GRANDVIEW GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

MAY 31, 2012

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Grandview Gold Inc. ("Grandview" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended May 31, 2012. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended May 31, 2012 and May 31, 2011, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at August 27, 2012, unless otherwise indicated.

On June 1, 2011, Grandview adopted International Financial Reporting Standards ("IFRS"). The consolidated financial statements for the year ended May 31, 2012, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). Readers of this MD&A should refer to "Change in Accounting Policies" below for a discussion of IFRS and its effect on the Company's financial presentation.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at **www.sedar.com**.

Special Note Regarding Forward-Looking Information

This MD&A contains "forward-looking information" (also referred to as "forward-looking statements"), which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company and its projects; the focus of capital expenditures; the Company's goal of creating shareholder value by concentrating on the acquisition and exploration of properties that have the potential to contain economic gold deposits; the future price of gold; management's outlook regarding future trends; the purchase, sale or development of exploration properties; exploration and acquisition plans; the Company's acquisition strategy; the criteria to be considered in connection therewith and the benefits to be derived therefrom; the emergence of accretive growth opportunities; the Company's ability to benefit from the combination of growth opportunities and the ability to grow through the capital markets; treatment under governmental regulatory regimes and tax laws; the performance characteristics of the Company's mineral resource properties; title disputes or claims; and realization of the anticipated benefits of acquisitions. Often, but not necessarily always, the use of words such as "anticipate", "believe", "plan", "estimates", "expect", "intend", "budget", "scheduled", "forecasts" and similar expressions have been used to identify these forward-looking statements or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect management's current beliefs and are based on information currently available to management. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or financial or operating performance. Forward-looking statements involve significant risks, uncertainties and assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements include risks related to general economic conditions in Canada, Peru and globally; the Company's ability to meet its working capital needs in the short and long term; environmental liability; industry conditions, including fluctuations in the price of gold and other metals and minerals; governmental regulation of the mineral resource industry, including environmental regulation; fluctuation in foreign exchange or interest rates; liabilities inherent in mineral exploration; geological, technical and operational problems; failure to obtain third party permits, consents and approvals when required, or at all; stock market volatility and market valuations; and competition for, among other things, capital, acquisition of resources, undeveloped land and skilled personnel. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances other than as required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Description of Business

Grandview is a mineral exploration company focused on creating value for shareholders by exploring and, if warranted, developing properties of merit for the mining of precious metals. It is currently active in the province of Ontario, Canada, and in Peru.

Grandview was incorporated in 1945 and was primarily engaged in the mineral exploration and resource sector up to 1987, when trading of the Company's securities ceased. In November 1998, Grandview invested in Navitrak International – a company involved in high-technology products involving global positioning systems (GPS).

Grandview subsequently decided to return to mineral exploration and mining during 2004, after putting a new management team in place and identifying an exploration property of merit with a geological report in accordance with National Instrument 43-101 ("NI 43-101").

Overall Performance

Highlights

During the fourth quarter of fiscal 2012 the Company continued to work with the results of the drill information from the Dixie Lake project and is working towards completing a report that will bring the historic resource to NI 43-101 compliance. This work will result in a new geological and resource model on the 88-4 and 88-4 West Zones from which the Company will be able to assess any potential economic resource on the property. The Company is at present finalizing the results of this work in a comprehensive report and will report those results at the completion of the process.

The Company also completed a high resolution "EarthProbe" DCIP geophysical survey over key portions of the Bonanza property in Red Lake. The purpose of this survey was to map key lithological units beneath Red Lake to a depth of 200-300m below surface and determine any potential targets that would merit future diamond drilling.

The Company continued to pursue additional opportunities within Peru, South America, and Canada that meet its corporate objective of identifying small-scale, high-grade development opportunities.

Financial

- At May 31, 2012, the Company had mineral exploration properties at a carrying cost of $5,225,781 (May 31, 2011 - $4,568,757). During the year ended May 31, 2012, the Company incurred exploration expenditures of approximately $657,000 up from approximately $419,000 during the year ended May 31, 2011. Work encompassed exploration drilling and geophysical surveys. See "Mineral Exploration Properties" below.

- As of the date of this MD&A, the Company is developing a budget for its Canadian properties. See "Mineral Exploration Properties" and "Liquidity and Financial Position" below.

- At May 31, 2012, the Company had working capital of $168,570 (May 31, 2011 – $1,155,078). The Company had $137,752 in cash and cash equivalents ("total cash") (May 31, 2011 - $1,177,679). The decrease in total cash and working capital during the year ended May 31, 2012, was primarily due to expenditures incurred on the Company's mining interests (as discussed above) to complete its flow-through commitment of $605,000 and operating expenses.

Outlook

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern.

