

Management Discussion and Analysis of Unaudited Interim Consolidated Financial Statements  
For the three and nine month periods ended June 30, 2009

**Kilo Goldmines Ltd.**

141 Adelaide Street West, Suite 1200  
Toronto, Ontario M5H 3L5

Contact: Peter Hooper, Chairman  
Phone: (416) 360-3402  
Email: [peterhooper2@aol.com](mailto:peterhooper2@aol.com)  
Website: [www.kilogold.net](http://www.kilogold.net)

**KILO GOLDMINES LTD.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**For the three and nine month periods ended June 30, 2009**

*This Management Discussion and Analysis (“MD&A”) of Kilo Goldmines Ltd. (“Kilo” or the “Company”) is dated August 28, 2009 and provides an analysis of the Company’s performance and financial condition for the three and nine month periods ended June 30, 2009 , as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee.*

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

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

## **OVERALL PERFORMANCE**

### **Principal Business and Corporate History**

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

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

### **Amalgamation**

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

On March 20, 2009, pursuant to the Agreement, Old Kilo amalgamated with Blue Ribbon’s wholly owned subsidiary. Completion of the transaction constituted Blue Ribbon’s qualifying transaction. The shareholders of Old Kilo held the majority of the outstanding shares of the Company following the transaction, and accordingly, the transaction has been accounted for as a

reverse takeover. Since Blue Ribbon's operations do not constitute an economic unit, the transaction has been accounted for as a capital transaction. Where appropriate, the comparative figures presented in this MD&A and the audited consolidated financial statements for the year ended September 30, 2008, are the historical results of Old Kilo.

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

## **DEVELOPMENTS DURING THE THREE AND NINE MONTHS ENDED JUNE 30, 2009**

### **Qualifying Reports**

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

### **Exploration Activities**

Diamond drilling activities were initiated on the KGL-MASTERS properties during the three and nine month periods ended June 30, 2009, most specifically on PR 8437 which covers 102 square kilometres. A total of 2,190 soil samples, plus 7.4% quality control samples consisting of duplicates, as well as commercial standards and blanks, were collected from depths of 30 centimetres to 50 centimetres at 100 metre intervals on north-south lines separated by 400 metres by Basanga Consulting SPRL ("Bascons") in December 2007 and January 2008. Stanley Robinson, M.Sc., P.Geo, planned and supervised the exploration program. ALS Chemex of Johannesburg, South Africa analyzed the samples for low-detection gold by fire-assay with ICP finish and for 35 elements by ICP.

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

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

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

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

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

A total of 1,781.70 metres of diamond drilling were carried out in ten holes, over a strike length of 400 metres, on the M2 gold occurrence, an active artisanal working, during June and July 2009, under contract by Geosearch International. Sampling of the diamond drill core is in progress; analytical data has not been received to date.

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

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

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

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

During the period ended June 30, 2009, the 20 Exploration Licences of the KGL-SOMITURI project were converted into eight Exploitation Licences. Exploration activities were not carried out on the properties during the three and nine month periods ended June 30, 2009.

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

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

Exploration activities were not carried out on the KGL-SIHU properties during the three and nine month periods ended June 30, 2009.

Exploration activities were not carried out on the KGL-POKO properties during the three and nine month periods ended June 30, 2009.

### SELECTED ANNUAL INFORMATION

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

<b>For the fiscal periods ended September 30,</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Net revenues	38,309	47,503
Loss before discontinued operations and extraordinary items	2,622,842	1,577,131
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.11	0.07
Net loss	2,622,842	1,577,131
Net loss, per share basic and diluted	0.11	0.07
Total assets	7,660,740	5,108,903
Total long term liabilities	773,422	Nil
Cash dividends	Nil	Nil

