

# CUORO RESOURCES CORP.

(formerly Blue Cove Capital Corp.)

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED FEBRUARY 28, 2011

### Background

This discussion and analysis of financial position and results of operation is prepared as at April 21, 2011 and should be read in conjunction with the unaudited interim financial statements and the accompanying notes for the three months ended February 28, 2011 and 2010, of CuOro Resources Corp. (formerly Blue Cove Capital Corp.) (the "Company"). The interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### Company Overview and Qualifying Transaction

The Company was incorporated under the laws of the Province of British Columbia on October 23, 2007 as Blue Cove Capital Corp. On February 29, 2008 the Company received final receipts for a prospectus and became a reporting issuer in British Columbia and Alberta. On March 31, 2008 the Company completed its initial public offering (the "Offering") to raise \$200,000 and on April 1, 2008 the Company listed its common shares on the TSX Venture Exchange (the "TSXV") as a capital pool company. On April 18, 2011 the Company effected its name change from "Blue Cove Capital Corp." to "CuOro Resources Corp."

In October 2009 the Company entered into a mineral property purchase agreement to acquire an interest in certain mineral exploration properties located in the Battle Mountain and Cortez Trends of North Central Nevada. Closing of the agreement was to occur on or before February 19, 2010. The Company was unable to obtain the necessary financing to complete the transaction by February 19, 2010 and, in March 2010, the vendor terminated the agreement.

On April 7, 2010 trading of the Company's common shares on the TSXV were suspended for failure to complete a Qualifying Transaction within the prescribed time. Effective July 6, 2010 the Company's listing was transferred to the NEX Board of the TSXV and its common shares resumed trading under the symbol "BCV.H". In conjunction with the transfer of the listing to NEX, seed shareholders, in accordance with stipulated policies and procedures, have agreed to the cancellation of 1,100,000 escrow shares.

During December 2010 the Company entered into agreements to acquire 100% interests in two mineral projects located in Colombia, as follows:

- (i) an option to acquire a 100% interest in three mineral concessions covering approximately 6,640.7 hectares (the "Barranco de Loba Project") located in the Department of Sur de Bolivar, Colombia. To earn the interest in the Barranco de Loba Project the Company has paid US \$25,000 on signing and is required to pay a further US \$575,000 and issue 1,000,000 common shares of the Company as follows:

Date	Cash Payments US \$	Share Issuances
Upon closing	100,000	1,000,000
90 days after closing	225,000	-
6 months after closing	250,000	-
	<u>575,000</u>	<u>1,000,000</u>

The Company will also be required to pay US \$53,000 for outstanding concession payments upon closing.

The Company will also pay the vendors an additional payment of US \$500,000 and issue 500,000 common shares if the Barranco de Loba Project contains a measured resource of greater than 500,000 ounces of gold

but less than 1,000,000 ounces of gold. In the event the measured gold resource is 1,000,000 ounces or greater, then the Company will pay US \$1,000,000 and issue 1,000,000 common shares for every 1,000,000 ounces of gold, up to a maximum of US \$10,000,000 and 10,000,000 common shares.

Closing of the option on the Barranco de Loba Project is conditional upon completion of due diligence, execution of a definitive agreement and receipt of TSXV approval. This agreement will not form part of the Company's Qualifying Transaction; and

- (ii) an option to acquire a 100% undivided interest in two mining concessions covering approximately 1,287.5 hectares (the "Santa Elena Project") located in the Antioquia District, Colombia. To earn the interest in the Santa Elena Project the Company paid US \$25,000 on signing and is required to pay a further US \$3,000,000 and conduct US \$3,000,000 exploration expenditures, as follows:

Date	Cash Payments US \$	Work Expenditures US \$
Upon closing	250,000	-
3 months after closing	250,000	-
12 months after closing	-	500,000
14 months after closing	500,000	-
24 months after closing	-	1,000,000
26 months after closing	1,000,000	-
36 months after closing	-	1,500,000
38 months after closing	1,000,000	-
	<u>3,000,000</u>	<u>3,000,000</u>

The Company will also pay US \$1,000,000 if the Santa Elena Project contains a measured resource of at least 300,000 tonnes of copper. The vendor will also retain a net smelter return royalty of between 2.0% - 3.0%.

As part of the Qualifying Transaction the Company also proposed to conduct an equity financing of up to \$10 million.

