



**ECO ORO MINERALS CORP.**

**(Formerly Greystar Resources Ltd.)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011**

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## **1. INTRODUCTION**

On August 16, 2011, Greystar Resources Ltd. changed its name to Eco Oro Minerals Corp. The following provides management's discussion and analysis ("MD&A") of the financial condition and results of operations as at and for the three and nine months ended September 30, 2011, of Eco Oro Minerals Corp. (the "Company" or "Eco Oro"). The Company adopted International Financial Reporting Standards ("IFRS") on January 1, 2011 with a transition date of January 1, 2010. This MD&A, which has been prepared as of November 9, 2011, supplements and complements the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months ended September 30, 2011 and 2010, prepared in accordance with IFRS. This MD&A should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the years ended December 31, 2010 and 2009, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts in this MD&A are expressed in United States dollars unless otherwise indicated and certain amounts have been rounded to the nearest thousandth or millionth.

Additional information relevant to the Company's activities, including the Company's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company is a precious metals exploration and development company currently working on developing its wholly-owned, multi-million ounce Angostura gold-silver deposit (the "Angostura Project") in north-eastern Colombia. The Company's head office is located in Vancouver, British Columbia, Canada and its exploration and administrative office in Colombia is located in the city of Bucaramanga. The Angostura Project is located approximately 55 kilometres north-east of Bucaramanga. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Nova Scotia and trades on the Toronto Stock Exchange ("TSX"), under the symbol EOM. On May 3, 2011, the Company announced its decision to cancel the admission of its shares to trading on the AIM Market of the London Stock Exchange with an effective date of June 3, 2011. The Company's shares continue to trade on the TSX.

## **2. HIGHLIGHTS**

### **Results of Operations**

The Company adopted IFRS on January 1, 2011, with a transition date of January 1, 2010, and as a result, differences between IFRS and Canadian GAAP are explained and reconciliations provided under the heading "New Accounting Policies" in this MD&A.

For the three months ended September 30, 2011, the Company reported a net loss of \$10 million compared to a net loss of \$5.2 million for comparative period in 2010. Loss per share for the three months ended September 30, 2011 and September 30, 2010 was \$0.12 and \$0.06 per share, respectively.

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The net loss for the nine months ended September 30, 2011, was \$27.7 million compared to \$17.4 million for the comparative period in 2010. Loss per share for the nine months ended September 30, 2011 was \$0.33 and \$0.21 for the comparative period in 2010.

In December 2009, the Company filed its Environmental Impact Assessment ("EIA") with the Colombian Ministry of Environment, Housing and Territorial Development ("MAVDT") in respect to the development of an open pit gold-silver mine at the Company's Angostura Project in Colombia. After a series of information and public hearings in 2010 and 2011, the Company filed a request with MAVDT to desist from the administrative procedure of the environmental licensing, as well as the administrative procedure of evaluation and approval of the Work and Investment Plan ("PTO") before Ingeominas. As a result, the Company decided it would not proceed with finalization of the feasibility study on the open pit project.

Formal responses to the Company's requests have been received from MAVDT and Ingeominas as outlined below under "Angostura Gold-Silver Project Update, Colombia – Permitting."

On April 29, 2011, the Company announced the receipt of a positive scoping stage preliminary economic assessment under National Instrument 43-101 ("Scoping Study") for an underground only operation at the Angostura Project. The Scoping Study, which evaluated roasting, bio-oxidation ("BIOX") and pressure oxidation ("POX") processing treatments for the production from Angostura underground resources, estimated that 1.9 million ounces of gold, 7.7 million ounces of silver and 228,316 pounds of copper could be produced over a 14-year mine life. The Scoping Study is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company expects to issue an updated scoping stage preliminary economic assessment ("PEA") to update the Scoping Study in the fourth quarter of 2011.

In July 2011, the Company awarded contracts to advance the studies for the Angostura Project as outlined below under "Angostura Gold-Silver Project Update, Colombia – Technical Studies Awarded."

### **Management and Board Changes**

In March, 2011, David Heugh was appointed to the position of Chief Operating Officer and Frederick Felder retired from his position as Executive Vice President. In April 2011, the Company announced it had agreed with Amber Capital LP, a New York-based investment firm, which controls approximately 18% of the Company's outstanding shares, to change the members of its board of directors and the members of its executive management team. Other shareholders, holding approximately 20% of the Company's outstanding shares, advised the Company that they supported Amber Capital LP's position. The Company appointed Mr. Juan Esteban Orduz and Mr. Rafael Nieto Loaiza to the Company's board of directors. The Company also appointed Mr. Rafael Nieto Loaiza as President of the Company and Mr. David Rovig as interim Chief Executive Officer to succeed Mr. Steve Kesler in those roles.

At the Company's annual general meeting June 3, 2011, the incumbent directors, other than Messrs. Nieto Loaiza and Orduz, did not stand for re-election and the shareholders elected Ms. Anna Stylianides and Messrs. Eduardo Jaramillo, Hubert R. Marleau, Jean-Sebastien Blanchette, and Samuel Jed Rubin to the Company's board of directors.

After the June 2011 annual general meeting, Mr. Rafael Nieto Loaiza was appointed to the position of President and Chief Executive Officer replacing Mr. David Rovig who was acting as interim Chief Executive Officer. In September 2011, Paul Robertson was appointed as Chief Financial Officer replacing Mr. David Newbold. In September 2011, Anna Stylianides was appointed as the Company's Interim President & CEO replacing Rafael Nieto Loaiza who also resigned as a director.

### **3. ANGOSTURA GOLD-SILVER PROJECT UPDATE, COLOMBIA**

In March 2011, the Company announced its intention to reformulate the Angostura Project as an underground only project based on the results of a preliminary economic assessment, which is available for viewing on the Company's website or at the Company's profile on [www.sedar.com](http://www.sedar.com). The underground project has many advantages over the previously contemplated open pit mine including:

- Protection of the Paramo (3750-4300 m.a.s.l.), sub-Paramo (3600-3750 m.a.s.l) and Andean forest (2800-3600 m.a.s.l) ecosystems.
- Greatly reduced impact on the environment compared to an open pit project with a smaller project footprint, minimal and controllable impact on the sub-surface aquifer and minimal water consumption.
- No requirement for a large open pit.
- No requirement for leach pads.
- Dramatically reduces the amount of earth moving and mine waste material (less than 2% of open pit project earth moving requirements).

- Reduces plant and infrastructure size as well as lowering reagent and chemical consumption which in turn reduces capital investment.

The Company expects to issue an updated PEA in the fourth quarter of 2011 and in September 2011, announced the results of infill and step out drilling carried out until May 2011. This marks the cut-off date for the calculation of the new mineral resource estimate that is the basis for the updated PEA.

A total of 18 additional drill holes comprising 5,523.05 meters were reported, of which six have been included in the new mineral resource estimate completed in June of 2011 and forming the basis for the updated PEA. Sixteen of the eighteen holes reported contain a total of 52 intercepts of greater than 2 grams gold per tonne and these 52 intercepts contained a weighted average grade of 4.39 grams gold and 19.73 grams silver per tonne.

The new mineral resource estimate will be based on drilling information that includes the results of the program laid out in 2010 to complete the testing of structures for the 2010 resource study. This data also includes the drilling results reported previously from Cristo Rey, Los Laches, Silencio and Veta de Barro. The Angostura diamond drilling program is designed to convert inferred mineral resource estimates into the indicated mineral resource estimate category and to identify proximal structures for inclusion in the mineral resource estimate.

A 40,000 meter infill drilling program designed to evaluate the potential of high grade structures that are targets for underground extraction was laid out in early May 2011. Drilling commenced in June 2011, and will continue throughout 2011 and into mid-2012. The new drilling program is designed in stages that reflect priorities in mining sequence as it is now known, with the current focus on the central core of the deposit. As the mining design becomes better known, there will be further adjustments to the drilling program. The higher-grade Los Laches and Veta de Barro areas require additional drilling and will be addressed in the future program.

### **Technical Studies Awarded**

The following contracts have been awarded:

- The overall preparation of the PEA and all National Instrument 43-101 technical reports have been awarded to Golder Associates Inc ("Golder"). The PEA is scheduled for completion during the fourth quarter of 2011.
- A review of the Angostura exploration program and audit of the Angostura mineral resource estimate has been awarded to Golder. This study is scheduled for completion during the fourth quarter of 2011.
- The Angostura mine design and production scheduling has been awarded to Golder.

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- Geotechnical design for mine excavations and waste rock dump design has been awarded to Golder.
- Geotechnical design for the tailings dam and impoundment for oxide, transitional and concentrate residues has been awarded to Knight Piesold Consulting Ltd.
- Hydrology and hydrological studies have been awarded to Schlumberger Water Services.
- Concentrate plant, bio-oxidation, pressure oxidation and roaster plant design, concentrate sales market study, oxide plant and other project infrastructure requirements including power supply, water, communications and sanitation has been awarded to TWP Mining.

The Company expects to complete the mine plant and mining equipment studies directly with the plant and equipment manufacturers.

All the studies will be consolidated on a systematic basis with three distinct milestones; the updated PEA to be completed during the fourth quarter of 2011, the prefeasibility report to be completed during the third quarter of 2012 and the definitive feasibility study to be completed during the fourth quarter of 2012.