The past two fiscal quarters have been very challenging. The European financial crisis has had a major impact on capital markets throughout the world and the availability of capital for micro-cap explorers has been very tight. The Company has taken steps to reduce overhead expenditures to a minimum and has effectively curtailed exploration for the time being. Further exploration expenditures are not expected to resume until triggering events occur, which would allow the Company to continue its program of exploration and evaluation activities. At this time, management believes that they will be able to successfully secure necessary financing.

On a positive note, the government of Peru has taken strong steps through SUNAT (Peruvian tax authority) against the illegal mining and processing of ores throughout the country. These steps have included the confiscation of mining equipment and transport trucks and the dismantling of illegal process plants in the Department of Piura where our Giulianita project is located. The net effect is that we have restarted discussions with the community to grant the Company surface access to the project area so that we can conduct exploration and development as initially planned. We continue to receive strong support of many of the local community members. With illegal mining effectively shut down there is a strong desire by many in the community to formalize mining and accept our initial proposal to work with the community to develop a sustainable mining infrastructure to the benefit of both Grandview and the local community. The Company strongly believes that Giulianita has significant merit and will continue to pursue a positive resolution and will defend our projects rights as necessary.

Mineral Exploration Properties

The Company focused its fieldwork and exploration activities on the Red Lake Property during fiscal 2012 and incurred $657,024 in deferred mineral property expenditures, predominantly at the Red Lake property.

Giulianita Property, Peru

The Company, through its subsidiary Recuperacion Realzada S.A.C., has an option to acquire 100% of the Giulianita property in Ayabaca Province, Piura Department, Peru, through a two-stage option. The option provides the Company with a right to earn an 80% interest in the Giulianita property by: (i) making a cash payment of $20,000 US dollars upon signing the agreement in July 2009, which the Company has done, and by incurring $1.4 million in exploration and development expenditures; and (ii) issuing a total of two million common shares of the Company over a three-year period.

The remaining 20% may be acquired by making an additional payment of $300,000 US dollars and issuing a further 250,000 common shares of the Company prior to the third anniversary date of the agreement.

To date, the local community has not granted permission to the Company to begin exploration or development of the Giulianita property. In June 2011, exploration activity, work commitments and payments under the Option agreement were suspended until the local community delivers key surface access rights to allow the Company to carry out advanced exploration and development plans on the property. The Company has resubmitted a request proposal to the community and is awaiting their response. The Company is optimistic that a resolution to the surface access rights may be achieved in the coming months and is working on a plan to restart financing and work programs when appropriate.

On August 18, 2012, the Company finalized an amendment to the option agreement. As per the amendment, the terms of the agreement are suspended until the local community grants the Company the necessary surface access rights. At such time that the Company is granted the rights, the terms of the agreement will resume. If the Company has not received the rights by May 31, 2013, it will relinquish its interest in the property and will be released from any obligations under the terms of the agreement.

As at the date of this MD&A, the Company has not identified any triggering events which suggest impairment of its Giulianita Property.

Red Lake Properties – Loisan, Dixie Lake and Sanshaw-Bonanza in Ontario, Canada

Grandview has a 100% interest in eight mining claims, covering approximately 60 hectares, located in Red Lake, Ontario, Canada (the "Loisan Property").

Grandview has an option agreement with Newmont Mining Corporation (formerly Fronteer Gold Inc.) under which it has earned a 67% interest in the 1,664 hectare Dixie Lake property located in the Red Lake Mining District, Ontario, Canada (the "Dixie Lake Property").

On April 28, 2010, Grandview acquired the final 40% interest in ten (10) unpatented mining claims, located in Red Lake, Ontario (the "Sanshaw-Bonanza Property") from joint venture partner EMCO Corporation S.A. ("EMCO"), and eliminated all net smelter royalties previously due to EMCO under the terms of the original agreement. Grandview now has a 100% interest in the claims. The Company negotiated the acquisition of two additional unpatented mining claims and two patented mining claims, and reduced the net smelter royalty on the Sanshaw-Bonanza Property to 0.375%.

As at the date of this MD&A, the Company has not identified any triggering events which suggest impairment of its Red Lake Property.

Selected Annual Financial Information

The following is selected financial data derived from the audited consolidated financial statements of the Company at May 31, 2012, 2011 and June 1, 2010 and for the years ended May 31, 2012 and 2011.

