

**Blue Ribbon Capital Corporation**  
(A capital pool corporation)

**Financial Statements**

**December 31, 2008**

## AUDITORS' REPORT

To the Shareholders of  
**Blue Ribbon Capital Corp.**

We have audited the balance sheets of **Blue Ribbon Capital Corp. (A capital pool company)** as at **December 31, 2008** and 2007 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at **December 31, 2008** and 2007 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

*Collins Barrow Toronto LLP*

**Collins Barrow Toronto LLP**  
**Licensed Public Accountants**

April 28, 2009  
Toronto, Ontario

# Blue Ribbon Capital Corporation

(A capital pool company)

Balance Sheets

As at December 31, 2008 and 2007

	Note	2008	2007
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	4	\$ 695,659	\$ 837,950
Amounts receivable		-	8,687
Prepaid expenses		-	6,417
		<b>\$ 695,659</b>	<b>\$ 853,054</b>

## Liabilities

### Current

Accounts payable and accrued liabilities		\$ 31,236	\$ 31,980
--	--	-----------	-----------

## Shareholders' Equity

Capital stock	5	885,948	885,948
Contributed surplus	6	149,965	149,965
Deficit		(371,490)	(214,839)
		664,423	821,074
		<b>\$ 695,659</b>	<b>\$ 853,054</b>

Approved by the Board Ennio D'Angela Director Kevin Xuereb Director  
(Signed) (Signed)

See accompanying notes.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Statements of Operations and Deficit  
For the years ended December 31

	2008	2007
<b>Expenses</b>		
Stock based compensation	\$ -	\$ 97,405
Professional fees	130,440	94,793
General and administrative	53,950	28,898
Less: Interest income	(27,739)	(6,257)
<b>Net loss</b>	<b>(156,651)</b>	<b>(214,839)</b>
<b>Deficit beginning of year</b>	<b>(214,839)</b>	<b>-</b>
<b>Deficit end of year</b>	<b>\$ (371,490)</b>	<b>\$ (214,839)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.03)</b>	<b>\$ (0.04)</b>
<b>Weighted average common shares outstanding</b>	<b>5,000,000</b>	<b>5,000,000</b>

See accompanying notes.

# Blue Ribbon Capital Corporation

(A capital pool corporation)

## Statements of Cash Flows

For the years ended December 31

	2008	2007
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (156,651)	\$ (214,839)
Add: Item not affecting cash		
Stock based compensation	-	97,405
	<b>(156,651)</b>	<b>(117,434)</b>
Changes in non-cash working capital items		
Accounts payable and accrued liabilities	<b>(744)</b>	31,980
Amounts receivable	<b>8,687</b>	(8,687)
Prepaid expenses	<b>6,417</b>	(6,417)
	<b>(142,291)</b>	<b>(100,558)</b>
<b>Cash flows from financing activities</b>		
Share Issuance costs	-	(166,492)
Issuance of capital stock	-	1,105,000
	-	938,508
<b>Increase in cash during the year</b>	<b>(142,291)</b>	<b>837,950</b>
<b>Cash at beginning of year</b>	<b>837,950</b>	-
<b>Cash at end of year</b>	<b>\$ 695,659</b>	<b>\$ 837,950</b>

See accompanying notes.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 1. NATURE OF THE CORPORATION

Blue Ribbon Capital Corporation (the "Company") is a Capital Pool Company that has not commenced commercial operations and has no assets other than a minimum amount of cash. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction, as defined under the policies of the TSX Venture Exchange (the "Exchange"). The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on September 12, 2006.

On March 17, 2009, the Company completed its previously announced transaction with Kilo Goldmines Inc. ("KILO"), a private company involved in the exploration of mineral properties in the Democratic Republic of Congo. The Transaction was an arm's length transaction pursuant to the policies of the TSX Venture Exchange (the "Exchange"). The Transaction constituted the Company's "Qualifying Transaction" as such term is defined in the Exchange Policy 2.4, and upon completion, resulted in the listing of the Company as a Tier 2 Mining Issuer.