On April 20, 2010 the Company closed on its Qualifying Transaction involving the Santa Elena Option and made a US \$250,000 option payment and conducted equity financings totaling \$10 million as follows:

- (i) a short form offering document (the "Short Form Offering") and a brokered private placement (the "Brokered Private Placement" and, together with the Short Form Offering, the "Brokered Financings"). Pursuant to the Short Form Offering, the Company issued 2,000,000 common shares (the "Shares") at a price of \$1.00 per Share, for proceeds of \$2,000,000. Pursuant to the Brokered Private Placement, the Company issued 3,500,000 units (the "Units") at a price of \$1.00 per Unit for proceeds of \$3,500,000. Each Unit consists of one Share and one-half of one common share purchase warrant (one whole common share purchase warrant a "Warrant"), with each Warrant entitling the holder to acquire, for a period of two years, one common share of the Company at a price of \$1.30 per share.

Canaccord Genuity Corp. (the "Agent") received a commission of 7% of the aggregate proceeds from the sale of Shares and Units sold pursuant to the Brokered Financings. The Agent has elected to receive a portion of the commission under the Brokered Financings in Units (the "Agent's Commission Units"), being 377,500 Agent's Commission Units, and a portion in cash, being \$7,500. The Company has also issued to the Agent that number of common share purchase warrants (the "Agent's Warrants") equal to 7% of the Shares and Units sold pursuant to the Brokered Financings, being 385,000 Agent's Warrants, with each Agent's Warrant entitling the Agent to acquire, for a period of two years, one common share of the Company at a price of \$1.00 per share (the "Agent's Warrant Shares"). An additional 125,000 Units (the "Corporate Finance Fee Units") have been issued to the Agent. Each Corporate Finance Fee Unit consists of one Share and one-half of one common share purchase warrant (a "Corporate Finance Fee Warrant"), with each Corporate Finance Fee Warrant entitling the holder to acquire, for a period of two years, one common share of the Company at a price of \$1.30 per share (a "Corporate Finance Fee Warrant Share").

- (ii) a non-brokered private placement (the "Non-Brokered Private Placement"). Pursuant to the Non-Brokered Private Placement, the Company issued 4,500,000 Units at a price of \$1.00 per Unit, for proceeds of

\$4,500,000. In connection with the Non-Brokered Private Placement, the Company paid certain finders (“Finders”) a commission of 7% of the aggregate proceeds from the sale of Units to purchasers introduced by such Finder. The Finders elected to receive their commission in Units (“Finder’s Units”) having the same terms as the Units. The Company has also issued to the Finders that number of common share purchase warrants (the “Finder’s Warrants”), equal to 7% of the Units sold pursuant to the Non-Brokered Private Placement, with each Finder’s Warrant entitling the Agent to acquire, for a period of two years, one common share of the Company at a price of \$1.00 per share (a “Finder’s Warrant Share”). The Company issued a total of 299,180 Finder’s Units and 299,180 Finder’s Warrants pursuant to the Non-Brokered Private Placement

The Company also issued 83,750 common shares to Access Capital Corp., an arm’s length party to the Company, as a finder’s fee in connection with the Qualifying Transaction.

On completion of the Qualifying Transaction the Company has met the requirements to be listed as a Tier 2 mining issuer on the TSXV and, at the opening on April 25, 2011, the Company’s listing will be transferred from the NEX Board of the TSXV to the TSXV and begin trading under the symbol “CUA”.

## **Exploration Projects**

### ***Santa Elena Copper and Gold Project***

The Company has filed a NI 43-101 compliant report, “Technical Report on the Santa Elena Project, Department of Antioquia, Colombia”, dated March 28, 2011, which is available on the website [www.sedar.com](http://www.sedar.com).

The Santa Elena Project consists of 2 licenses HGLE-02 and HJIG-02 containing a total of 1,287.5 hectares in the Antioquia district, Colombia. The property lies approximately 140 kilometers north east of Medellin, which is accessible by a paved highway and by air from all major cities in Colombia. Infrastructure around the Santa Elena project is well developed, including paved road access, two hydroelectric plants within 5 km, abundant water supply, with nearby pueblos and supportive population.

The project is near the north end of the Antioquia batholiths, in sequence of Cretaceous marine sediments and basaltic volcanic. The area has historically not supported any large-scale mining operations.