### Project Expenditures

#### KGL-MASTERS

During the three month period ended June 30, 2009, the Company incurred expenditures of \$1,023,843 on the KGL-MASTERS group of properties, an increase of \$305,920 from expenditures of \$717,923 for the same period ended June 30, 2008. The Company spent \$2,131,878 during the nine months ended June 30, 2009, an increase of \$249,322 from the expenditures of \$1,882,556 incurred during the nine month period ended June 30, 2008. During the three months ended June 30, 2009, the Company commenced drilling on properties within the KGL-MASTERS group of properties, incurring drilling costs of \$611,489 and soil sampling costs of \$134,765. The Company also incurred administrative and project management costs of \$147,596, professional fees of \$81,503, and security costs of \$25,606 during the quarter ended June 30, 2009. The remaining \$22,884 was spent on travel, public relations and repairs, and maintenance charges.

#### KGL-SOMITURI

During the three month period ended June 30, 2009, the Company incurred expenditures of \$145,932 on the KGL-SOMITURI group of properties, an increase of \$50,827 from expenditures of \$95,105 for the same period ended June 30, 2008. The Company spent \$1,084,743 during the nine months ended June 30, 2009, an increase of \$693,304 from the expenditures of \$391,439 incurred during the nine month period ended June 30, 2008. Title payments of \$62,666 were incurred in

May 2009. Administrative and project management expenses of \$55,132 and professional fees related to the acquisition of title to the properties of \$28,134 were incurred during the three month period ended June 30, 2009.

#### KGL-ERW

During the three month period ended June 30, 2009, the Company incurred expenditures of \$135,841 on the KGL-ERW group of properties, an increase of \$68,073 from expenditures of \$67,768 for the same period ended June 30, 2008. The Company spent \$654,528 during the nine months ended June 30, 2009, an increase of \$381,419 from the expenditures of \$273,109 incurred during the nine month period ended June 30, 2008. The Company incurred legal expenses of \$90,728 in conjunction with the agreement with Rio, while receiving a payment of \$277,525 (250,000 United States Dollars) from Rio during the three months ended June 30, 2009. Administrative and project management expenses of \$38,581 were incurred during the quarter ended June 30, 2009. The remaining expenditures of \$6,532 for the three month period ended June 30, 2009 related to professional fees related to the acquisition of title to the properties.

#### KGL-SIHU

During the three month period ended June 30, 2009, the Company incurred expenditures of \$9,836 on the KGL-SIHU group of properties, a decrease of \$773 from expenditures of \$10,609 for the same period ended June 30, 2008. The Company spent \$544,237 during the nine months ended June 30, 2009, an increase of \$353,993 from the expenditures of \$190,244 incurred during the nine month period ended June 30, 2008. During the quarter ended June 30, 2009, the Company incurred professional fees of \$9,836 related to the acquisition of title to the properties.

#### KGL-POKO

During the three month period ended June 30, 2009, the Company incurred expenditures of \$2,208 on the KGL-POKO group of properties, an increase of \$444 from expenditures of \$1,764 for the same period ended June 30, 2008. The Company spent \$173,428 during the nine months ended June 30, 2009, an increase of \$156,000 from the expenditures of \$17,428 incurred during the nine month period ended June 30, 2008. During the quarter ended June 30, 2009, the Company incurred professional fees of \$2,208 related to the acquisition of title to the 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.

In the three and nine month periods ended June 30, 2009, the Company's net losses were \$778,304 and \$1,389,863 respectively, compared to net losses of \$431,530 and \$1,641,632 for the same periods ended June 30, 2008.

In the quarter ended June 30, 2009, total expenses increased by \$340,333 to \$778,814 when compared to the quarter ended June 30, 2008. Expenses for the nine months ended June 30, 2009 decreased by \$283,391 to \$1,394,274.

The major areas of fluctuations include administrative and general expenses, financial services, professional and consulting fees, travel, and stock-based compensation.

During the three months ended June 30, 2009, administrative and general expenses increased by \$27,600 to \$132,359. These expenses decreased by \$35,612 to \$186,692 for the nine months ended June 30, 2009. The decrease was due to a general tightening of spending on items such as communications, printing and photocopying, as well as a reduction of personnel performing administrative duties. The increase during the three months ended June 30, 2009 was due to an increase in accounting fees related to increased regulatory filing requirements.