Description	Year Ended May 31, 2012 ($) (IFRS)	Year Ended May 31, 2011 ($) (IFRS)
Total revenues	nil	nil
Total loss (1)(2)	(248,817)	(408,907)
Net loss per common share - basic (3)(4)	(0.00)	(0.01)
Net loss per common share - diluted (3)(4)	(0.00)	(0.01)

Description	As at May 31, 2012 ($) (IFRS)	As at May 31, 2011 ($) (IFRS)	As at June 1, 2010 ($) (IFRS) (6)
Total assets	5,501,613	5,865,572	5,660,623
Total non-current financial liabilities	nil	93,385	13,699
Distribution or cash dividends (5)	nil	nil	nil

(1) Loss from continuing operations attributable to owners of the parent, in total;
(2) Loss attributable to owners of the parent, in total;
(3) Loss from continuing operations attributable to owners of the parent, on a per-share and diluted per share basis;
(4) Loss attributable to owners of the parent, on a per-share and diluted per-share basis; and
(5) Declared per-share for each class of share.

- The net loss for the year ended May 31, 2012, consisted primarily of general and administration of $330,062 including professional fees, investor relations, business development and reporting issuer costs, as well as management and consulting services. These were offset by premium on flow-through shares of $80,667 and interest income of $578.

- The net loss for the year ended May 31, 2011, consisted primarily of general and administration of $411,585 including professional fees, investor relations, business development and reporting issuer costs, as well as management and consulting services. These were offset interest income of $2,678.

- As the Company has no revenue, its ability to fund its operations is dependent upon its securing financing through the sale of equity or assets. See "Risk Factors" below.

Selected Quarterly Information

Three Months Ended	Basis of Presentation	Total Revenue ($)	Profit or loss Total ($)	Profit or loss Per Share (Basic and Diluted) ($)
2012-May 31	IFRS	-	(122,419) (1)	(0.00)
2012-February 29	IFRS	-	(36,570) (2)	(0.00)
2011-November 30	IFRS	-	(7,515) (3)	(0.00)
2011- August 31	IFRS	-	(82,313) (4)	(0.00)
2011-May 31	IFRS	-	(138,222) (5)	(0.00)
2011-February 28	IFRS	-	(98,460) (6)	(0.00)
2010-November 30	IFRS	-	(87,967) (7)	(0.00)
2010-August 31	IFRS	-	(84,258) (8)	(0.00)

Notes:

(1) Net loss of $122,419 consisted primarily of professional fees of $82,194; management and consulting services of $12,000; investor relations, business development and reporting issuer costs of $14,017; and office and administration of $14,547. These amounts were offset by interest income of $369.
(2) Net loss of $36,570 consisted primarily of professional fees of $1,516; management and consulting services of $6,750; investor relations, business development and reporting issuer costs of $27,153; and office and administration of $1,213. These amounts were offset by interest income of $62.
(3) Net loss of $7,515 consisted primarily of professional fees of $47,002; management and consulting services of $40,875; investor relations, business development and reporting issuer costs of $19,234; and office and administration of ($18,866). These amounts were offset by interest income of $63 and premium on flow-through shares of $80,667.
(4) Net loss of $82,313 consisted primarily of office and administration of $43,280; management and consulting services of $20,000; investor relations, business development and reporting issuer costs of $13,495; and professional fees of $5,622. These amounts were offset by interest income of $84.

(5) Net loss of $138,222 consisted primarily of office and administration of $13,230; management and consulting services of $24,750; investor relations, business development and reporting issuer costs of $16,531; professional fees of $87,608; and exploration and evaluation expenses of $179. These amounts were offset by interest income of $2,076 and gain on disposition of mineral property rights of $2,000.
(6) Net loss of $98,460 consisted primarily of office and administration of $16,120; management and consulting services of $27,500; investor relations, business development and reporting issuer costs of $29,109; professional fees of $23,987; and exploration and evaluation expenses of $1,920. These amounts were offset by interest income of $176.
(7) Net loss of $87,967 consisted primarily of office and administration of $19,271; management and consulting services of $27,750; investor relations, business development and reporting issuer costs of $26,238; professional fees of $10,996; and exploration and evaluation expenses of $4,075. These amounts were offset by interest income of $363.
(8) Net loss of $84,258 consisted primarily of office and administration of $9,499; management and consulting services of $27,750; investor relations, business development and reporting issuer costs of $13,509; professional fees of $31,169; and exploration and evaluation expenses of $2,394. These amounts were offset by interest income of $63.

Results of Operations

Year ended May 31, 2012, compared with year ended May 31, 2011

The Company's net loss totaled $248,817 for the year ended May 31, 2012, with basic and diluted loss per share of $0.00. This compares with net loss of $408,907 with basic and diluted loss per share of $0.01 for the year ended May 31, 2011. The decrease of $160,090 in net loss was principally because:

- The Company reported a premium on flow-through shares of $80,667 during the year ended May 31, 2012, resulting from flow-through funds spent. There was no such reversal during the year ended May 31, 2011.