### **Sustainable Social Responsibility**

A sustainable social responsibility model has been implemented for the Angostura Project. This model lays out a framework to create small business opportunities, education, financing equipment & infrastructure to the benefit of both the local community and Eco Oro. The model includes the award of service contracts and business monitoring and control until the Company is satisfied that the business is sustainable.

The initial investment in equipment and infrastructure paid for by Eco Oro is depreciated/amortized over a period of time after which the ownership is transferred to small businesses, cooperative or government. At the same time, provision is made to replace the equipment and infrastructure once it is fully depreciated/amortized. The sustainable business model is founded on three pillars; Core Business (mining operations), Support Business (services to be provided for the mining operations) and the Foundation (provides education, training, formation and capacitation for both the Core Business and the Support Business).

### **Permitting**

In December 2009, the Company filed its EIA with MAVDT for the development of an open pit gold-silver mine at the Company's Angostura Project in Colombia following which, there were a series of information and public hearings in 2010 and 2011. On March 18, 2011, the Company made an announcement clarifying certain comments made by the Ministry of Mines and Energy of Colombia, which could be incorrectly interpreted to mean that the Company is fully withdrawing from the Angostura Project. The Company confirmed that it does not intend to

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withdraw from the Angostura Project and it intends simply to desist from ongoing environmental licensing to allow for future re-filing on terms that addresses concerns.

On March 23, 2011, the Company filed a request with MAVDT to desist from the administrative procedure for the environmental licensing, as well as the administrative procedure for evaluation and approval of the PTO before Ingeominas.

Following the requests to desist from the administrative procedures of (i) environmental licensing before the MAVDT and (ii) approval of the PTO before Ingeominas, formal responses were received from the Government.

On May 26, 2011, Ingeominas notified the Company of writ No. 27, 2011, by means of which the administrative authority determined that a request to approve a PTO may not be withdrawn. Ingeominas therefore completed their evaluation of the PTO and issued a report citing technical reasons for rejection of the PTO.

On May 31, 2011, MAVDT approved Resolution 1015, 2011 by means of which the administrative authority decided not to accept the withdrawal from the environmental licensing procedure and denied the environmental license for the Angostura open pit mining project citing substantive grounds for this decision. On June 20, 2011, the Company filed before MAVDT a motion to reconsider some of the grounds for this decision. Although MAVDT had 2 months to issue a formal response to the motion, the Company has not received a formal response yet.

The Company had already decided not to proceed with an open pit project, and any future decision on an underground project will be the subject of a new, entirely separate process and decision. Resolution 1015 may, however, likely be considered by MAVDT in connection with any future decisions. The legally binding decision expressed in Resolution 1015 was accompanied by certain broad comments made by the issuing authority regarding its views of the extent of the ecosystem to be protected. MAVDT's comments in this respect will have to be considered in relation to any future applications by the Company for approvals. If MAVDT maintains its views as originally expressed, it may have an adverse effect on any such application.

Based on article 14 of Decree 2820, 2010, the Company requested MAVDT to provide the specific terms of reference for the Study of Environmental and Social Impact for an underground operation. Under the provisions of article 18 of Decree 2820, 2010, the Company would be required to prepare an Environmental Alternatives Diagnostics ("DAA"). Accordingly, the Company filed a request before the MAVDT to determine the need for such DAA. The Company has not received a response from MADVT on these requests yet.



## **Underground Study**

On April 29, 2011, the Company announced the receipt of a Scoping Study for an underground only operation at the Angostura Project. The Technical Report entitled Mineral Resource Estimate and Preliminary Economic Assessment for Underground Mining, Angostura Gold-Silver Project, Santander, Colombia prepared by Rodrigo Mello, MAusIMM, Carlos Guzman, MAusIMM (NCL Ingeniería y Construcción Ltda), John Wells, FSAIMM, Giovanni Ortiz, MAusIMM (Eco Oro) and dated April 25, 2011 is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Scoping Study, which evaluated roasting, BIOX and POX processing treatments for the production from Angostura underground resources, estimated that 1.9 million ounces of gold, 7.7 million ounces of silver and 228,316 pounds of copper could be produced over a 14-year mine life.

Highlights of the Scoping Study include:

- All three processing routes produce positive returns with roasting being the most economically beneficial method evaluated.
- Average annual production for the first seven full years of 209,458 gold equivalent ("AuEq") ounces, which is comprised of 197,840 ounces of gold ("Au") and 582,079 ounces of silver ("Ag").
- Total cash costs of \$455 per ounce over the life of mine, net of silver and copper by-product credits.
- Pre-tax internal rate of return ("IRR") of 21.4%<sup>(1)</sup>. Estimated initial capital cost of \$301.6 million. Pre-tax net present value ("NPV") of \$400.2 million<sup>(1)</sup> using a 5% discount rate.
- Mineable Resource ("In Stope Inferred Mineral Resource") of 2.4 million ounces of gold in 13.98 million tonnes grading 5.35 g/t of gold, 29.61 g/t of silver and 0.091% copper based on 3 g/t gold cut-off grade ("COG").
- Mine life of 14 years at a planned production rate of up to 4,000 tonnes per day.
- Potential Economic Enhancements:
  - Mineable Resource Expansion - Study does not include mineral resource estimates defined outside of the stopes, which comprise an additional indicated mineral resource of 1.44 million ounces of gold and an additional inferred mineral resource of 1.0 million ounces of gold, at 3 g/t gold COG.
  - Mineable Resource Expansion – Optimizing COG to enhance tonnage and contained ounces of gold/silver. Mineral Resource Expansion – Mineralization remains open at depth with deep drilling program ongoing. Improved mine design and mineral recovery through ongoing optimization work.

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(1) Based on a gold price of \$1,170 per ounce and a silver price of \$18.25 in the first two years followed by a life of mine price of \$1,015 per ounce for gold and \$15.85 per ounce for silver.

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- Potential to increase production scenario and/or enhance mine life from further exploration and development of known areas of mineralization.

### **The Scoping Study**

The Scoping Study represents an un-optimized, technically feasible design that includes the development of a mineable resources inventory and a mine plan for the recovery of high-grade veins of the deposit and a preliminary engineering design for process plant options to extract gold, silver and copper. NCL Ingeniería y Construcción Ltda. ("NCL") completed the mining studies and Alquimia Conceptos S.A. completed the process and infrastructure components of the Scoping Study. NCL also developed a preliminary economic evaluation of the project with a pre-tax cash flow analysis.

### **Economic Evaluation from the Scoping Study**

		<b>Roasting</b>	<b>POX</b>	<b>BIOX</b>
<b>Dore Produced</b>	Oz	12,983,907	13,040,538	12,995,233
<b>Gold in dore</b>	Oz	1,928,577	1,985,209	1,939,904
<b>Silver in dore</b>	Oz	7,725,719	7,725,719	7,725,719
<b>Copper in dore</b>	lb	228,316	228,316	228,316
<b>Copper in cathodes</b>	lb x 1000	17,758	17,758	
<b>Sulfuric Acid</b>	kt	881		
<b>Mine Cost</b>	US\$/t	40.4	40.4	40.4
<b>Process Cost</b>	US\$/t	26.02	26.25	27.09
<b>G&amp;A</b>	US\$/t	5.0	5.0	5.0
<b>Selling Costs</b>	US\$/oz	5.00	4.89	4.97
<b>Royalty</b>	US\$/oz	35.0	34.9	35.0
<b>Cathodes Transport</b>	US\$/t Cu	70.0	70.0	
<b>Total Cost</b>	US\$/oz	509.0	496.9	512.9
<b>Initial Capital</b>	KUS\$	301,630	299,447	274,421
<b>Mine</b>	KUS\$	20,667	20,667	20,667
<b>Process &amp; Infrastructure</b>	KUS\$	280,963	278,780	253,754
<b>Total Capital</b>	KUS\$	506,462	504,279	479,253
<b>Mine</b>	KUS\$	220,381	220,381	220,381
<b>Process &amp; Infrastructure</b>	KUS\$	286,081	283,898	258,872
<b>NPV (5%)</b>	KUS\$	400,193	397,040	355,823
<b>IRR</b>	%	21.4%	21.5%	21.3%
<b>K = thousands</b>				

The Scoping Study includes only the underground portion of the Angostura gold-silver deposit, with a total mineable resource comprised of In Stope Inferred Mineral Resources of 2.4 million ounces of gold in 13.98 million tonnes grading 5.35 g/t gold, 29.61 g/t silver and 0.091% copper based on 3 g/t gold COG.

The Scoping Study contemplates a 4,000 tonnes per day ("tpd") underground mine and a 3,300 tpd flotation plant producing an average of just over 140,000 ounces of gold and just over 570,000 ounces of silver annually over a 14 year mine life. The total mine capital cost is \$220 million for the life of the mine, with \$108 million for equipment and \$49 million for development. These numbers include a 35% contingency given the preliminary nature of the analysis.

In all three of the processing options (Roasting, POX and BIOX), the main final product is metal Dore, with a content of 75% of gold-silver and 25% of copper. In the case of roasting, small productions of copper cathodes and sulfuric acid were also accounted for and included in the economic evaluation. Pre-tax NPV at 5% discount rate and IRR of the cash flows have been calculated for a gold price of \$1,015 per ounce and a silver price of \$15.85 per ounce. Higher prices were applied to the two initial years of the plan (\$1,170 per ounce for gold and \$18.25 per ounce for silver).