As a result of becoming a publicly traded entity, the Company incurred financial services expenses of \$25,936 and \$48,436 for the three and nine months ended June 30, 2009. There were no similar charges during the three and nine month periods ended June 30, 2008, as the Company was a privately owned entity.

Professional fees increased by \$281,748 to \$430,900 during the three months ended June 30, 2009, and by \$168,878 to \$714,432 during the nine months ended June 30, 2009 when compared to the same periods ended June 30, 2008. The increases were mainly due to additions to the management team, as well as a one-time CEO bonus payment related to the Going Public Transaction.

During the three months ended June 30, 2009, the Company incurred \$60,665 of travel expense, an increase of \$56,316 over the three months ended June 30, 2008. Travel expense for the nine months ended June 30, 2009 totaled \$61,663, a decrease of \$6,254 from the same period ended June 30, 2008. The increase in travel during the three months ended June 30, 2009 was due to travel to the Democratic Republic of Congo ("DRC") in connection with the Company's properties, and to increased senior management travel related to the Company's ongoing operations.

Stock-based compensation for the nine months ended June 30, 2008 was \$496,250 as a result of options issued to directors, officers and consultants. During the three months ended June 30, 2009, the Company issued 300,000 options to a consultant pursuant to a consulting agreement. As at June 30, 2009, all of these options had yet to vest, but the Company incurred \$20,000 of stock-based compensation expense which was recorded for these options during the three and nine months ended June 30, 2009.

## SELECTED QUARTERLY INFORMATION

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

Fiscal Year For the quarters ended	2009			2008				2007
	Jun 2009	Mar 2009	Dec 2008	Sep 2008	Jun 2008	Mar 2008	Dec 2007	Sep 2007
	\$	\$	\$	\$	\$	\$	\$	\$
Net revenues	510	10	3,891	2,248	6,951	10,621	18,489	10,900
Loss before discontinued operations and extraordinary items	778,304	328,110	283,449	981,210	431,530	455,827	754,275	446,631
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.02	0.01	0.01	0.04	0.02	0.02	0.03	0.02
Net Loss	778,304	328,110	283,449	981,210	431,530	455,827	754,275	446,631
Net loss, per share basic and diluted	0.02	0.01	0.01	0.04	0.02	0.02	0.03	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.

### LIQUIDITY AND CAPITAL RESOURCES

The Company had \$501,519 in working capital as at June 30, 2009 compared to \$76,935 at June 30, 2008. As at June 30, 2009, the Company held cash and cash equivalents of \$1,303,481 versus \$609,269 as at June 30, 2008. This increase in cash and cash equivalents as well as the increase in the Company's working capital position reflects the Company's recent efforts to raise capital through the issuance of shares and warrants through private placements, as well as the acquisition of cash upon completion of the Going Public Transaction.

The Company is dependent on obtaining future financing for the exploration and development of its resource properties beyond fiscal 2009 and for any new projects. In light of the current financial crisis, there is no assurance that such financing will be available when required, or under favourable terms.

During the year ended September 30, 2008, the Company entered into a leasing agreement for office premises with a company in which a director of the Company is an officer and director. The minimum lease obligations under this lease are as follows:

2009	\$ 71,751
2010	\$ 71,751
2011	\$ 71,751
2012	\$ 76,355
2013	\$ 76,355
2014	\$ 57,645

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

### Share Capital

As at August 28, 2009, the Company's share position consisted of:

Shares outstanding (i)	39,886,766
Options outstanding (ii)	4,670,833
Warrants outstanding (iii)	8,987,400

#### (i) During the three months ended June 30, 2009, the Company:

- a) Issued 620,000 units (pursuant to private placements) for proceeds of \$310,000, of which \$40,534 was allocated to common share purchase warrants ("warrants").