- General and administration expenses decreased by $81,523 for the year ended May 31, 2012, compared to the year ended May 31, 2011. The overall decrease was due to decreases in investor relations, business development and reporting issuer costs, professional fees, management and consulting services, office and administration and exploration and evaluation expenses

- Interest income decreased by $2,100 during the year ended May 31, 2012, compared to the prior year. The Company earned interest on short term investments.

Three months ended May 31, 2012, compared with three months ended May 31, 2011

The Company's net loss totaled $122,419 for the three months ended May 31, 2012, with basic and diluted loss per share of $0.00. This compares with net loss of $138,222 with basic and diluted loss per share of $0.00 for the three months ended May 31, 2011. The decrease of $15,803 in net loss was principally because:

- General and administration expenses decreased by $17,510 for the three months ended May 31, 2012, compared to the three months ended May 31, 2011, due to decreases in professional fees, management and consulting services, and office and administration resulting from reduced corporate activity. These were offset by an increase in investor relations, business development and reporting issuer costs.

- Interest income decreased by $1,707 during the three months ended May 31, 2012, compared to the same period last year. The Company earned interest on short term investments. In addition, there was a gain on the disposal of assets in the three months ended May 31, 2011 and no such gain in the three months ended May 31, 2012.

Liquidity and Financial Position

The activities of the Company to date have been financed through equity offerings. During the year ended May 31, 2012, no equity transactions occurred. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. During the year ended May 31, 2012, the financial market climate has been very difficult for junior mining companies, such as Grandview. In addition, a local community in Peru has not granted permission to the Company to begin exploration or development of the Giulianita property. In June 2011, exploration activity, work commitments and payments under the Option agreement were suspended until the local community delivers key surface access rights to allow the Company to carry out advanced exploration and development plans on the property. The Company has resubmitted a request proposal to the community and is awaiting their response. The Company is optimistic that a resolution to the surface access rights may be achieved in the coming months and is working on a plan to restart financing and work programs when appropriate. See "Risks and Uncertainties" below.

At May 31, 2012, the Company had $137,752 in cash and cash equivalents (May 31, 2011 - $1,177,679).

Accounts payable and accrued liabilities decreased to $107,262 at May 31, 2012, compared to $129,019 at May 31, 2011, primarily due to less business activity. The Company's cash and cash equivalents as at May 31, 2012, are sufficient to pay these liabilities.

The Company has no operating revenues and therefore must utilize its current cash reserves and other financing transactions to maintain its capacity to meet ongoing exploration and operating activities.

As of May 31, 2012, and to the date of this MD&A, most of the cash resources of Grandview are held with one Canadian chartered bank. The Company maintains a minimum amount of cash resources in Peru.

The Company has no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short term and non-interest bearing.

The Company's use of cash at present occurs, and in the future is expected to occur, principally in two areas, namely, funding of its general and administrative expenditures and funding of its investment activities. Those investing activities include the cash components of the cost of acquiring and exploring its exploration properties. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures. The Company's operating expenses are estimated to average approximately $35,000 to $50,000 per quarter. The $35,000 to $50,000 covers investor relations, business development and reporting issuer costs, professional fees, management and consulting services, office and administration and exploration and evaluation expenses. As of May 31, 2012, the Company has $137,752 of cash and cash equivalents and $25,537 of short term investments.

In order to meet future expenditures and cover administrative and exploration costs beyond May 31, 2013, the Company will need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance and there is substantial doubt that adequate funding will be available in the future, or available under terms favourable to the Company. If the Company is not able to secure sufficient financing, it is anticipated that payments on select amounts will be deferred to the extent possible, until additional financing is completed.

Related Party Transactions

i) For the year ended May 31, 2012, $112,500 (year ended May 31, 2011 - $150,000) was paid to the President and Chief Executive Officer (Paul T. Sarjeant) of the Company for consulting services. Included in this amount was $61,375 (year ended May 31, 2011 - $75,250) capitalized to mining interests. Included in accounts payable as at May 31, 2012 is $nil (May 31, 2011 - $nil and June 1, 2010 - $nil) in relation to consulting services rendered.

ii) For the year ended May 31, 2012, $21,000 (year ended May 31, 2011 - $33,000) in consulting fees was paid or accrued to the former Chief Financial Officer (Ernest Cleave) or a company controlled by the former Chief Financial Officer. Included in accounts payable as at May 31, 2012 is $nil (May 31, 2011 - $nil and June 1, 2010 - $6,000) in relation to consulting services rendered.

iii) For the year ended May 31, 2012, $47,031 (year ended May 31, 2011 - $41,584) in consulting and professional fees was paid or accrued to the current Chief Financial Officer (Carmelo Marrelli) or a company (Marrelli Support Services Inc.) controlled by the current Chief Financial Officer. Included in accounts payable as at May 31, 2012 is $2,471 (May 31, 2011 - $2,559 and June 1, 2010 - $2,536) in relation to consulting services rendered.

