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KILO GOLD MINES LTD.

Dear Shareholder,

The following is a summary of the activities carried out by the Company during 1985.

YOU CLAIMS

During the late summer of 1985, a work program was carried out on the You gold claims held by the Company on the west coast of Vancouver Island. This work program consisted of detailed stream and soil geochemistry, geological mapping and prospecting. The program was recommended and carried out by Trigg, Woollett & Olson Consulting Ltd., an Edmonton based geological consulting firm, and was completed in early November, 1985.

Prospecting in 1985 disclosed the presence of two additional gold-bearing quartz veins 650 feet northwest of and parallel to the main vein exposed in the upper adit. These two vein exposures, 200 feet apart, may be part of the same northeast-striking structure. Surface geochemical samples yielded grades ranging from 0.02 to 3.00 oz. per ton gold, and grab rock samples from the newly discovered vein assayed up to 6.90 oz. per ton gold over narrow widths.

The main quartz vein is intermittently exposed in the creek beyond the northeast zone for 4,000 feet, where sampling in the past has indicated very good gold grades.

Based on the past results and those obtained during 1985, confirming the presence of good grade gold values, this year's work program, recommended by our consultant geologist, N.C. Carter, Ph.D., P.Eng., will consist of hand trenching and blasting to further evaluate the secondary quartz structure northwest of the main vein. Prospecting