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

#### (ii) Options outstanding

- a) During the three months ended June 30, 2009, the Company granted 300,000 stock options to a consultant pursuant to a consulting agreement, 100,000 of which vest three months after the start of the agreement, with a further 66,667, 66,667 and 66,666 vesting six, nine, and twelve months after the start of the agreement respectively. Each option entitles the holder to purchase one common share at a price of \$0.50 at any time on or before April 1, 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	1.00%
Expected life	2 years
Expected volatility	100%

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 options.

- b) As at June 30, 2009, the following stock options were outstanding:

<b>Option Price</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life</b>
\$0.80	151,250	0.8 years
\$0.80	112,500	0.8 years
\$1.00 US	100,000	0.8 years
\$0.60	750,000	0.8 years
\$0.60	787,883	2.8 years
\$0.30	550,000	2.8 years
\$1.00	700,000	2.8 years
\$1.50	900,000	2.8 years
\$0.50	319,200	1.8 years
\$0.50	300,000	1.8 years

**(iii) Warrants outstanding**

- a) During the three months ended June 30, 2009, the Company issued 310,000 warrants pursuant to private placements as discussed previously.

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

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

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 June 30, 2009, the following warrants were issued and outstanding:
- i) 2,350,000 warrants entitling the holder to purchase one common share of the Company at \$1.50 per share at any time on or before April 21, 2010.
  - ii) 6,327,400 warrants entitling the holder to purchase one common share of the Company at \$0.60 per share at any time on or before March 20, 2011.
  - iii) 310,000 warrants entitling the holder to purchase one common share of the Company at \$0.60 per share at any time on or before April 15, 2011.

## **COURSE OF BUSINESS TRANSACTIONS**

### **Transactions with Related Parties**

During the nine months ended June 30, 2009, the Company:

- a) Incurred management fees of \$291,000 with a company controlled by a director. The Company also incurred consulting fees of \$96,000 with two individuals related to this director. This director is also an officer.
- b) Incurred legal fees of \$576,851 with a firm in which two of the Company's directors are partners, of which \$242,664 was capitalized as property acquisition costs, \$176,010 was charged in connection with the Going Public Transaction, and \$158,177 was included in professional fees. One of the directors is also an officer.
- c) Incurred accounting fees of \$205,626 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 \$143,214 was included in professional fees.
- d) Incurred publicity and advertising fees of \$29,700 with a company controlled by a person related to a director. The director is also an officer.
- e) Incurred management fees of \$86,860 with a director. The director is also an officer.

### **Off-Balance Sheet Transactions**

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

### **Proposed Transactions**

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

## **ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

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

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

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

The Company lists its significant accounting policies in note 2 of its audited consolidated financial statements for the year ended September 30, 2008.

## **BASIS OF PRESENTATION**

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

## **CAPITAL DISCLOSURES**

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

## **FINANCIAL INSTRUMENTS**

The Company has classified its financial instruments as follows:

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

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

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 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 one of its significant suppliers in United Kingdom Pounds Sterling and is therefore subject to foreign exchange risk on this payment stream.

#### **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, 2009, cash and cash equivalents includes 57,707 United States Dollars, prepaid expenses includes 40,367 United States Dollars, and accounts payable and accrued liabilities includes 304,960 United States Dollars and 149,935 United Kingdom Pounds Sterling.

At June 30, 2009, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the period would have been \$22,883 higher (lower).

At June 30, 2009, if the Canadian Dollar had weakened (strengthened) 10 percent against the United Kingdom Pound Sterling with all other variables held constant, the net loss for the period would have been \$28,567 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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures, and internal controls over financial reporting. The Chief Executive Officer and Chief Financial Officer, after

evaluating the effectiveness of the Company's disclosure controls and procedures, and the design of internal controls over financial reporting at June 30, 2009, have concluded the Company's disclosure controls and procedures and design of internal controls over financial reporting are adequate and effective as per Multilateral Instrument 52-109 - Certification of Disclosure in Companies' Annual and Interim Filings.

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