iv) For the year ended May 31, 2012, $300 (year ended May 31, 2011 - $2,535) in filing fees was paid or accrued to a company (DSA Filing Services) controlled by the current Chief Financial Officer (Carmelo Marrelli). Included in accounts payable as at May 31, 2012 is $nil (May 31, 2011 - $nil and June 1, 2010 - $nil) in relation to filing services rendered.

v) Effective November 30, 2010, the Company entered into two agreements in respect of the sale of four mining claims owned by it and located in Manitoba, being the Packsak, Clapelou Patent Claims, CUPP2 Frac and CUPP3 Frac (collectively, the "Claims"). Two of the four Claims were transferred to Centerpoint Resources Inc. ("Centerpoint") and the remaining two were transferred to Centershield Gold Mines Inc., a subsidiary of Centerpoint. The Company received nominal cash consideration on closing and retained a 1% NSR over the Claims. Two directors of the Company are senior officers with Centrepoint.

These transactions were in the normal course of operations and were measured at fair value.

There was no other remuneration of Directors or key management personnel (determined to be the Chief Executive Officer and Chief Financial Officer) for the year ended March 31, 2012 (2011 - $nil), except as noted above. The Board of Directors and select officers do not have employment or services contracts with the Company. Directors are entitled to director fees and stock options for their services and officers are entitled to stock options for their services.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be considered material to investors.

Proposed Transactions

The Company continues to evaluate properties and corporate entities that it may acquire or form other joint ventures or similar arrangements with in the future.

Critical Accounting Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Recoverability of Mining Interests

Management is required to make judgements about whether triggering events exist in relation to its mining interests. Such judgements include the future plans and budgets to undertake exploration and evaluation activity. When there are indications that an asset may be impaired, management is required to estimate the asset's recoverable amount. The recoverable amount is the greater of the value in use and the fair value less selling costs. Determining the value in use requires management to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate the present value. Determining the fair value less costs to sell requires management to estimate expected market conditions to evaluate the price at which it would be able to realize its assets in an arms length transaction. This is subject to estimates and judgements related to mining assets in the exploration and evaluation stage including the Company's right to mine, results of exploration activities and managements planned expenditures. The largest obstacle to the Company's recoverability of its mining interests is obtaining surface access rights in the Gulianita property (see Note 6(c) for further detail). Based on management's assessment, there are no impairment indicators of non-financial assets that have been noted for the year ended May 31, 2012 or for the year ended May 31, 2011.

Stock-Based Compensation

Management is required to make certain estimates when determining the fair value of stock option awards, warrants and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the consolidated statements of loss and comprehensive loss based on estimates of forfeiture, as well as warrants in the consolidated statements of changes in shareholders' equity, expected lives of the underlying stock options, warrants and volatility. For the year ended May 31, 2012, the Company recognized $nil stock-based compensation expense and issued $nil warrants (year ended May 31, 2011 - $nil stock-based compensation expense and $69,367 warrants).

Critical Accounting Judgments

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Change in Accounting Policies

Impact of Adopting IFRS on the Corporation's Accounting Policies

Effective the first quarter of fiscal 2012, the Company began preparing its financial statements in accordance with IFRS. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note 15, "Conversion to IFRS", to the consolidated financial statements for the year ended May 31, 2012. This note also includes reconciliations of equity and comprehensive loss for comparative periods reported under Canadian GAAP with amounts reported for those periods under IFRS.

The Company has changed certain accounting policies to be consistent with IFRS effective on May 31, 2012. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Impairment of non-financial assets

IFRS requires a write-down of assets if the higher of the fair value less costs to sell and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the consolidated financial statements.

(b) Provision for environmental rehabilitation

IFRS requires the recognition of a provision for environmental rehabilitation for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to environmental rehabilitation have been changed to reflect these differences. There is no impact on the consolidated financial statements.

(c) Flow through shares and deferred taxes

Under Canadian GAAP, the Company followed the recommendations of the Emerging Issues Committee ("EIC") of the CICA with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 requires the recognition of the forgone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made. To recognize the forgone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

As part of the transition to IFRS, the Company has adopted a policy to allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income on a pro-rata basis based on the corresponding eligible expenditures that have been incurred.

Further, the corresponding reduction of share capital in respect of flow-through share financing as previously recorded under Canadian GAAP is now recorded as an expense in the consolidated statements of loss and comprehensive loss.

(d) Presentation

Certain amounts in the consolidated statement of loss and comprehensive loss have been reclassified to conform to the presentation adopted under IFRS.

Impact of Adopting IFRS on the Corporation's Business

The adoption of IFRS has resulted in some changes to the Company's accounting systems and business processes. However, the impact has been minimal. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's staff and advisers involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and Audit Committee have been regularly updated throughout the Company's IFRS transition process, and are aware of the key aspects of IFRS affecting the Company.