All the options show positive results. The option of Roasting shows better NPV and slightly lower IRR compared to the POX option due to the contribution of copper cathodes and sulfuric acid sales. Without that contribution this option results in an NPV of \$340 million with a 17.8% IRR.

Project sensitivity analysis indicates that the Project NPV is more sensitive to feed grade and metal price followed by operating costs and then capital costs.

### **Mine Design and Processing**

Different mining methods were analysed for the underground exploitation of the Angostura deposit. Based on the rock conditions presented, a geotechnical assessment was provided by consultants AKL S.A., whose recommendations for mining methods were:

- Veins with less than 5 m width = Bench and Fill Stopping
- Veins within 5 m and 20 m width = VCR (Vertical Crater Retreat)
- Veins within 20 m and 40 m width = Blast Hole Open Stopping

The processing operation was designed for a nominal throughput of 3,288 tpd with an average head grade of 5.5 g/t gold, 18 g/t silver per tonne and 0.077% copper. According to mining plan, the ore type composition is: 75% sulfide; 15% transition and 10% oxide.

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The Mine layout was designed considering the following restrictions and criteria:

- Avoid surface accesses and roads above 3,000 meters above sea level.
- Main transport levels should connect the different sectors of production.
- Portals for access to the main transport levels located below 3,000 meters above sea level.
- If possible, use accesses from surface avoiding development of long internal ramps.
- Ore passes will take the ore to the transport level, and ventilation shafts will provide fresh air for every ramp created. The ventilation shafts will be equipped with fans (range between 200 to 300 thousand cfm) that have been sized according to the requirements of the mine.

**Mineable Mineral Resources (“In Stope Inferred Mineral Resources”)**

In the preliminary underground study, underground mining potential was restricted by the terms of reference resulting in a COG of 3.0 g/t gold. The mineral resource estimate is dated March 18, 2011, and includes drill and assay data up to July 2010. A gold price of \$850 per ounce was utilized for the COG calculation. Drilling results reported subsequent to this period will be incorporated into future resource updates.

In Stope mineral resource estimates consider dilution and the mineral resource estimates were determined from the selected veins by generating a contour at 3.0 g/t gold COG. These contours were created from plan views at 20 metres. Stopes were created from 20 meter level contours. These polygons were tied between levels to delineate the corresponding solids representing the stopes. A minimum width of 2 meters was applied for the construction of the solids. Given the separation of the levels and the width of the veins, the delineation of the stopes does not accurately follow the limits of the high grade veins, incorporating dilution to the content of the generated solids. For this reason, no additional dilution factors have been applied to the calculation of the mineable resources

The terms of reference are detailed below.

Total Mine Cost (Production & Maintenance)	40	US\$/t
Process Cost	20	US\$/t
G&A	10	US\$/t
Selling	10	US\$/oz Au
Recovery Au	85	%
Au Price	850	US\$/oz

The mining method selected as most suitable for the preliminary economic assessment was bench and fill because of the narrow width of veins.

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Diluted mineable resources contained within stope limits are detailed in the following table.

**In Stopes Inferred Mineral Resources, at 3.0 g/t Au COG (diluted)**

	Ore (t)	Au (g/t)	Ag (g/t)	Cu (%)
<b>Oxide</b>	<b>616,324</b>	<b>5.746</b>	<b>18.514</b>	<b>0.027</b>
VETA DE BARRO	144,203	5.836	8.287	0.009
CENTRAL	112,470	6.000	18.662	0.048
PEREZOSA FAULT	229,678	6.028	11.302	0.022
SILENCIO-LOS LACHES	129,972	4.928	42.477	0.035
<b>Mixed</b>	<b>2,291,293</b>	<b>5.676</b>	<b>21.990</b>	<b>0.043</b>
VETA DE BARRO	435,836	6.200	15.984	0.025
CENTRAL	174,416	3.975	25.204	0.090
PEREZOSA FAULT	945,243	5.507	13.029	0.053
SILENCIO-LOS LACHES	735,798	5.987	36.298	0.030
<b>Sulfide</b>	<b>11,076,011</b>	<b>5.260</b>	<b>31.806</b>	<b>0.105</b>
VETA DE BARRO	1,070,032	5.065	16.345	0.044
CENTRAL	685,539	4.731	16.103	0.169
PEREZOSA FAULT	6,032,143	5.462	15.260	0.094
SILENCIO-LOS LACHES	3,288,297	5.062	70.463	0.131
<b>Total</b>	<b>13,983,628</b>	<b>5.349</b>	<b>29.612</b>	<b>0.091</b>

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In addition to the above mineable portion of the resource estimate, Mineral Resources, inside the high grade veins and outside the stopes at 3.0 g/t Au COG which were not included in the economic assessment but are included in the Technical Report are as follows:

**Outside of the Stopes Mineral Resources, @ 3.0 g/t Au COG**

	<b>Ore (t)</b>	<b>Au (g/t)</b>	<b>Au Oz</b>	<b>Ag (g/t)</b>	<b>Cu (%)</b>
<b>INDICATED</b>					
<b>Oxide</b>	499,214	5.43	87,198	15	0.025
<b>Mixed</b>	1,783,624	5.77	330,880	24	0.037
<b>Sulfide</b>	5,642,124	5.62	1,019,271	31	0.102
<b>Sub-total</b>	<b>7,924,963</b>	<b>5.64</b>	<b>1,437,349</b>	<b>28</b>	<b>0.083</b>
<b>INFERRED</b>					
<b>Oxide</b>	308,467	5.78	57,328	14	0.028
<b>Mixed</b>	666,322	6.42	137,632	18	0.050
<b>Sulfide</b>	4,207,439	5.94	803,700	35	0.107
<b>Sub-total</b>	<b>5,182,227</b>	<b>5.99</b>	<b>998,661</b>	<b>32</b>	<b>0.095</b>

The mineral resources in this MD&A were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions.

The mineral resource estimate and the mineable in stope mineral resource estimate are based on 306,915 metres of drill core from 936 drill holes. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured mineral resource category.

The Scoping Study is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Additional drilling will be required and is planned to better categorize these mineral resources.

## **Qualified Persons**

The Scoping Study is based on a NI 43-101 compliant mineral resource estimate reviewed by Rodrigo Mello (MAusIMM), Independent Consulting Geologist.

The following are the persons, who were “qualified persons” as defined under National Instrument 43-101 at the time the Scoping Study was prepared, who were responsible for reviewing and approving the Scoping Study: Carlos Guzmán (MAusIMM), Principal Mining Engineer, was responsible for the overall preparation of the report, Rodrigo Mello (MAusIMM), Independent Consulting Geologist, was responsible for the resource estimation and database auditing, John Wells (FSAIMM), Metallurgical Engineer, provided an independent review and analysis of the metallurgy and process plant, Giovanny Ortiz (MAusIMM), the Company's former Exploration Manager, was responsible for the preparation of the geology, exploration and geological model. The expert, Americo Delgado, the Company's former Superintendent of Metallurgy, was responsible for the metallurgical testwork program and the review of the process plant design.

## **Exploration**

The Company's four exploration programs underway in the California Mining District.

1. Explore and quantify extensions to the Angostura mineral deposit, both in lateral extent and in depth.
  - i. The Company announced additional assay results from the targeted drill program at the Los Laches/El Pozo area of the Angostura gold-silver deposit. The new drill results from the Los Laches Area, where geology is structurally complex, continue to provide positive results showing the potential of high grade mineralization at depth below the open pit that was envisioned in the old preliminary feasibility study.
  - ii. During 2010, 3,778 meters of core were drilled at Cristo Rey to test higher grade mineralized structures at depth and along strike. The latest results from diamond drilling in the Cristo Rey area, which marks the current northern limit of the Angostura deposit, included 189.5 g/t gold and 701 g/t silver over 1.5 meters in hole CR10-05, 6.89 g/t gold and 85.4 g/t silver over 1.6 meters in hole CR10-04 and 12.45 g/t gold and 96.7 g/t silver over 1 meter in hole CR10-02. These significant intercepts confirm the presence of mineralization along strike and down dip in the northern limit of proposed Angostura pit. Mineralization in the Cristo Rey area is similar in style to the Veta de Barro area immediately to the south where higher grade structures have considerable strike extent and, although relatively narrow, the structures have very interesting high gold grade contents.

2. Infill drilling programme to improve mineral resource categorization for the underground project.
  - i. The Company started a drilling program in 2011 with the objective of improving the category of the resources inside the veins and to define the continuity of the veins on strike and in depth of the Angostura ore body (including the Cristo Rey and Los Laches/El Pozo areas). A total of 42 additional drill holes comprising 15,965 meters were completed through to September.
3. At La Plata where the Company has drilled and is now conducting a soil sampling campaign to the north of the deposit in order to determine additional drilling targets. The La Plata deposit is 100% owned by the Company and is located in the La Baja Valley to the south-west of the Angostura mineral deposit. Exploration of this deposit began in February 2010.

La Plata is within the Angostura Project area and comprises 78 hectares of mineral rights contiguous on the majority of its borders with existing Eco Oro holdings.

