries of the Registration Date, respectively, and are exercisable within three years of the vesting date at an exercise price equal to their fair market value on the vesting date. Furthermore, the Company has committed to investing, at a minimum, 500,000 USD during the first year after the Registration Date, and 1,000,000 USD during each of the second and third years after the Registration Date in research activities.

## 5. Resource Properties (continued)

A failure to meet the above-noted payment and investment obligations allows the minority partner to ask for cancellation of the Agreement and reassignment of the Research Permits for consideration of one dollar. The Partnership Agreement requires the Company to finance all activities of KGL-ERW by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-ERW from revenues it generates to the extent of 75% of available funds, with the remaining 25% to be distributed to the equity holders. As of March 31, 2009, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

Pursuant to a consulting agreement related to these properties the Company has committed to issuing 36,000 stock options. As at March 31, 2009 these options have yet to be issued.

Within six months of the third anniversary of the Registration Date, the Company is obligated to select four contiguous areas, each having a maximum area of 200 square kilometres upon which KGL-ERW must focus its mining activities. The balance of the area will be returned to the minority partner for one dollar, subject to a right of first refusal in favour of the Company. The minority partner may also request that one or more of the permits be transferred into new entities owned by the Company in exchange for a 2% net smelter royalty.

During the period ended March 31, 2009, the Company signed an agreement with Rio Tinto Mining and Exploration Limited ("Rio") granting Rio an earn-in with respect to certain mineral rights (primarily iron ore) on its ERW property. Rio has the ability to earn a 51% interest in those mineral rights by making cash payments and exploration expenditures totaling 23,000,000 USD by December 31, 2011. Rio can earn an additional 24% interest by making additional cash payments and exploration expenditures totaling 60,000,000 USD by December 31, 2016. Subsequently, the Company will have several funding and net smelter royalty conversion options available to exercise at its option.

e) KGL-Poko

On July 10, 2007, the Company acquired an option to acquire an 82.5% interest in fourteen Research Permits for mineral properties in the DRC, comprising approximately 4,100 square kilometres, for consideration of 91,400 USD. The Research Permits expire on October 9, 2011. The KGL-Poko SPRL partnership was created on July 23, 2007 and is 82.5% owned by the Company. An Assignment Agreement has been signed and the Company is in the process of transferring the property rights to the new entity.

The Partnership Agreement requires the Company to finance all activities of KGL-Poko by way of loans which bear interest at the rate of 5%. The loans are repayable by KGL-Poko from revenues it generates, before distribution of dividends to the partners. As of March 31, 2009, interest income related to these loans has not been recorded as the properties' ability to generate revenue in the future is still being evaluated by the Company.

## 5. Resource Properties (continued)

Mining activities in the DRC are governed by the Mining Code 2002 and the Mining Regulations of the DRC's Ministry of Mines. The Mining Code 2002 provides three types of licenses or permits that may be granted by the Minister of Mines. A Prospecting Certificate allows the holder to prospect plots of land as specified by the Prospecting Certificate for a period of two years. Although a Prospecting Certificate is not renewable, successive Prospecting Certificates can be issued for the same plot of land. A Prospecting Certificate does not indicate a mineral or mining right.

Exploration Licenses entitle the holder to the exclusive right to carry out exploration activity for mineral substances on a specified plot of land. This exclusive right is indicated by a mining title called "Exploration Certificate" or "Research Permit". In the case of mineral substances, this exclusive right is valid for five years and is renewable for two additional five-year periods.

Once the holder of an Exploration License can prove the existence of an economically exploitable deposit to the Ministry of Mines, the holder can convert the Exploration License to an Exploitation License. This Exploitation License is evidenced by a mining title called an "Exploitation Certificate" or "Exploitation Permit", and entitles the holder to the exclusive right to carry out exploitation, construction and exploration of mineral substances on the plots of land covered by the Exploitation License for a period of thirty years, renewable several times for periods of fifteen years.