New accounting standards and interpretations

<u>IFRS 9 Financial Instruments ("IFRS 9")</u>

IFRS 9 was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ["IAS 39"]. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is assessing the impact of IFRS 9 on the financial statements.

<u>IFRS 10 Consolidated Financial Statements ("IFRS 10")</u>

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). IFRS 10 is effective for the annual period beginning on or after January 1, 2013. The Company is assessing the impact of IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements ("IFRS 11")

IFRS 11 replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities those arrangements in which the separation -- although structured through a separate vehicle -- is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities. Such arrangements are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures do not have the choice between equity accounting and proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation will collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 and IAS 36, Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. IFRS 11 is effective for the annual period beginning on or after January 1, 2013. The Company is assessing the impact of IFRS 11 on its financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13")

IFRS 13, Fair Value Measurement, was issued by the IASB on May 12, 2011. The new standard converges IFRS with US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated financial statements.

There are no additional IFRS that will impact the Company's financial statements as at the date of this MD&A.

Capital Management

The Company considers its capital structure to consist of share capital, warrants, contributed surplus and accumulated deficit. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration program and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so. Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

i) minimizing discretionary disbursements;
ii) reducing or eliminating exploration expenditures which are of limited strategic value; and
iii) exploring alternate sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient potential and if it has adequate financial resources to do so.

There were no changes in the Company's approach to capital management during the year ended May 31, 2012. The Company is not subject to externally imposed capital requirements.

Financial Instruments

The Company's financial instruments consist of:

Description	May 31, 2012 $	May 31, 2011 $	June 1, 2010 $
Cash and cash equivalents	137,752	1,177,679	1,432,824
Short term investments	25,537	25,286	25,037
Sundry receivable	3,010	6,657	1,614
Reclamation bond	nil	12,718	13,699
Accounts payable and accrued liabilities	107,262	129,019	89,284

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company has more exposure to credit risk associated with cash and cash equivalents, short term investments and sundry receivable. Cash and cash equivalents and short term investments are held with a reputable Canadian chartered bank, from which management believes the risk of loss to be minimal.

Sundry receivables are not past due or impaired as of May 31, 2012. Management believes that the credit risk concentration with respect to financial instruments included in sundry receivables is minimal.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. As at May 31, 2012, the Company had cash and cash equivalents and short term investments balance of $163,289 (May 31, 2011 - $1,202,965; June 1, 2010 - $1,457,861) to settle current liabilities of $107,262 (May 31, 2011 - $129,019; June 1, 2010 – 89,284). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

In order to meet future expenditures and cover administrative and exploration costs, the Company will need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. See "Liquidity and Financial Position" above.

Market Risk

Market risk is the risk of loss that may arise from changes in interest and foreign exchange rates.

(a) Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest surplus cash in investment-grade short-term deposit certificates issued by the Company's Canadian chartered bank. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its bank.

(b) Foreign Currency Risk

The Company funds most operations, exploration and administrative expenses in Peru on a cash call basis using the Peruvian Sol or US dollars converted from its Canadian dollar bank accounts held in Canada. The foreign exchange risk derived from currency conversions is negligible and the company does not hold significant balances in foreign currencies, therefore the Company does not hedge its foreign exchange risk.

Sensitivity Analysis

As of May 31, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

The sensitivity analysis shown in the notes below may differ materially from actual results.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a nine month period:

(i) Short term investments are subject to floating interest rates. The Company has no debt and receives low interest rates on its cash balances. As such, the Company does not have significant interest rate risk.

(ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Share Capital

The Company is authorized to issue an unlimited number of shares. As of May 31, 2012, and August 24, 2012, the Company had outstanding 81,163,032 common shares, 31,304,996 warrants and 4,100,000 stock options.

On November 28, 2011, the Company extended the term of the 26,666,665 warrants it issued on December 3, 2009. The Warrants, which were scheduled to expire on December 3, 2011, will now expire on December 3, 2012. The extension increased the fair value of the warrants by $191,999 based on the difference between the fair value of the modified warrants and the original warrants on the date the extension was approved using the Black-Scholes option pricing model with the following assumptions for the modified warrants: dividend yield of 0%; expected volatility of 118%; risk-free interest rate of 0.98%; and an expected average life of 1.01 years. That compares with the following assumptions for the original warrants: dividend yield of 0%; expected volatility of 226%; risk-free interest rate of 0.98%; and an expected average life of 0.01 years.

Risks and Uncertainties

Due to the nature of the Company's business and the present stage of its development, an investment in any of the securities of the Company is speculative and involves a high degree of risk. In addition to the matters set out elsewhere in this MD&A, the Company faces the following risks. The risk factors outlined below are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations.