The La Plata property lies within a mineralized belt related to the northeast-southwest trending La Baja Fault, which has given rise to a number of mineralized occurrences where gold and silver mineralization is associated with flexures along the main fault. This mineralization, which has traditionally been mined by local artisanal miners, is now the focus of more modern exploration methods.

Exploration carried out by the Company since 2010 identified vein and stock work mineralization associated with strong alteration hosted in a dacite-porphyry system. Drilling, comprising 18 drill holes and 7,162 meters as of March 2011, has intersected anomalous gold and silver grades, and additional work is in process to define the geometry of the mineralization. Rock samples from mine tunnels on site returned gold assays ranging from no significant gold up to 9.66 grams per ton gold and silver assays ranging from no significant silver up to 94.3 grams per tonne silver. At surface, the mineralized structures have returned grab sample values as high as 9.3 g/t gold, 2,030 g/t silver, 2% copper, 736 parts per million ("ppm") molybdenum, 0.4% lead and 1% zinc.

4. At Móngora where the Company has drilled and is now preparing a preliminary mineral resource estimate, which is expected to be completed before the end of 2011. Móngora has near surface oxide gold mineralization and deeper sulphide gold mineralization and was discovered in 2008. It is located within the Angostura Project area 3km south of the Angostura mineral deposit.

The Móngora prospect is defined by a large, 500 meter by 300 meter gold-in-soil anomaly. Core drilling to March 2011 consists of 58 drill holes with a total of 20,276 meters, the majority of which have intercepted anomalous gold grades. Similar to the



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Angostura deposit, the Móngora prospect hosts higher-grade gold mineralization including 116 grams of gold per tonne over 2.0 meters, 22.2 grams of gold per tonne over 2.0 meters and 12.35 grams of gold per tonne over 1.6 meters within broader zones of lower-grade gold mineralization. The mineralization contained in the oxidized and transitional rock at the Móngora area could be very important and the Company is continuing to evaluate the prospect, as it may potentially provide additional resources.

**Regional Exploration outside of the Angostura Project Area**

Eco Oro has applied for mineral property rights over 20,000 hectares in other jurisdictions around Colombia, in the departments of Nariño, Cauca, Tolima, Caldas, Santander, Norte de Santander and Cesar with only one having been granted by Ingeominas to date. Ingeominas is evaluating the other applications to define the free areas to be granted. A 10-day campaign was carried out in Caldas where 99 samples of rock and sediments were taken. Prospecting activities are being carried out to identify other mineral potential in Colombia.

The information under the heading "Exploration" has been reviewed and approved by David Heugh, FAusIMM & FSAIMM, the Company's Chief Operating Officer, a "qualified person" as that term is defined in National Instrument 43-101.

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#### **4. RESULTS OF OPERATIONS**

The following table sets forth selected financial data for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Exploration expenditures:				
Feasibility studies	\$ 1,356,790	\$ 2,960,121	\$ 2,667,106	\$ 5,967,924
Other exploration expenditures	4,987,544	4,219,070	13,793,412	9,884,323
	6,344,334	7,179,191	16,460,518	15,852,247
General and administrative expenses:				
Depreciation	78,959	75,218	219,428	207,116
Administrative expenditures	1,158,694	1,499,233	6,345,378	4,431,172
Stock-based compensation	149,820	1,027,679	2,284,133	3,890,052
	1,387,473	2,602,130	8,848,939	8,528,340
Interest income	(284,184)	(268,032)	(888,451)	(802,663)
Finance costs	89,002	28,157	330,935	88,479
Equity tax	-	-	5,779,878	-
Fair value change on warrant liabilities	(1,979,255)	(1,470,627)	(5,217,074)	(5,178,523)
Foreign exchange loss (gain)	4,436,294	(2,836,468)	2,394,937	(1,077,313)
Loss for the period	\$ 9,993,664	\$ 5,234,351	\$ 27,709,682	\$ 17,410,567
Loss per share	\$ 0.12	\$ 0.06	\$ 0.33	\$ 0.21

#### **Three months ended September 30, 2011**

Total exploration expenditures were \$6.3 million for the three months ended September 30, 2011, compared to \$7.2 million for the three months ended September 30, 2010. The change was the result of the following:

- Costs related to feasibility studies were \$1.4 million for the three months ended September 30, 2011, compared to \$3.0 million for the comparative period in 2010. This \$1.6 million reduction in cost in 2011 was due to the cessation of activities related to the feasibility study of the previous open pit plan, partially offset by the new costs for the studies for the underground mine operation.
- Taxes and surface rights decreased by \$0.3 million due to lower annual fees for surface rights and other legal and notary costs.
- Assay and metallurgy expenses decreased by \$0.2 million due to the lower drilling activity and the cessation of activities related to the open pit feasibility study.
- General and administrative expense for the Angostura Project increased by \$0.8 million due to increased spending on personnel, consultants and activities related to permitting. The Company also paid severance to senior Colombian management whose employment was terminated by the Company. Increases and changes in personnel and senior management resulted in increases in related costs such as health and safety, legal,

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recruitment and moving costs. The increase was partially offset by lower public hearing costs.

- Drilling and field costs increased by \$0.6 million due to the infill drilling program for the Angostura underground project.

General and administrative expenses for the corporate office excluding share-based compensation cost were \$1.2 million for the three months ended September 30, 2011, compared to \$1.5 million for the comparative period ended September 30, 2010. The decrease of \$0.3 million was primarily due to lower senior management personnel costs and travel costs.

Share-based compensation expenses decreased by \$0.9 million for the three months ended September 30, 2011, compared to 2010 due to 300,000 fewer stock options granted and the forfeiture of 353,000 stock options when employees left the Company.

During the three months ended September 30, 2011, the Company recorded a \$2 million gain on the change in the fair value of warrant liabilities compared to a \$1.5 million gain for the comparative period ended September 30, 2010, primarily because the market value of the Company's common shares on which the fair value of the warrants are based, declined in 2011 compared to 2010.

During the three months ended September 30, 2011, the Company recognized \$4.4 million loss on foreign exchange compared to a \$2.8 million gain for the comparative period ended September 30, 2010, primarily on cash held in Canadian funds. The foreign exchange loss in 2011 was primarily due to a 7.17% depreciation in the Canadian dollar against U.S. dollar during the three months ended September 30, 2011. During the three months ended September 2010, the Canadian dollar appreciated against the U.S. dollar by 3%, resulting in the foreign exchange gain.

In December 2010, the Colombian government passed a law that imposes an equity tax levied on the January 1, 2011 net equity of the Company's Colombian operations. The rate applicable to the Company's Colombian operations is 6% resulting in total equity tax of \$6.6 million. The equity tax is to be paid over the four-year period 2011 through 2014 in eight semi-annual installments in May and September each year. Under the Colombian tax legislation, the full amount of the equity tax is required to be accrued as of January 1, 2011. Therefore the net present value of the liability totaling \$5.8 million has been recognized in the consolidated statement of comprehensive loss effective January 1, 2011. The amount recognized was determined by discounting the eight future equity tax payments at a rate of 7%. Accretion on the equity liability for the three months ended September 30, 2011, of \$0.08 million is recorded in finance costs.

**Nine months ended September 30, 2011**

Total exploration expenditures were \$16.5 million for the nine months ended September 30, 2011, compared to \$15.9 million for the nine months ended September 30, 2010. The change was the result of the following:

- Costs related to feasibility studies were \$2.7 million for the nine months ended September 30, 2011, compared to \$6 million for the comparative period in 2010. The lower cost in 2011 was due to the cessation of activities related to the feasibility study of the previous open pit plan, partially offset by the new costs for the studies for the underground mine operation.
- Other exploration expenditures increased by \$3.9 million for the nine months ended September 30, 2011, compared to the comparative period in 2010 due to the following:
  - a) General and administrative expense for the Angostura Project increased by \$3.2 million due to increase spending on personnel, consultants and activities related to permitting. The Company also paid severance to senior Colombian management whose employment was terminated by the Company. Increases in personnel and senior management resulted in increases in related costs such as health and safety, legal, recruitment and moving costs.
  - b) Drilling costs increased by \$1.3 million during the nine months ended September 30, 2011, compared to the same period last year due to increases in infill drilling activities for the Angostura underground project.
  - c) Taxes and surface rights decreased by \$0.5 million due to lower annual fees for surface rights and other legal and notary costs.
  - d) Environmental expenses increased by \$0.5 million due to costs related to the application for environmental licensing and the PTO.
  - e) Assay and metallurgy expenses decreased by \$0.4 million due to the lower drilling activity and the cessation of activities related to the open pit feasibility study.
  - f) Consulting and geology costs decreased by \$0.3 million due to the decrease in the use of consultants.

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General and administrative expenses at the corporate office other than share-based compensation cost increased by \$1.9 million for the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010. The increase was a result of the following:

- Salaries and benefits were up \$1.6 million in 2011 compared to 2010, due primarily to severance payments made to senior management whose employment were terminated by the Company during the period.
- Office facilities and investor relations costs increased by \$0.3 million in 2011 compared to 2010 due to the opening of an investor relations office in Toronto, Canada. This office was subsequently closed.
- Audit, legal and other professional fees were up \$0.1 million in 2011 compared to 2010, due primarily to additional accounting assistance costs and increased legal costs.