## 6. Capital Assets

| | March 31, 2009 | | | September 30, 2008 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net | Net |
| Land | $ 199,250 | $ - | $ 199,250 | $ 199,250 |
| Building | 203,962 | 12,238 | 191,724 | 195,804 |
| Vehicles | 350,479 | 66,759 | 283,720 | 318,768 |
| Furniture and fixtures | 18,062 | 3,117 | 14,945 | 16,751 |
| Computer equipment | 22,662 | 6,327 | 16,335 | 20,111 |
| | $ 794,415 | $ 88,441 | $ 705,974 | $ 750,684 |

## 7. Long Term Debt

Long term debt consisted of the following:

a) $382,842 owed to a supplier. The amount becomes payable January 31, 2010 and is non-interest bearing.

b) $390,580 owed to a supplier. The amount becomes payable April 1, 2010, bears interest at 4% per annum, and is subject to various early payment options if the Company achieves certain financial goals. See also note 11(b).

During the period ended March 31, 2009, both of these amounts were repaid.

## 8. Share Capital

### a) Authorized:

Unlimited common shares

### b) Common Shares Issued and Outstanding:

| | Number | Amount |
|---|---|---|
| **Kilo Goldmines Inc.** | | |
| Balance - September 30, 2008 and March 19, 2009 | 22,933,413 | $ 8,018,615 |
| **Kilo Goldmines Ltd.** (formerly Blue Ribbon Capital Corporation) | | |
| Balance - September 30, 2008 and March 19, 2009 | 6,050,000 | $ 885,948 |
| Consolidation of outstanding shares | (4,537,500) | - |
| Issued to shareholders of Blue Ribbon | 907,500 | - |
| Elimination of Deficit in Blue Ribbon | - | (375,242) |
| Elimination of Contributed Surplus in Blue Ribbon | - | 149,965 |
| Issued for cash | 10,060,000 | 4,124,600 |
| Issued to shareholders of Kilo Goldmines Inc. | 22,933,413 | 8,018,615 |
| Issued to Moto Goldmines Limited (note 5) | 3,853,353 | 1,156,006 |
| Issuance costs | - | (231,770) |
| Costs of Going Public Transaction (note 2) | - | (396,406) |
| Balance - March 31, 2009 | 39,266,766 | $ 13,331,716 |

During the period ended March 31, 2009, the Company:

i) Issued 22,933,413 common shares in exchange for the 22,933,413 issued and outstanding common shares of Kilo Goldmines Inc. in connection with the acquisition and amalgamation as described in note 2. Upon amalgamation, the shares of Kilo Goldmines Inc. had a recorded value of $8,018,615, which has been allocated to the common shares issued.

## 8. Share Capital (continued)

ii) Issued 10,060,000 units (pursuant to private placements) for proceeds of $5,030,000, of which $905,400 was allocated to warrants (see note 9).

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

In connection with these private placements, the Company paid fees totalling $225,190, of which $40,534 was allocated to warrants, and issued 319,200 stock options (see note 10).

iii) Issued 3,853,353 common shares to Moto Goldmines Limited in connection with property acquisitions as described in note 5.

iv) Issued 907,500 common shares to the existing shareholders of Blue Ribbon after consolidating its common shares on a 1:4 basis, pursuant to the Going Public Transaction (note 2).

## 9. Warrants

| | Number | Amount |
|---|---|---|
| **Kilo Goldmines Inc.** | | |
| Balance - September 30, 2008 and March 19, 2009 | 2,350,000 | $ 1,027,708 |
| **Kilo Goldmines Ltd.**<br>(formerly Blue Ribbon Capital Corporation) | | |
| Balance - September 30, 2008 and March 19, 2009 | - | $ - |
| Issued to shareholders of Kilo Goldmines Inc. | 2,350,000 | 1,027,708 |
| Issued for cash | 5,030,000 | 905,400 |
| Issued to Moto Goldmines Limited (note 5) | 1,297,400 | 233,532 |
| Issuance costs | - | (50,876) |
| Balance - March 31, 2009 | 8,677,400 | $ 2,115,764 |

During the period ended March 31, 2009, the Company:

i) Issued 5,030,000 Warrants pursuant to private placements (see note 8 (b)(ii)).

ii) Issued 1,297,400 Warrants to Moto Goldmines Limited in connection with property acquisitions. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.60 per share at any time on or before March 20, 2011.