History of Losses

The Company is a junior mining, exploration and development corporation with no producing properties. There is no assurance that any of the properties the Company now has or may acquire or obtain an interest in will generate earnings, operate profitably, or provide a return on investment in the future.

Mining Industry Risks

The operations of the Company are speculative due to the high-risk nature of its business, which involves the acquisition, exploration and development of mining properties and opportunities. Accordingly, the following risks in particular should be considered:

(a) The acquisition of, exploration for and development of mineral deposits is an extremely speculative venture involving a high degree of risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. While the discovery of an ore body may result in substantial rewards, very few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability of the Company to obtain suitable machinery, equipment or labour are all risks involved with the conduct of explorations programs and the operation of mines. Substantial expenditures may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and additional financing may be required. It is impossible to ensure that the exploration programs planned by the Company will result in a profitable commercial mining operation or venture. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; (iv) ongoing costs of production; and (v) availability and cost of additional funding. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company's not receiving an adequate return on invested capital.

(b) The activities of the Company are to be directed toward the search, evaluation and development of mineral deposits. There is no certainty that the expenditures to be made by the Company will result in discoveries of economic ore bodies or commercial production thereof.

(c) Depending upon if and when commercial quantities of ore are found, the Company may or may not have the financial resources at that time to bring a mine into production. The only sources of funding that might be available to the Company at such time may be limited to the sale of equity capital, mineral properties, royalty interests or the entering into of joint ventures, there being no assurances that any of the foregoing forms of funding will be available to the Company.

(d) All phases of the mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that would limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company. In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company is not aware of any material environmental constraint affecting any of its development properties that would preclude the economic development or operation of any specific property.

(e) There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates and mineralization grades must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or ore-grade information will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in ore grades or stripping ratios may affect the economic viability of the Company's projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

(f) Failure to comply with applicable laws, regulations and requirements may result in enforcement actions including orders issued by regulators or judicial authorities causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

(g) The profitability of the Company's operations is significantly affected by changes in the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of mineral commodities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future serious price declines could cause commercial production of a particular mineral property to be impracticable.

(h) The business of mining is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations, rock bursts, pressures, cave-ins, flooding and periodic interruptions due to inclement or hazardous weather conditions, among several others. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability. While the Company may be able to obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are some risks such as certain environmental risks (including potential for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) for which insurance is not generally available or is prohibitively expensive due to excessive premium costs. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage or non-compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Company's earning and competitive position in the future and, potentially, its financial position. Failure to have insurance coverage for any one or more such risks or hazards could have a material adverse effect on the Company, its business, financial condition and results of the operations.

(i) The mineral exploration and mining business is extremely competitive in all of its phases. The Company encounters competition from other companies in connection with its search for and acquisition of mining properties and interests which are producing or capable of producing minerals. Some of the Company's competitors are large, established mining companies with substantial capabilities and greater financial and technical resources than the Company. As a result of this competition, the Company may at any point in time be unable to acquire or develop attractive properties on terms it considers acceptable.

(j) The Company's ability to continue exploration of its properties will be dependent upon its ability to raise significant additional funds in the future. Should the Company not be able to obtain such financing, a portion of its interest in properties may be needed to be transferred to potential joint venture partners, or its properties may be lost entirely.

Early Stage Properties

The Dixie Lake Property, the Loisan Property, the Bonanza Property and the Giulianita Property are in the early or pre-exploration stage only and are each without a known body of commercial ore. There is no certainty that the expenditures made by the Company on the search and evaluation of mineral deposits on either of these or any other properties will result in discoveries of commercial quantities of ore.

Additional Capital

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Company. The development and exploration of the Company's properties may require substantial additional financing. Failure to obtain such financing may result in the delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional financing is raised by the Company through the issuance of securities from treasury, control of the Company may change and security holders may suffer additional dilution.

Dilution

In the event the Company seeks to procure additional financing through the sale and issuance of its securities, or in the event that current common share option or warrant holders exercise their options or warrants, the shareholders of the Company may suffer immediate and substantive dilution in their percentage ownership of the issued and outstanding shares of the Company. As of the date of this MD&A, there were common share purchase warrants outstanding allowing the holders of such warrants to purchase up to 30,699,997 common shares. In addition, 4,100,000 incentive stock options granted to certain directors, officers, employees and consultants of the Company, pursuant to the Company's 2004 Stock Option Plan, as amended, are also outstanding. As of the date of this MD&A, there were 81,163,032 shares of common stock outstanding, meaning that the exercise of all of the existing common share purchase options and warrants would result in further dilution to the existing shareholders of approximately 45.0% of the outstanding common shares. Should such common share options and warrants be exercised, the increase in the number of common shares issued and outstanding, and the possibility of sales of such shares may have a depressive effect on the price of the common shares. In addition, the voting power of the Company's existing shareholders will be diluted.