## 2. ADOPTION OF NEW ACCOUNTING POLICIES

- (i) Effective January 1, 2008, the Company adopted the recommendations of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1535, Capital Disclosures ("Section 1535"). The new standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. Disclosure requirements pertaining to Section 1535 are contained in Note 8.
- (ii) Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862"). Section 3862 provides standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments. Disclosure requirements pertaining to Section 3862 are contained in Note 9.
- (iii) Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3863, Financial Instruments - Presentation ("Section 3863"). Section 3863 provides standards for presentation of financial instruments and non-financial derivatives. Adoption of this standard had no impact on the Company's financial instrument related presentation.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 2. ADOPTION OF NEW ACCOUNTING POLICIES (Cont'd)

- (iv) Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1400, General Standards of Financial Statement Presentation, to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet dates. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.
- (v) Effective January 1, 2007, the Company has adopted the new recommendations of the Canadian Institute of Chartered Accountants' Handbook Section 1506, Accounting Changes. These new recommendations permit voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, require changes in accounting policy to be applied retrospectively unless doing so is impracticable, require prior period errors to be corrected retrospectively and require enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but not yet effective (see Note 3).
- (vi) Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments - Recognition and Measurement, and Section 3865, Hedges.

The recommendations in Section 3855 establish standards for recognizing and measuring financial instruments, which include financial assets, financial liabilities, derivatives and embedded derivatives. Under these recommendations, all financial instruments are to be recorded initially at fair value. In subsequent periods, all financial instruments are re-measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 2. ADOPTION OF NEW ACCOUNTING POLICIES (Cont'd)

### Financial assets

#### Held for trading

Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

#### Held-to-maturity

Financial assets that have a fixed maturity date and which the Company has a positive intention and the ability to hold to maturity are classified as held-to-maturity, which are subsequently re-measured at amortized cost using the effective interest rate method.

#### Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are subsequently re-measured at amortized cost using the effective interest rate method.

#### Available-for-sale

Available-for-sale assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available-for-sale are subsequently re-measured at fair value with the changes in fair value recorded in other comprehensive income.

### Financial liabilities

#### Held for trading

Financial liabilities that are held with the intention of generating profits in the near term and derivative contracts that are financial liabilities, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial liabilities can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 2. ADOPTION OF NEW ACCOUNTING POLICIES (Cont'd)

### Financial liabilities (Cont'd)

#### Other liabilities

Non-derivative financial liabilities that have not been designated as held for trading are classified as other liabilities, which are subsequently re-measured at amortized cost using the effective interest rate method.

CICA Handbook Section 3865, Hedges, replaces CICA Handbook Accounting Guideline 13, Hedging Relationships, which establishes standards for when and how hedge accounting may be applied. Consistent with financial instruments, it requires that all derivatives, including those designated as hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Company's exposure to changes in the fair value of an asset or liability, a fair value hedge, are recognized in net income together with those of the respective offsetting hedged item. Changes in the fair value of a derivative which effectively hedges the Company's exposure to changing cash flows, a cash flow hedge, are accumulated in other comprehensive income until the transaction being hedged affects net income.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and short term investments	Held for trading
Amounts receivable	Loans and receivable
Accounts payable and accrued liabilities	Other financial liabilities

CICA Handbook Section 1530, Comprehensive Income, establishes new measurements of earnings in the financial statements. Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. The Company has not presented a statement of comprehensive income as it has no other comprehensive income.

Section 3251 establishes standards for the presentation of equity and changes in equity.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Cash and Cash Equivalents

Cash and cash equivalents include deposits and highly liquid money market investments.

### Share Issuance Costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

### Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to be in effect when the differences are likely to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

### Stock-Based Compensation

The Company applies a fair value based method of accounting to all stock-based payments, as set out in the CICA handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments".

Accordingly, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable. The offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

### Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Loss Per Share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculations.

The Company uses the treasury stock method to compute the dilutive effect of options and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that proceeds would be used to purchase common share at the average market price during the period.

### Recent Accounting Pronouncements Issued and Not Yet Applied

- (i) In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"). CICA 3064, which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual financial statements for periods commencing January 1, 2009. The Company is assessing the impact of the new standard on its financial statements.
- (ii) 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, when IFRS will be fully adopted. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

## 4. CASH RESTRICTION

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 5. CAPITAL STOCK

Authorized  
unlimited common shares

Issued

	Number	Value
Issued for cash <sup>(i)</sup>	1,050,000	\$ 105,000
Issuance for cash pursuant to initial public offering <sup>(ii)</sup>	5,000,000	1,000,000
Share issuance costs	-	(219,052)
<b>Balance at December 31, 2007 and 2008</b>	<b>6,050,000</b>	<b>\$ 885,948</b>

- (i) The 1,050,000 issued Common Shares of the Corporation are subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

The seed common shares are considered contingently issuable until the Company completes a Qualifying Transaction, they are not considered to be outstanding shares for purposes of loss per share calculations.