## 9. Warrants (continued)

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

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

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.

As at March 31,2009 , the following common share purchase warrants ("Warrants") were issued and outstanding:

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

b) 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.

## 10. Stock Options

a) The Company has adopted a stock option plan for the Company (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares to directors, officers, employees and consultants of the Company. Expiry dates and exercise prices shall be determined by the Board of Directors. The exercise price shall not be less than the market price.

b) During the period ended March 31, 2009 the Company:

i) Granted 319,200 stock options to an agent. Each option entitles the holder to purchase one unit at a price of $0.50 at any time on or before March 20, 2011. Each unit consists of one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.60 at any time on or before March 20, 2011. The stock options were granted pursuant to the Going Public Transaction described in note 2 and therefore the value of $57,456 has been allocated as to $47,114 to share issuance costs and $10,342 to warrant issuance costs.

The fair value of 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 | 1.00% |
| Expected life | 2.0 years |
| Expected volatility | 100% |

## 10. Stock Options (continued)

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.

c) A summary of changes to stock options is as follows:

| | Number | Amount |
|---|---|---|
| **Kilo Goldmines Inc.** | | |
| Balance - September 30, 2008 and March 19, 2009 | 3,787,883 | $ 1,842,525 |
| **Kilo Goldmines Ltd.** (formerly Blue Ribbon Capital Corporation) | | |
| Balance - September 30, 2008 and March 19, 2009 | 1,055,000 | $ 149,965 |
| Consolidation of outstanding options and elimination of contributed surplus | (791,250) | (149,965) |
| Granted to shareholders of Kilo Goldmines Inc. | 3,787,883 | 1,842,525 |
| Granted | 319,200 | 57,456 |
| Balance - March 31, 2009 | 4,370,833 | $ 1,899,981 |

d) Stock options were granted, exercised and expired/cancelled as follows:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| **Kilo Goldmines Inc.** | | |
| Balance - September 30, 2008 and March 19, 2009 | 3,787,883 | $ 0.85 |
| **Kilo Goldmines Ltd.** (formerly Blue Ribbon Capital Corporation) | | |
| Balance - September 30, 2008 and March 19, 2009 | 1,055,000 | $ 0.20 |
| Consolidation of outstanding options | (791,250) | - |
| Granted to shareholders of Kilo Goldmines Inc. | 3,787,883 | 0.85 |
| Granted | 319,200 | 0.50 |
| Balance - March 31, 2009 | 4,370,833 | $ 0.82 |

## 10. Stock Options (continued)

e) As at March 31, 2009 the following stock options were outstanding:

| Option Price | Number of Options Unvested | Number of Options Vested | Weighted Average Remaining Contractual Life |
|---|---|---|---|
| $ 0.80 | - | 151,250 | 1.0 years |
| $ 0.80 | - | 112,500 | 1.0 years |
| $US 1.00 | - | 100,000 | 1.3 years |
| $ 0.60 | - | 750,000 | 1.0 years |
| $ 0.60 | - | 787,883 | 3.0 years |
| $ 0.30 | - | 550,000 | 3.0 years |
| $ 1.00 | - | 700,000 | 3.0 years |
| $ 1.50 | - | 900,000 | 3.0 years |
| $ 0.50 | - | 319,200 | 2.0 years |
| | - | 4,370,833 | |

f) In connection with the private placements that took place during the year ended September 30, 2008, the Company committed to issuing 122,500 stock options to a company controlled by a significant shareholder and former director. As at March 31, 2009 these options had yet to be issued.

## 11. Related Party Transactions

During the period ended March 31, 2009 the Company:

a) Incurred management fees of $114,000 with a company controlled by a director. The Company also incurred consulting fees of $48,000 with two individuals related to this director. As at March 31, 2009 accounts payable and accrued liabilities included $572 related to this company. The director is also an officer.

b) Incurred legal fees of $447,784 with a firm in which two of the Company's directors are partners, of which $211,322 was capitalized as property acquisition costs, $176,010 was charged in connection with the Going Public Transaction, and $60,452 was included in professional fees. As at March 31, 2009 accounts payable and accrued liabilities included $257,900 related to this law firm. One of the directors is also an officer.

c) Incurred accounting fees of $99,924 with an accounting firm in which an officer is a partner, of which $62,412 was charged in connection with the Going Public Transaction and $37,512 was included in professional fees.

d) Incurred publicity and advertising fees of $19,800 with a company controlled by a person related to a director. The director is also an officer.

e) Incurred management fees of $49,360 with a director. As at March 31, 2009, $49,360 was included in accounts payable and accrued liabilities. The director is also an officer.