Dependence on Key Executives

The Company is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the Company's relatively small size, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. The Company does not currently carry any key man life insurance on any of its executives. The Company's directors and officers, including the Chief Executive Officer and Chief Financial Officer are currently engaged on a part-time basis.

Absence of Dividends

The Company has no earnings or dividend record. Because it intends to employ available funds for mineral exploration and development, it does not intend to pay any dividends in the immediate or foreseeable future. The future dividend policy will be determined by the Board of Directors.

Potential Volatility of Market Price of Common Shares

The Toronto Stock Exchange has, from time to time, experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Company's common shares. In addition, the market price of the common shares is likely to be highly volatile. Factors such as the price of gold, and other minerals, announcements by competitors, changes in stock market analyst recommendations regarding the Company, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the common shares. Moreover, it is likely that during the future quarterly periods, the Company's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the common shares could be materially adversely affected.

Foreign Operations

The Company has had and may continue in the future to have a portion of its operations located in Peru. As a result, the operation of the Company is exposed to various levels of political, economical and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to, currency exchange rates; price controls, import or export controls, currency remittance, high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts, changes in taxation policies, restrictions on foreign exchanges; changing political condition, currency controls; and governmental regulations that may require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitudes in Peru or other countries in which Grandview conducts business may adversely affect the operations of the Company. The Company may become subject to local political unrest that could have a debilitating impact on operations, and at its extreme, could result in damage and injury to personnel and site infrastructure.

Failure to comply with applicable laws and regulations may result in enforcement actions and include corrective measures requiring capital expenditures, installing of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Disclosure Controls

Disclosure controls and processes have been designed to ensure that information required to be disclosed by the Company is compiled and reported to Company management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of May 31, 2012, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company is made known to them by employees and third party consultants working for the Company. There have been no significant changes in the Company's disclosure controls and processes during the year ended May 31, 2012.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and processes will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and processes will prevent all errors and frauds. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that its objectives are met.

Internal Control Over Financial Reporting ("ICFR")

Management is responsible for certifying the design of the Company's ICFR as required by National Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings". ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. ICFR should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
- that receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the design of the Company's ICFR as of May 31, 2012, pursuant to the requirements of National Instrument 52-109. The Company has designed appropriate ICFR (COSO Framework, as discussed below) for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

In addition, the Company uses Marrelli Support Services Inc. ("MSSI"), a service organization in Canada controlled by the current Chief Financial Officer of the Company, to perform the majority of its financial reporting functions, including the recording of transactions, the reconciliation of accounts and the preparation of the consolidated financial statements. Management currently monitors the work performed by MSSI through the review of the consolidated financial statements and other financial information and discussions with the staff of MSSI.

The adoption of IFRS resulted in minor changes to the Company's ICFR. The Company augmented certain existing controls and procedures to complete its IFRS transition in Q1 of fiscal 2012.

Management has determined that the internal controls of the Company are designed and operating effectively for the year ended May 31, 2012. There have been no changes in ICFR during the year ended May 31, 2012, that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Commitments and Contingencies

In addition to commitments otherwise reported in this MD&A, the Company's contractual obligations as at May 31, 2012, include:

Contractual Obligations	Total	Up to 1 year	1 - 3 years	4 - 5 years	After 5 years
Capital Lease Obligations	$nil	$nil	$nil	$nil	$nil
Operating Leases	$nil	$nil	$nil	$nil	$nil
Purchase Obligations	$nil	$nil	$nil	$nil	$nil
Other Long Term Obligations [2]	$nil	$nil	$nil	$nil	$nil
Total Contractual Obligations [1]	$1.4 million	$nil	$1.4 million	$nil	$nil
	$1.4 million	**$nil**	**$1.4 million**	**$nil**	**$nil**

[1] The Company, through its subsidiary Recuperacion and in accordance with an option agreement, may earn an 80% interest in the Giulianita project by spending $1.4 million over a three-year period on the property and issuing two million shares of the Company to a private Peruvian group. The Company may earn the remaining 20% by making an additional payment to this private Peruvian group of $250,000. To date, $150,000 of the $1.4 million obligation has been spent. On August 18, 2012, the property owner agreed to suspend the terms under the agreement until the Company is granted necessary access rights. At such time the terms of the agreement will resume. If the Company is unable to obtain the surface access rights by May 31, 2013, it will relinquish its rights to its interest in the property and will be released from any contractual obligations.

[2] The Company has spent the required funds raised in conjunction with the December 31, 2010, flow-through private placement on eligible Canadian exploration expenditures on or before December 31, 2011.

Additional Information

Additional information regarding the Company is available on SEDAR at **www.sedar.com**.