A surface geophysical Transient Electromagnetic Survey (“TEM”) at fifty meter intervals was conducted on a selected area of the property with outcropping mineralization by Val D’Or Geophysics for Noranda Mining and Exploration Inc. The results demonstrated four strong conductors with good vertical extent which remains open to the north. Two of the conductors are coincident with outcropping volcanogenic massive sulphide (VMS) beds, Azufral and Arroyo. The VMS mineralization is primarily composed of pyrite, pyrrhotite and chalcopyrite and the VMS deposit is classified as a Beshi-Type VMS, based on geological and geochemical characteristics. Average copper grades across the four anomalies is estimated at 1.8% Cu based on assays from surface sampling of the outcrops and underground workings with some individual samples from Azufral grading up to 6.5% Cu and 2.2 gpt Au.

A historical resource estimate was developed by Minerales de Ensenada S.A. in August 1998. The Resource estimate was based on the TEM of the Santa Elena property conducted by Val D’Or Geofisica (dated Jan & April & July, 1998), the basis of these results were used to determine the possible resource potential. The non-compliant NI43-101 resource is estimated at 27,816,000 tonnes at 1.88% Cu, which is equivalent to 524,123 tonnes of Cu.

For the purpose of the resource calculation:

Each of the four VMS zones have strike lengths and depths based on the TEM. The thickness of the two (Azufral, Arroyo) VMS zones were determined by measuring the thickness of the mineralized outcrop. TEM 3 is assumed to have the same thickness and grade as Azufral and TEM 4 is assumed to have the same thickness and grade as Arroyo.

Ten channel samples over one meter lengths were taken (perpendicular to stratigraphy) on the Azufral outcrop, the average copper grade was 2.03% with a range from 1% to 3%.

The specific gravity 4.33 was measured at Azufral and used for all VMS targets.

For the Arroyo zone three channel samples were taken over one meter length (perpendicular to stratigraphy) on the Arroyo outcrop, the average copper grade was 1.65% with a range from 1.2% to 2% Cu.

The Knapp tunnel located 300m east on strike of the Azufral VMS underground workings has exposed mineralized, sheared and brecciated ore with up to 50% sulphides, assays range from 1 to +3% copper, 1.4% zinc, along with anomalous gold and silver values. The ore is more than 50 meters below surface and is located on the eastern flank of the Azufral outcrop and coincident with the (TEM) geophysics anomaly. (Assay results from the tunnel were not used as part of the resource calculation and were only used to validate continuation of the mineralization underground).

The practice of using a TEM to calculate resource estimates is very common. The results are very reliable when ore bodies have high grades of iron which is the case at Santa Elena averaging 20% Fe.

In all cases the VMS resource calculation is calculated as a simple horizontal, rectangular block, in the plan of the dip. The calculation is strike length x dip length x thickness x density = tonnes.

**CAUTIONARY NOTE: A qualified person has not done sufficient work to classify the historical estimate as current mineral resources, the Company is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon.**

VMS Zone Name	TEM Conductor	Strike Length (M)	Down-Dip (M)	Thickness (M)	Density (s.g.)	Tonnes	Average Cu %	Tonnes Contained Copper
Azufral	TEM-1	550	400	11	4.33	10,479,000	2.03%	212,724
Arroyo	TEM-2	650	280	8	4.33	6,304,000	1.65%	104,016
TEM-3	TEM-3	500	280	11	4.33	6,668,000	2.03%	135,360
TEM-4	TEM-4	450	280	8	4.33	4,365,000	1.65%	72,023
TOTAL						27,816,000	1.88%	524,123
Contained copper estimated at 1,153,070,600 lbs								

The immediate work program will include geological mapping and systematic sampling over the entire area and a continuation of the geophysical survey to the north where it remains open so as to define the extent of the exhalite horizon. Although the Azufral and Arroyo zones are drill ready it is the Company's intent to clearly identify all the anomalies and full potential of the property before commencing an extensive diamond drill program.

### ***Barranco de Loba Gold & Silver Project***

The Barranco de Loba Project consists of 3 licenses IEV-15551, IEV-16061 and KLM-11471 containing a total of approximately 6,640.7 hectares in the San Lucas gold district, Colombia. The property lies 220 kilometers northwest of Bucaramanga, the capital city of the department of Santander, and 35 kilometers southwest of the city of El Banco, which is accessible by a paved highway and by air from all major cities in Colombia.