Additional related party transactions are described separately in note 5(c), note 7(b),and note 10(f).

## 12. Reclamation Bonds

During the year ended September 30, 2008, the Company paid $126,000 in reclamation bonds as required by the DRC's Ministry of Mines. These amounts represent deposits on restoration costs to be incurred in the future to restore the resource properties to a specified state. Based on the exploration work performed to March 31, 2009 on the resource properties in the DRC, the Company's management estimates that no future obligations for site restoration costs exist as at March 31, 2009.

## 13. Financial Instruments

### Fair Values

Except as disclosed elsewhere in these financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

### 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.

### 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.

### Currency Risk

The Company's primary operations are located in DRC. The Company pays most of its DRC costs in U.S. dollars, and is therefore subject to foreign exchange risk on this payment stream.

As at March 31, 2009, cash and cash equivalents includes 3,121 United States Dollars and accounts payable and accrued liabilities includes 88,248 United States Dollars.

At March 31, 2009, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the period would have been $10,737 higher (lower).

## 14. Commitments

a) The Company has monthly obligations of $19,000 and 16,150 USD pursuant to consulting agreements. The agreements do not have a fixed term and can be cancelled by either party.

## 14. Commitments (continued)

b) Pursuant to a consulting agreement the Company has agreed to issue an option to acquire 100,000 common shares of the Company to this consultant provided the agreement is in good standing when the Company's shares become traded on a stock exchange. The option has a term of three years from that date at an exercise price equal to the average trading price of the common shares on such exchange during the first ten trading days of such listing. In addition, provided that the agreement is in good standing on the first anniversary date that the Company's common shares become traded in a stock exchange, the Company has agreed to issue another option to acquire 100,000 common shares of the Company. The option has a term of three years from that date at an exercise price equal to the average trading price of the common shares on such exchange during the ten trading days prior to such grant.

c) The Company has committed to spending $230,000 on community-based initiatives in the DRC to improve the lives of the inhabitants of the areas in which the Company is focusing its exploration efforts. This commitment does not have a specified term and as at March 31, 2009, the Company had spent approximately $153,000.

d) During the year ended September 30, 2008 the Company entered into leases for office premises and office equipment. The minimum lease commitments under these leases are as follows:

| | |
|---|---|
| 2009 | $ 71,751 |
| 2010 | $ 71,751 |
| 2011 | $ 71,751 |
| 2012 | $ 76,355 |
| 2013 | $ 76,355 |
| Thereafter | $ 57,645 |

e) During the period ended March 31, 2009, the Company entered into an agreement for the provision of consulting services in exchange for a monthly fee of $5,000 payable monthly until March 1, 2010.

f) During the period ended March 31, 2009, the Company entered into an agreement for the provision of public and investor relations services in exchange for a monthly fee of $5,000 payable monthly. The agreement can be terminated by either party by giving thirty days written notice.

g) During the period ended March 31, 2009, the Company entered into an agreement for the rental of a bulldozer in the DRC in exchange for a monthly fee of 15,000 USD. The contract has an indefinite term and can be cancelled by the Company by giving one month notice to the vendor.

h) During the period ended March 31, 2009, the Company entered into drilling agreement for 6,000 metres of diamond drilling in the DRC. The total value of the agreement is unknown as the invoiced amounts under the agreement will depend on several factors that cannot be reasonably estimated as of the date of these financial statements.

i) Additional commitments are disclosed in note 5 and note 10(f).

## 15. Subsequent Events

Subsequent to the period ended March 31, 2009, the Company issued 620,000 units pursuant to a private placement for gross proceeds of $310,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share at a price of $0.60 per share for a period of twenty-four months from the date of issue.