During the nine months ended September 30, 2011, the Company recorded \$2.3 million in share-based compensation expense compared to \$3.9 million during the comparative period ended September 30, 2010. The decrease was due to adjustments related to 1,346,429 stock options, most of which had higher values that were forfeited during the period when employees left the Company. This decrease was partially offset by 1,580,000 new stock options, most of which had lower values that were granted to directors and employees.

The Company had a foreign exchange loss of \$2.4 million for the nine months ended September 30, 2011, compared to a gain of \$1 million for the nine months ended September 30, 2010, primarily due to the depreciation of the Canadian dollar against the U.S. dollar by approximately 4.26% during the nine months ended September 30, 2011 compared to a 1.6% appreciation of the Canadian dollar against the U.S. dollar during the comparative period ended September 30, 2010.

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## 5. QUARTERLY INFORMATION

	Under IFRS								Under GAAP
	2011			2010				2009	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Exploration Expenditures	\$ 6,344,334	\$ 4,893,202	\$ 5,222,982	\$ 9,357,567	\$ 7,179,191	\$ 5,630,031	\$ 3,043,026		\$6,348,885
Administrative Expenses:									
General and Amortization	1,237,653	2,752,934	2,574,219	\$1,557,041	1,574,451	1,484,204	1,579,633		740,692
Stock-based Compensation	149,820	1,125,323	1,008,990	1,140,049	1,027,679	1,790,184	1,072,189		407,883
Interest Income	(284,184)	(315,528)	(288,739)	(328,705)	(268,032)	(277,210)	(257,421)		(37,511)
Other Items	2,546,041	(343,370)	1,086,005	(3,379,790)	(4,278,938)	776,681	(2,665,101)		
Net Loss	9,993,664	8,112,561	9,603,457	8,346,162	5,234,351	9,403,890	2,772,326		7,828,273
Basic and Diluted Loss per Share	\$0.12	\$0.10	\$0.11	\$0.10	\$0.06	\$0.11	\$0.03		\$0.13

### Notes and Factors Affecting Comparability of Quarters:

1. The Company is a precious metals exploration and development company and has no operating revenue. Interest is from funds invested. The amount of interest earned is a function of the amount of funds invested and interest rates. Interest rates on term deposits dropped significantly in 2009 and remained low during 2010 and 2011. This, however, was offset by the significantly increased levels of cash, which contributed to increasing level of quarterly interest income in 2010 and 2011.
2. Share-based compensation costs are a non-cash expense and represent the amortization of the estimated fair value of stock options granted determined using the Black-Scholes option pricing model. Share-based compensation varies depending on the amount and fair value of the stock options granted.
3. The increase in exploration expenditures starting in the fourth quarter of 2009 was primarily due to efforts being placed to prepare the feasibility study for the open pit project. Engineering costs for the feasibility study decreased during the first half of 2011 when a decision was made not to proceed with its finalization. Engineering costs increased in the third quarter of 2011 when consultants were engaged to prepare feasibility studies for the underground project.
4. There has been a general trend for increased general and administrative costs on a quarterly basis attributable to increased activities and staffing as the Company had previously anticipated moving into development.

## 6. LIQUIDITY AND CAPITAL RESOURCES

### Statement of Cash Flow Information

At September 30, 2011, cash and cash equivalents were \$68.8 million, down from \$98.9 million at December 31, 2010. The decrease in cash and cash equivalents is primarily attributed to the use of cash in operations with no significant cash inflow compared to the receipt of gross proceeds of \$44.3 million from the exercise of warrants in the first quarter of 2010.

The Company's cash resources are invested in short term financial instruments issued by major Canadian chartered banks. These instruments mature at various dates over the current operating period. The Company does not invest in asset-backed commercial paper.

Cash used in operations including changes in non-cash working capital was \$29.1 million for the nine months ended September 30, 2011, compared to \$16.5 million for the comparative period in

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2010. For the nine months ended September 30, 2011, exploration-related expenditures, including feasibility study costs, were \$16.5 million and represent the major use of funds for the period.

At September 30, 2011, the Company had working capital of \$60.9 million, but had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the nine months ended September 30, 2011, the Company reported a net loss of \$27.7 million and as at September 30, 2011, had an accumulated deficit of \$176.4 million. The ability of the Company to continue as a going concern is dependent upon the Company's ability to arrange additional funds to complete the development of its property and upon future profitable operations.

The remaining proceeds raised from the Company's public offering on September 22, 2009, will be used for the development of the underground Angostura Project, exploration on satellite properties within the Angostura Project area and regional exploration outside of the Angostura Project area.

Management of the Company believes that the current level of funds is expected to be sufficient to pay for committed costs over the next 12 months. Management continues to explore alternative financing sources in the form of equity, debt or a combination thereof; however, the current economic uncertainty and financial market volatility make it difficult to predict success. Risk factors potentially influencing the Company's ability to raise equity or debt financing include: the outcome of the feasibility studies for an underground mine at the Angostura Project, mineral prices, the political risk of operating in a foreign country including, without limitation, risks relating to permitting, and the buoyancy of the credit and equity markets. For a more detailed list of risk factors, refer to the Company's Annual Information Form for the year ended December 31, 2010, which is filed on SEDAR.

Due to the current low interest rate environment, interest income is not expected to be a significant source of income or cash flow. Management intends to monitor spending and assess results on an ongoing basis and will make appropriate changes as required.

## **Commitments**

The Company's commitments related to its mineral property acquisitions are discussed below.

### **(a) Mineral Property Commitments**

The Company's mineral properties comprise surface rights, mining titles, exploration licenses, exploitation permits and concession contracts that provide for gold, silver and other precious metals exploitation in an area located in the Municipality of California, Santander, Colombia, collectively known as the Angostura Project. The licenses, permits and contracts expire at various dates ranging from 2020 to 2038 and generally can be renewed for an additional 10, 20 or 30 years depending on the applicable mining code.

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Certain portions of the Angostura Project are subject to royalties ranging from 5% to 10% of net profits after certain additional deductions. In addition, pursuant to the laws of Colombia, the Government of Colombia currently receives royalties on gold and silver production equal to 4% of 80% of the production value, which is calculated using the average gold and silver prices published by the London Metal Exchange.

In order to maintain the Company's mineral properties in good standing, the Company is required to make certain annual fee payments based on the number of hectares and a Colombian wage factor that fluctuates on an annual basis. As at September 30, 2011, the required annual fee payments related to the Company's mineral properties totaled approximately \$0.6 million (2010 - \$0.7 million).

**(b) Other Commitments**

The following is a schedule of the Company's other commitments as at September 30, 2011:

	As of September 30,					
	2012	2013	2014	2015	2016	2017 and Thereafter
Consulting & contract Services (a)	\$ 833,292	\$ 182,062	\$ 90,000	\$ 18,000	\$ -	\$ -
Office operating leases (b)	174,059	54,763	17,537	14,020	3,427	-
	\$ 1,007,351	\$ 236,825	\$ 107,537	\$ 32,020	\$ 3,427	-

(a) Relates to various outsourced professional services

(b) Primarily relates to operating leases for office premises

During the three months ended September 30, 2011, the Company entered into four consulting engineering agreements for the feasibility studies of the Angostura underground project. The term of these agreements is one year and payments are calculated based on the services provided, which are on a monthly basis.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.



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## **7. FINANCIAL INSTRUMENTS**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

(a) **Currency risk:**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Colombia and a portion of its expenses are incurred in Canadian dollars and Colombian pesos. A significant change in the currency exchange rates between the U.S. dollar relative to foreign currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

The Company's exposure to the Colombian peso, expressed in U.S. dollars and Colombian pesos, on financial instruments is as follows:

	September 30, 2011		December 31, 2010	
	US\$	Colombian Peso	US\$	Colombian Peso
Cash and cash equivalents	\$ 203,319	389,375,279	\$ 94,032	179,975,804
Trade and other receivables	933,114	1,787,005,760	529,412	1,013,284,852
Trade and other payables	3,184,633	6,098,891,060	2,421,976	4,635,613,156
Equity tax liability	4,400,853	8,428,073,580	-	-
Amounts payable on exploration and evaluation asset acquisition	1,207,758	2,312,977,346	1,112,992	2,130,244,450
	<b>\$ 9,929,677</b>	<b>19,016,323,025</b>	<b>\$ 4,158,412</b>	<b>7,959,118,263</b>

As at September 30, 2011, with other variables unchanged, a 10% depreciation or appreciation of the U.S. dollar against the Colombian peso would change the values of the Colombian peso denominated financial instruments and would affect the consolidated statement of operations and comprehensive loss by approximately \$992,968.

The Company's exposure to the Colombia peso on quarterly exploration expenditures throughout the nine months ended September 30, 2011 was \$15.5 million. A 10% depreciation or appreciation of the U.S. dollar against the Colombian peso would affect the consolidated statement of operations and comprehensive loss by approximately \$1.5 million.