The San Lucas gold district is believed to be one of the most prolific in Colombia and has been artisanally mined for over 200 years. There are currently more than 5,000 small scale miners working in the San Lucas district however very little modern or systematic exploration work has been carried out. AngloGold Ashanti, and Mineros S.A., the largest mining company in Colombia, have conducted regional studies in the area and have reported bonanza grades for both gold and silver. The implementation of modern exploration methods has the potential to truly unlock the full potential of the San Lucas gold district.

In the 1990's the national and local governments, with the support of the geological surveys INGEOMINAS and MINERALCO, carried out several studies in the Sur de Bolivar region and determined that the gold and silver mineralization is mostly hydrothermal with vein thicknesses of up to 6m and in some case disseminated associated with igneous rocks either intruded into the volcanic cover rocks or within the Norosí Batholith.

The Barranco de Loba Project hosts swarms of mineralized veins and veinlets that are interpreted as stockworks which suggests the potential for a larger style disseminated or intruded porphyry style systems.

Small scale mining activity started on the Barranco de Loba property in 2004. Preliminary geological mapping over 45Km<sup>2</sup> on the property has identified over 26 vein structures to date.

The underlying owners of Barranco de Loba commissioned a preliminary geologic report (June, 2009) on the property which identified approximately 26 low sulphidation vein structures and returned values of up to 52.4 g/t gold and 242 g/t silver over widths up to 6 meters wide, from a combination of outcropping veins, stockworks and mine tunnels.

The mineralization is predominantly hosted within shears zones which transect Precambrian gneisses and granitoids, Mesozoic batholithic igneous (granodiorite/quartz diorite) and Jurassic andesitic volcanics.

The variably mineralized shear zones are traceable southeasterly over a minimum distance of 3-4 kilometers, and across an approximate width of up to 5 kilometers. The maximum depth of mining is reported to be + 300 meters, and where mined by artesian means may reach 20 meter depths, or the bottom of the zone of oxidation and/or water table.

After completion of the Qualifying Transaction, the Company may acquire additional land positions and prospective gold projects located within the San Lucas district. These additional acquisitions would allow the Company to control much of the San Lucas district and it is the Company's intention to undertake an extensive exploration work program focused within the San Lucas district.

A comprehensive geochemical sampling program lead by Dr. Peter Rogers, Consulting Geologist and Geochemist is planned and scheduled to be completed in February 2011. Following this, IP and ground magnetic surveys are planned prior to commencing a diamond drill program.

### Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

### Selected Financial Data

The following selected financial information is derived from the unaudited interim financial statements of the Company prepared in accordance with Canadian GAAP.

Three Months Ended	Fiscal 2011	Fiscal 2010				Fiscal 2009		
	Feb. 28, 2011 \$	Nov. 30, 2010 \$	Aug. 31, 2010 \$	May 31, 2010 \$	Feb. 28, 2010 \$	Nov. 30, 2009 \$	Aug. 31, 2009 \$	May 31, 2009 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(275,931)	(548,375)	(887)	(29,444)	(96,152)	(206,096)	(6,548)	(25,976)
Net income (loss)	(275,931)	(548,375)	(887)	(29,444)	(96,152)	(206,096)	(6,548)	(25,976)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet</b>								
Working capital (deficiency)	230,782	564,228	(171,439)	(170,552)	(141,109)	(48,709)	57,424	156,433
Total assets	440,620	834,711	26,998	29,798	37,984	57,669	178,768	160,738
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### Results of Operations

During the three months ended February 28, 2011 (the "2011 period") the Company reported a net loss of \$275,931 compared to a net loss of \$96,152 for the three months ended February 28, 2010 (the "2010 period"), an increase of \$179,779. The primary factor for the increase in loss was attributed to a \$223,754 increase in due diligence costs, legal fees and travel costs. During the 2011 period, the Company incurred \$62,922 due diligence costs, \$110,875 legal costs and \$65,726 travel costs incurred for ongoing review and evaluations with respect to the Company's proposed acquisitions. The increase in loss was partially offset by a \$58,150 decrease in qualifying transaction expenses incurred in the 2010 period on the Battle Mountain and Cortez mineral properties.