- (ii) The Company completed an initial public offering on September 14, 2007 by issuing 5,000,000 units at \$0.20 per unit for gross proceeds of \$1,000,000. The Company also granted options to acquire an aggregate of 605,000 common shares at an exercise price of \$0.20 per share to directors and officers of the Company and agent's options to acquire an aggregate of 450,000 common shares at an exercise price of \$0.20 per share for a period of 24 months to Union Securities. Union Securities received an administration fee and a cash commission equal to 9% of the proceeds of the offering.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 6. STOCK OPTIONS

### (i) Stock options

Stock options were granted pursuant to an agency agreement relating to the initial public offering for the benefit of the agent.

The Company also has a stock option plan. Under the plan, the Company's directors are authorized to grant options to its directors, officers, employees or consultants for the purchase of up to 10% of the issued and outstanding common shares. The Company granted options to directors pursuant to the plan as detailed below.

The Company issued stock options to acquire common shares in 2007 as follows:

	Number of Options	Weighted Average Exercise Price
Beginning balance	-	\$ -
Granted to directors	605,000	\$ 0.20
Granted to agents	450,000	\$ 0.20
Ending balance	1,055,000	\$ 0.20
Exercisable at year-end	1,055,000	\$ 0.20

The Company had the following stock options outstanding at December 31, 2008:

Number of Options	Exercisable	Exercise Price	Expiry Date
605,000	605,000	\$ 0.20	September 14, 2012
450,000	450,000	\$ 0.20	September 14, 2009

The above options were not included in the computation of diluted net loss per share as they are anti-dilutive.

### (ii) Stock-Based Compensation

The fair value of options granted in 2007 using the Black-Scholes option pricing model resulted in a stock-based compensation expense of \$97,405 for options granted to the directors of the Company, which was also recorded as contributed surplus on the balance sheet. It also resulted in a share issuance cost of \$52,560 for options granted to the agent which was also recorded as contributed surplus. The fair value of the options issued in the year has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 110%; (iii) risk free interest rate of 4.5%; (iv) expected life of 2 to 5 years for agent options. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur. The weighted-average grant date fair values of options was \$0.16 (directors) and \$0.12 (agents).

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 7. INCOME TAXES

### (i) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in the financial statements:

	2008	2007
Loss before income taxes	\$ (156,651)	\$(214,839)
Statutory rate	33.5%	36.1%
Expected income tax recovery	(52,478)	(77,557)
Non-deductible expenses	278	34,757
Share issuance costs	-	(48,300)
Valuation allowance	45,200	82,100
Change in tax rates	7,000	9,000
Income tax expense	\$ -	\$ -

### (ii) Future Income Taxes

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

	2008	2007
Amounts related to tax loss carryforwards	\$ 91,500	\$ 36,600
Share issuance costs	35,800	45,500
Net future tax asset	127,300	82,100
Less: Valuation allowance	(127,300)	(82,100)
	\$ -	\$ -

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 7. INCOME TAXES

### (iii) Loss Carryforwards

The Company has non-capital losses of approximately \$315,400 available to apply against future taxable income. If not utilized, non-capital losses of approximately will expire as follows:

2027	126,400
2028	189,000
	<b>\$ 315,400</b>

The potential tax benefit relating to these losses has not been reflected in these financial statements.

## 8. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes cash and equity, comprised of issued common shares, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements other than the cash restriction disclosed in Note 4, and there has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2008.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 9. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk) and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close cooperation with the Board. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

### (a) Market Risk:

Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

### (b) Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at December 31, 2008, the Company has accounts payable and accrued liabilities of \$31,236 due within 12 months and has cash and cash equivalents of \$695,659 to meet its current obligations. As a result the Company has minimal liquidity risk.

# Blue Ribbon Capital Corporation

(A capital pool corporation)  
Notes to Financial Statements  
December 31, 2008 and 2007

---

## 10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

## 11. SUBSEQUENT EVENTS

The Company completed the Kilo transaction referred to in Note 1.