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The Company's exposure to the Canadian dollar, expressed in U.S. dollars and Canadian dollars, on financial instruments is as follows:

	September 30, 2011		December 31, 2010	
	US\$	CDN\$	US\$	CDN\$
Cash and cash equivalents	\$ 68,581,311	\$ 71,249,124	\$ 97,022,814	\$ 96,498,890
Trade and other receivables	115,953	120,464	249,539	248,192
Trade and other payables	536,310	557,172	3,929,595	3,791,313
	\$ 69,233,574	\$ 71,926,760	\$ 101,201,948	\$ 100,538,395

As at September 30, 2011, with other variables unchanged, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would change the values of the Canadian dollar denominated financial instruments and would affect the consolidated statement of operations and comprehensive loss by approximately \$6.9 million.

In October 2011, the company converted Cdn\$52,500,000 that it held in cash and cash equivalents into U.S. dollars at an average exchange rate of US\$1=Cdn\$1.0311.

The Company's exposure to the Canadian dollar on quarterly exploration expenditures throughout the nine months ended September 30, 2011 was \$634,695. A 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would affect the consolidated statement of operations and comprehensive loss by approximately \$63,469.

(b) Credit risk:

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company manages its credit risk through its counterparty ratings and credit limits.

The Company's cash and cash equivalents and short term investments are held through large Canadian financial institutions. Short-term investments are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These instruments mature at various dates over the current operating period and are normally cashable on a designated monthly date. Amounts receivable primarily consists of HST receivable with expected payment from the Canadian government.

The total cash and cash equivalents and amounts receivable represent the maximum credit exposure. The Company limits its credit risk exposure by holding bank accounts and any short term investments with reputable financial institutions with high credit ratings.

(c) Liquidity risk:

The Company manages liquidity risk by maintaining adequate cash balances in order to meet short and long term business requirements. The Company believes that these sources will be sufficient to cover its cash requirements for the upcoming year. The

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Company's cash is invested in liquid investments with quality financial institutions and is available on demand for the Company's programs and is not invested in any asset backed commercial paper.

As at September 30, 2011, the Company's liabilities have contractual maturities as summarized below:

	Total	Less than 1 year	1 - 3 years	After 3 years
Accounts payable and accrued liabilities	\$ 3,760,457	\$ 3,760,457	\$ -	\$ -
Accounts payable on mineral properties	1,207,758	1,207,758	-	-
Equity tax liability	4,400,853	1,570,740	2,830,113	
	<u>\$ 9,369,068</u>	<u>\$ 6,538,955</u>	<u>\$ 2,830,113</u>	<u>\$ -</u>

(d) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's bank accounts earn interest income at variable rates. The Company's future interest income is exposed to changes in short-term rates. Based on the Company's cash balance of \$68,784,630 an increase or decrease in the annual interest rate of 1% would result in a corresponding increase or decrease of annual interest income by \$687,846.

(e) Fair value of financial instruments:

The fair values of amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. The fair value of the amounts payable on mineral property acquisitions approximates their carrying value as there was no material change to the discount rate used to calculate the fair value since initial recognition.

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value financial assets and liabilities are described below:

(i) Level 1 – Quoted Prices in Active Markets for Identical Assets

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Cash equivalents, including demand deposits and money market instruments, are valued using quoted market prices. Marketable equity securities are valued using quoted market prices in active markets, obtained from securities exchanges. Accordingly, these items are included in Level 1 of the fair value hierarchy.

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(ii) Level 2 – Significant Other Observable Inputs

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

(iii) Level 3 – Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices.

The following table illustrates the classification of the Company's financial instruments recorded at fair value within the fair value hierarchy as at September 30, 2011.

	Financial assets at fair value			
	Level 1	Level 2	Level 3	September 30, 2011
Cash and cash equivalents	\$ 68,784,630	\$ -	\$ -	\$ 68,784,630
Held for trading	68,784,630	-	-	68,784,630
Loans and receivables	61,534	-	-	61,534
Financial assets	61,534	-	-	61,534
Total financial assets at fair value	\$ 68,846,164	\$ -	\$ -	\$ 68,846,164

	Financial liabilities at fair value			
	Level 1	Level 2	Level 3	September 30, 2011
Trade and other payables	\$ 3,760,457	\$ -	\$ -	\$ 3,760,457
Amounts payable on exploration and evaluation asset acquisition	-	1,207,758	-	1,207,758
Equity tax payable	-	4,400,853	-	4,400,853
Total financial liabilities at fair value	\$ 3,760,457	\$ 5,608,611	\$ -	\$ 9,369,068

## **8. TRANSACTIONS WITH RELATED PARTIES**

Pursuant to a service agreement, the Company paid Rovig Minerals, Inc., a company owned by the Company's former Chairman for services provided in relation to this role. Amounts paid include reimbursement for certain personal insurance expenses and costs for office facilities in Billings, Montana. The service agreement expired on September 30, 2011.

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The Company paid Ionic Management Corp. ("Ionic"), a company related by virtue of a former director and one officer in common, for corporate and administrative services in Vancouver, BC. These services were cancelled on August 31, 2011.

Pursuant to a service agreement, the Company paid Mr. Steve Kesler, a former director of the Company, for consulting services. The service agreement terminated on May 16, 2010, after which Mr. Steve Kesler assumed the role of President and CEO of the Company (a role he no longer holds).

Pursuant to a service agreement, the Company paid Quantum Advisory Partners LLP, a company owned by the Company's Chief Financial Officer, for services provided in relation to this role.

The Company paid Fintech Holdings Corp., a company owned by the Company's Interim Chief Executive Officer and director, for services provided in relation to these roles.

Transactions with related parties were in the normal course of operations and are measured at an exchange amount established and agreed to by the related parties.

In addition to the above, the Company reimbursed all these related parties for out-of-pocket direct costs incurred on behalf of the Company. Such costs include travel, postage, courier charges, printing and telephone charges.

Related party expenditures recorded for the following periods were:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Rovig Minerals Inc.	\$ -	\$ 58,197	\$111,857	\$351,395
Ionic Management Corp.	-	16,500	33,958	49,500
Steve Kesler	-	-	-	105,580
Quantum Advisory Partners LLP	14,967	-	14,967	-
Fintech Holdings Corp.	66,130	-	66,130	-

## **9. CRITICAL ACCOUNTING ESTIMATES**

### **Site restoration provision**

The Company assesses its site restoration provision annually. Significant estimates and assumptions are made in determining the site restoration provision as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and

changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amount currently provided. The provision at the date of the statement of financial position represents management's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the site restoration asset and liability. To the extent that the site restoration provision was created due to exploration activities, the amount capitalized is reduced immediately by a charge to exploration expenses for the same amount.

### **Exploration and evaluation assets**

The application of the Company's accounting policy for and determination on recoverability of capitalized exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available. As at September 30, 2011, amounts capitalized to exploration and evaluation assets total \$18.1 million.

### **Equity tax liability**

Included in the Company's balance sheet is the fair value of equity tax liability. The fair value of the equity tax liability was determined by discounting the stream of future cash payments at the estimated prevailing market rate for debt instruments of comparable maturity and credit quality. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value.

### **Warrants, stock options and stock appreciation rights issued with Canadian dollar exercise prices**

The fair value of warrants, stock options and stock appreciation rights issued with Canadian dollar exercise prices are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

### **Recovery of deferred tax assets**

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws

in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

#### **Determination of functional currency**

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates," management determined that the functional currencies of Eco Oro Minerals Inc., its Colombian branch and subsidiaries are the U.S. dollar.

### **10. FIRST TIME ADOPTION OF IFRS**

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010 and details of IFRS 1, "First time adoption of International Financial Reporting Standards," applicable to the Company are provided in the Company's condensed consolidated interim financial statements for the three months ended March 31, 2011.

IFRS employs a conceptual framework that is similar to Canadian GAAP; however, significant differences exist in certain areas of recognition, measurement and disclosure. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in changes to the Company's reported financial position and results of operations. In order to allow financial statement users to better understand these changes, the Company's Canadian GAAP interim statements of financial position at September 30, 2010 and statements of comprehensive loss, and cash flows for the three and nine months ended September 30, 2010, have been reconciled to IFRS and presented below, along with explanations of the resulting differences.