Other significant general and administrative expenses incurred during the 2011 period include:

- an \$8,000 increase in accounting and administrative fees. During the 2011 the Company was billed \$8,000 for accounting and administrative services provided by a private company owned by a director of the Company;
- a \$5,489 increase in website and internet costs. During the 2011 period, the Company incurred \$5,489 for website and internet costs for creating the Company's website; and
- a \$4,467 increase in filing fees.

### **Financial Condition / Capital Resources**

Since inception the Company's capital resources have been limited to amounts raised from the sale of common shares in the Company. From inception to February 28, 2011 the Company has raised \$1,141,966 gross proceeds from the sale of its common shares. As at February 28, 2011 the Company had accumulated losses of \$1,257,403 and working capital of \$230,782.

In order to finance the Santa Elena and the Barranco de Loba acquisitions, the recommended work programs, costs associated with the Qualifying Transaction and for general working capital of the resulting issuer, the Company intends to complete financing transactions with a view to raising aggregate gross proceeds of up to \$10,000,000. Concurrent with the closing of the acquisitions, the Company intends to complete financings consisting of a short form offering of up to 2,000,000 common shares of the Company at a price of \$1.00 per share and a brokered and non-brokered private placement of up to a total of 8,000,000 units at a price of \$1.00 per unit.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

As at February 28, 2011 the Company had entered into agreements to acquire the Santa Elena and Barranco de Loba Projects and complete financings to raise aggregate proceeds of up to \$10,000,000. Completion of the option on the Santa Elena and the equity financing transactions will constitute as the Company's Qualifying Transaction. Subsequent to February 28, 2011 the Company closed on the Qualifying Transaction. See also "Company Overview and Qualifying Transaction".

### **Critical Accounting Estimates**

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the November 30, 2010 audited financial statements. See also "Changes in Accounting Policies".

### **Changes in Accounting Policies**

#### ***Future Accounting Policies***

#### ***Business Combinations, Consolidated Financial Statements and Non-Controlling Interests***

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces Section 1581, *Business Combinations*, and establishes standards for the accounting for a business combination. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company does not expect the adoption of these accounting standards to have an impact on its financial statements.

### *International Financial Reporting Standards*

In February 2008, the Canadian AcSB confirmed that publicly accountable enterprises will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company will convert to IFRS effective December 1, 2011 and intends to issue its first interim financial statements under IFRS for the three month period ended February 28, 2012 and a complete set of financial statements under IFRS for the year ended November 30, 2012. The Company is currently working on its conversion plan and is in the process of identifying and analyzing the impacts of differences between Canadian GAAP and IFRS relevant to the Company, and any required changes to the system and business processes. The financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. Management plans for conversion also including internal training, external consulting on complex issues, Board and Audit Committee involvement and oversight.

The Company has identified several areas which are of significance and may have a significant impact on the Company's financial statements and note disclosures including: accounting policy changes, stock-based compensation, accounting for income taxes and the impact of first time adoption of IFRS (IFRS 1). Each of these areas will continue to be assessed and resolved prior to conversion to IFRS in order for the Company to be prepared for the conversion to IFRS for the year ended November 30, 2012.

Overall, due to the simplicity of the Company's current operations and the fact that IFRS will be adopted as initial policy in most cases, rather than a change from an existing policy, management's current analysis of the requirements for making the transition to IFRS and the subsequent compliance for financial reporting purposes indicates that there should not be any difficulty.

### **Transactions with Related Parties**

During the three months ended February 28, 2011 the Company incurred \$8,000 for accounting and administrative services provided by a private company owned by a director of the Company. As at February 28, 2011, \$8,215 remained outstanding and was included in accounts payable and accrued liabilities.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **Risks and Uncertainties**

The Company's financial performance is likely to be subject to the following risks:

- (i) the Company has not commenced commercial operations, and has no assets other than cash, and costs incurred on proposed acquisitions, has no history of earnings and shall not generate earnings or pay dividends until at least after completion of the Qualifying Transaction;
- (ii) until completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions; and
- (iii) the Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify or complete a suitable Qualifying Transaction.

### **Investor Relations Activities**

The Company does not have any investor relations arrangements.

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value. As at April 21, 2011 there were 22,688,589 issued and outstanding common shares and 1,213,752 stock options outstanding at exercise prices ranging from \$0.10 to \$0.52 per share and 5,148,855 warrants outstanding at exercise prices ranging from \$0.25 to \$1.30 per share.