**ECO ORO MINERALS CORP.**  
**Management's Discussion and Analysis**  
**For the Three and Nine Months Ended September 30, 2011**

The Company's Canadian GAAP condensed statement of financial position as at September 30, 2010, has been reconciled to IFRS as follows:

September 30, 2010						
	Note	Canadian GAAP CDN\$	Effect of IFRS adjustment CDN\$	Change in presentation currency (ii) US\$	Effect of functional currency adjustment (i) US\$	IFRS US\$
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents		\$ 106,869,116	\$ -	\$ (3,090,238)	\$ -	\$ 103,778,878
Restricted cash		656,650	-	(19,002)	-	637,648
Trade and other receivables		1,118,951	-	(30,276)	-	1,088,675
		108,644,717	-	(3,139,516)	-	105,505,201
Property, plant and equipment		1,150,770	-	(33,301)	(148,672)	968,797
Exploration and evaluation assets		20,207,614	-	(584,761)	(2,791,730)	16,831,123
		\$ 130,003,101	\$ -	\$ (3,757,578)	\$ (2,940,402)	\$ 123,305,121
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Current liabilities:						
Trade and other payables		\$ 4,618,933	\$ -	\$ (130,802)	\$ -	\$ 4,488,131
Amounts payable on exploration and evaluation asset acquisition		1,193,339	-	(20,630)	-	1,172,709
Environmental rehabilitation provision	(vi)	920,137	(234,648)	(19,836)	(51,981)	613,672
Warrant liabilities	(iv)	-	7,187,577	(207,992)	-	6,979,585
		6,732,409	6,952,929	(379,260)	(51,981)	13,254,097
Amounts payable on exploration and evaluation asset acquisition		-	-	-	-	-
Environmental rehabilitation provision	(vi)	283,472	(77,073)	(5,973)	43,829	244,255
		7,015,881	6,875,856	(385,233)	(8,152)	13,498,352
Shareholders' equity:						
Share capital	(v)	266,566,927	(374,945)	(31,343,587)	-	234,848,395
Warrants	(iv) (v)	4,126,529	(2,143,515)	(124,755)	-	1,858,259
Equity reserve	(v)	14,139,376	1,450,913	(2,138,555)	-	13,451,734
Deficit		(161,845,612)	(5,808,309)	28,122,006	(819,704)	(140,351,619)
Cumulative translation adjustment		-	-	2,112,545	(2,112,545)	-
Equity attributable to equity holders of the Company		122,987,220	(6,875,856)	(3,372,346)	(2,932,249)	109,806,769
		\$ 130,003,101	\$ -	\$ (3,757,579)	\$ (2,940,401)	\$ 123,305,121



**ECO ORO MINERALS CORP.**  
**Management's Discussion and Analysis**  
**For the Three and Nine Months Ended September 30, 2011**

The Company's Canadian GAAP condensed statement of comprehensive loss for the three months ended September 30, 2010, has been reconciled to IFRS as follows:

Three months ended September 30, 2010					
Note	Canadian GAAP	Effect of IFRS adjustment	Change in presentation currency (ii)	Effect of functional currency adjustment (i)	IFRS
	CDN\$	CDN\$	US\$	US\$	US\$
Exploration expenditures:					
Feasibility and pre-feasibility studies	\$ 3,071,387	\$ -	\$ (111,266)	\$ -	\$ 2,960,121
Other exploration expenditures (vi)	4,457,766	(45,784)	(192,912)	-	4,219,070
	7,529,153	(45,784)	(304,178)	-	7,179,191
General and administrative expenses:					
Audit, legal and other professional fees	146,364	-	(5,305)	-	141,059
Depreciation	87,427	-	(3,262)	(8,947)	75,218
Investor relations	47,987	-	(1,994)	-	45,993
Management and consulting fees	550,429	-	(20,077)	-	530,352
Office facilities and administration	116,781	-	(4,398)	-	112,383
Salaries and benefits	438,238	-	(16,273)	-	421,965
Share-based compensation (iii)	854,935	212,878	(40,134)	-	1,027,679
Transfer agent, listing and filing fees	71,138	-	(2,768)	-	68,370
Travel	186,016	-	(6,905)	-	179,111
	2,499,315	212,878	(101,116)	(8,947)	2,602,130
			-		
Loss from operating activities	10,028,468	167,094	(405,294)	(8,947)	9,781,321
Other items:					
Interest income	(278,490)	-	10,458	-	(268,032)
Finance costs (vi)	-	26,275	(1,006)	2,888	28,157
Fair value change on warrant liabilities (iv)	-	(1,529,392)	58,765	-	(1,470,627)
Foreign exchange loss (gain)	59,495	-	(2,224)	(2,893,739)	(2,836,468)
	(218,995)	(1,503,117)	65,993	(2,890,851)	(4,546,970)
Loss and comprehensive loss for the period attributable to shareholders of the Company	\$ 9,809,473	\$ (1,336,023)	\$ (339,301)	\$ (2,899,798)	\$ 5,234,351
Basic and diluted loss per common share	\$ 0.12				\$ 0.06
Weighted-average number of common shares outstanding					
	84,208,338				84,208,338

**ECO ORO MINERALS CORP.**  
**Management's Discussion and Analysis**  
**For the Three and Nine Months Ended September 30, 2011**

The Company's Canadian GAAP condensed statement of comprehensive loss for the nine months ended September 30, 2010, has been reconciled to IFRS as follows:

Nine months ended September 30, 2010					
Note	Canadian GAAP CDN\$	Effect of IFRS adjustment CDN\$	Change in presentation currency (ii) US\$	Effect of functional currency adjustment (i) US\$	IFRS US\$
Exploration expenditures:					
Feasibility and pre-feasibility studies	\$ 6,182,248	\$ -	\$ (214,324)	\$ -	\$ 5,967,924
Other exploration expenditures (vi)	10,525,768	(268,350)	(373,095)	-	9,884,323
	16,708,016	(268,350)	(587,419)	-	15,852,247
General and administrative expenses:					
Audit, legal and other professional fees	414,495	-	(11,252)	-	403,243
Depreciation	246,882	-	(8,480)	(31,286)	207,116
Investor relations	100,653	-	(3,677)	-	96,976
Management and consulting fees	1,588,235	-	(49,707)	-	1,538,528
Office facilities and administration	326,284	-	(11,104)	-	315,180
Salaries and benefits	1,521,311	-	(47,522)	-	1,473,789
Share-based compensation (iii)	3,754,019	268,546	(132,513)	-	3,890,052
Transfer agent, listing and filing fees	198,765	-	(6,695)	-	192,070
Travel	425,553	-	(14,167)	-	411,386
	8,576,197	268,546	(285,117)	(31,286)	8,528,340
Loss from operating activities	25,284,213	196	(872,536)	(31,286)	24,380,587
Other items:					
Interest income	(831,125)	-	28,462	-	(802,663)
Finance costs (vi)	-	89,828	(3,086)	1,737	88,479
Fair value change on warrant liabilities (iv)	-	(5,405,878)	227,355	-	(5,178,523)
Foreign exchange loss (gain)	170,035	-	(5,841)	(1,241,507)	(1,077,313)
	(661,090)	(5,316,050)	246,890	(1,239,770)	(6,970,020)
Loss and comprehensive loss for the period attributable to shareholders of the Company	\$ 24,623,123	\$ (5,315,854)	\$ (625,646)	\$ (1,271,056)	\$ 17,410,567
Basic and diluted loss per common share	\$ 0.29				\$ 0.21
Weighted-average number of common shares outstanding	83,637,026				83,637,026

**ECO ORO MINERALS CORP.**  
**Management's Discussion and Analysis**  
**For the Three and Nine Months Ended September 30, 2011**

The Company's Canadian GAAP condensed consolidated statement of cash flows for the nine months ended September 30, 2010, has been reconciled to IFRS as follows:

Nine months ended September 30, 2010					
Note	Canadian GAAP CDN\$	Effect of IFRS adjustment CDN\$	Change in presentation currency (ii) US\$	Effect of functional currency adjustment (i) US\$	IFRS US\$
<b>Operating activities:</b>					
Loss for the period	\$ (24,623,123)	\$ 5,315,854	\$ 1,896,702	\$ -	\$ (17,410,567)
Adjustment for non-cash items:					
Depreciation	246,882	-	(8,480)	(31,286)	207,116
Fair value change on warrant liabilities	(iii) -	(5,405,878)	227,355	-	(5,178,523)
Finance costs	(v) (vi) 170,534	(89,828)	6,036	1,737	88,479
Share-based compensation	(ii) 3,754,019	268,546	(132,513)	-	3,890,052
Unrealized foreign exchange loss	231,321	-	920,007	-	1,151,327
Other non-cash income and expenses	(v) (381,299)	(88,694)	(40,230)	-	(510,223)
Change in non-cash working capital:					
Trade and other receivables	(533,611)	-	4,213	-	(529,398)
Prepaid expenses	-	-	-	-	-
Trade and other payables	2,495,976	-	(681,760)	-	1,814,216
Cash (used in) generated from operating activities	(18,639,301)	-	2,191,330	(29,549)	(16,477,521)
<b>Investing activities:</b>					
Exploration and evaluation asset acquisition costs	(1,503,941)	-	51,659	38,922	(1,413,360)
Purchase of property, plant and equipment	(364,135)	-	12,508	23,506	(328,121)
Restricted cash	(637,100)	-	36,402	-	(600,698)
Net cash flows used in investing activities	(2,505,176)	-	100,569	62,428	(2,342,179)
<b>Financing activities:</b>					
Proceeds from exercise of stock options	367,566	-	(12,626)	3,773	358,713
Proceeds from exercise of warrants	46,062,723	-	(1,582,225)	(191,430)	44,289,068
Net cash flow generated from financing activities	46,430,289	-	(1,594,851)	(187,657)	44,647,781
Increase (decrease) in cash and cash equivalents	25,285,812	-	697,048	(154,778)	25,828,081
Effect of exchange rate fluctuations on cash held	-	-	-	-	-
Cash and cash equivalents, beginning of period	81,583,304	-	(697,048)	(2,935,459)	77,950,797
Cash and cash equivalents, end of period	\$ 106,869,116	\$ -	\$ -	\$ (3,090,237)	\$ 103,778,878

Explanatory notes to the IFRS reconciliations above

(i) Functional currency

Under Canadian GAAP - An entity is not explicitly required to assess the unit of measure (functional currency) in which it measures its own assets, liabilities, revenues and expenses. Under Canadian GAAP, an entity applies criteria to determine only whether a foreign subsidiary's operation is integrated or self-sustaining, in which case the temporal or current methods of translation respectively, are then applied to the subsidiary's financial statement balances and results of operations. Under Canadian GAAP, the Company prepared its financial statements in Canadian dollars and its Colombian branch and subsidiaries were determined to be integrated foreign operations.

Under IFRS - The functional currency of the reporting entity and each of its foreign operations must be assessed independently giving consideration to the primary economic environment in which each operates. IFRS provides guidance in respect of factors to be considered in determining an entity's functional currency that are similar to those noted in Canadian GAAP, however unlike Canadian GAAP, IFRS distinguishes between primary and secondary factors in making such an assessment. Based on the assessment under IFRS, management has determined that the functional currencies of Eco Oro Minerals Corp., its Colombian branch and subsidiaries are the U.S. dollar as this is the currency of the primary economic environment in which the Company operates. Accordingly, the change in functional currency has been reflected in reporting the Company's financial position and results of operations under IFRS.

(ii) Change in presentation currency

The Company previously presented its financial statements in Canadian dollars. Under IFRS, the Company's financial statements are presented in U.S. dollars, the same as its functional currency. The change in presentation currency results in a cumulative translation adjustment and under IFRS 1, the Company has elected to eliminate the cumulative translation adjustment on the IFRS transition date.

(iii) Share-based payments

Under Canadian GAAP - The fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

Under IFRS - Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the estimated lives of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

(iv) Share purchase warrants

Under Canadian GAAP - The Company's share purchase warrants are measured at fair value at initial recognition using the Black-Scholes option pricing model, and recorded in equity reserve with no subsequent re-measurement.

Under IFRS – The exercise prices of the Company's share purchase warrants that are issued in connection with the issuance of equity are denominated in Canadian dollars, which is not the Company's functional currency. As a result, the proceeds from the exercise of these warrants will vary. These warrants meet the definition of derivatives under IAS 32 and are therefore, classified as liabilities and measured at financial assets at fair value through profit or loss at grant date and the end of each reporting period. The Company's share purchase warrants issued as compensation for mineral property acquisitions and agents' commissions for share issuances are accounted for under IFRS 2 and are classified as equity. The adoption of IFRS had no impact on these warrants.

(v) Compound financial instruments

Under Canadian GAAP – The Company raised equity by issuing units that consisted of common shares and share purchase warrants. The gross proceeds were allocated to common shares and warrants using the relative fair value method.

Under IFRS – IAS 32 requires an entity to split a compound financial instrument at inception into separate liability and equity components. For proceeds received from the issuance of compound equity instruments such as units comprised of common shares and warrants, the Company allocated the proceeds using the residual method whereby the proceeds allocated to the warrants is based on their Black-Scholes fair value with the remaining proceeds allocated to common shares.

(vi) Site restoration provision

Under Canadian GAAP – The Company uses the best estimate that a third party would charge for the remediation work to measure the reclamation and closure cost obligations. The Company uses the credit-adjusted pre-tax risk-free interest rate as a discount rate to measure the net present value of undiscounted estimated future cash flows.

Under IFRS – Under IAS 37, reclamation and closure cost obligations are measured based on management's best estimate of the expenditures required to settle the obligations as at the balance sheet date. In the case that management intends to perform the reclamation and closure activities internally at a lower cost than if they were performed externally, the lower costs are used to represent management's best estimate. In addition, the discount rate used to determine the present value of reclamation and closure cost obligations is the pre-tax rate that does not reflect risks for which future cash flow estimates have been adjusted.

## **11. NEW ACCOUNTING STANDARDS NOT YET ADOPTED**

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2010 or later periods. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(a) IFRS 7, Financial instruments: Disclosures

IFRS 7 was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements

(b) IFRS 9, Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is in the process of evaluating the impact of the new standard.

(c) IFRS 10, Consolidated Financial Statements

IFRS 10 builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is in the process of evaluating the impact of the new standard.

(d) IFRS 11, Joint Arrangements

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently evaluating the impact of this standard on its condensed financial statements.

(e) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unstructured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently evaluating the impact of this standard on its condensed financial statements.

(f) IFRS 13, Fair Value Measurements

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in

specified circumstances. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of the standard on its condensed financial statements.

(g) IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20")

IFRIC 20 applies to all types of natural resources that are extracted using the surface mining activity process and addresses recognition of production stripping costs as an asset, initial measurement of the stripping activity asset, and subsequent measurement of the stripping activity asset. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently assessing the impact of the standard on its condensed financial statements.

## **12. OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **13. OUTSTANDING SHARE DATA**

The Company has only one class of share capital, common shares without par value. The number of shares authorized is unlimited. The Company has issued warrants for the purchase of common shares and also has a stock option plan.

The following are outstanding at November 9, 2011:

Common shares	<b>84,228,421</b>
Shares issuable on the exercise of warrants	<b>3,365,686</b>
Shares issuable on the exercise of outstanding stock options	<b>5,201,577</b>

## **14. RISKS AND UNCERTAINTIES**

The Company is currently dependent on one principal property. Its current efforts are focussed primarily on the Angostura Project. If the Angostura Project does not develop into a commercially viable ore body, it would materially adversely affect the Company's profitability, financial performance and results of operation.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's mineral property is located in Colombia. The Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, opposition from environmental or other non-governmental organizations and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry. The acquisition of mining title in Colombia is a very detailed and time-consuming process. In addition, title to mining rights may be disputed.

The Company has incurred losses since its inception and will not achieve profitability until such time as the Angostura Project can be developed into a profitable operation.

For additional information on risk factors, refer to the Risk Factors section of the Company's Annual Information Form for the year ended December 31, 2010, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **15. INTERNAL CONTROL OVER FINANCIAL REPORTING**

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under Canadian Securities laws is recorded, processed, summarized and reported within the time periods specified under those laws and include controls and procedures designed to ensure such information is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure.

There has been no change in the Company's disclosure controls and procedures during the three months ended September 30, 2011, that has materially affected or is reasonably likely to materially affect the purposes set out above, except as noted below with respect to internal controls over financial reporting.

### **Internal Controls over Financial Reporting**

Management is responsible for the establishment, maintenance and testing of adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's management and the Board of Directors do not expect that its disclosure controls and procedures or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that the control system's objectives will be met.



Further, the design, maintenance and testing of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control gaps and instances of fraud have been detected. These inherent limitations include the reality that judgment in decision-making can be faulty, and that simple errors or mistakes can occur. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design, maintenance and testing of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any control system may not succeed in achieving its stated goals under all potential future conditions.

Subsequent to March 31, 2011, the Company determined that its internal control over the evaluation of complex financial transactions was not operating effectively at March 31, 2011, which led to its amendment and restatement of the Company's condensed consolidated interim financial statements and MD&A for the three months ended March 31, 2011. The Company's management, in exercising judgement, did not correctly assess the accounting treatment for equity tax expense related to its Colombian operations. The Company has procedures in place to identify and assess complex financial transactions using control checklists to identify such transactions and to prepare accounting memos to determine appropriate accounting treatments. In addition, the Company has a process to seek external advice from external experts on complex accounting matters when necessary. Although the Company's management identified and was aware of the Colombian equity tax, it relied on its own judgement and assessment of the accounting treatment and advice from external experts was not sought.

The Company's management has remediated this internal control weakness by providing further training to its accounting staff on accounting matters to ensure that all complex and unusual transactions are discussed with the Company's external accounting advisors on an ongoing basis.

## **16. FORWARD LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this MD&A, including information as to the future financial or operating performance of the Company, and its projects, constitute forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements include, among other things, statements regarding the estimation of mineral resources, estimated timelines for completion of an updated PEA, and a prefeasibility and feasibility study for the underground option at Angostura, estimated timelines for completion of a preliminary resource estimate for Móngora, estimated annual production, estimated pre-tax internal rate of return, estimated capital cost, estimated pre-tax net present value and estimated mine life relating to an underground option at the Company's Angostura Project and the future price of gold and silver. Forward-looking statements are based upon a number of estimates and assumptions made by the

Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that Eco Oro believes are appropriate in the circumstances. While these estimates and assumptions are considered reasonable by the Company, they are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Such factors include, among other things, risks relating to permitting, unexpected delays in the work required for completion of the above noted feasibility study and preliminary resource estimate, risks relating to the Company's ability to obtain adequate financing for the development of the Angostura Project, conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and silver, possible variations in ore reserves, grade or recovery rates; risks related to fluctuations in the currency market, risks related to the business being subject to environmental laws and regulations which may increase costs of doing business and restrict the Company's operations; risks relating to title disputes; risks relating to all the Company's properties being located in Colombia, including political, economic and regulatory instability, accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. These factors and others that could affect Eco Oro's forward-looking statements are discussed in greater detail in the section headed "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2010, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Forward-looking statements are made as of the date of this MD&A, or in the case of documents incorporated by reference herein, as of the date of such document, and the Company disclaims any intent or obligation to update publicly such forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

## **17. QUALIFIED PERSONS**

All technical information, except for the Scoping Study, about the Company's mineral properties contained in this MD&A has been prepared under the supervision of David Heugh, FAusIMM & FSAIMM, the Company's Chief Operating Officer, who is a "qualified person" within the meaning of National Instrument 43-101.

November 9, 2011.