# CuOro Resources Corp.

*(formerly Blue Cove Capital Corp.)*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE SIX MONTHS ENDED MAY 31, 2011**

## Background

This discussion and analysis of financial position and results of operation is prepared as at July 27, 2011 and should be read in conjunction with the unaudited interim financial statements and the accompanying notes for the six months ended May 31, 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 .

## Forward Looking Statements

Statements contained in this MD&A that are not historical facts constitute "forward-looking statements" and are based on expectations, estimates and projections as of the date of this MD&A. Forward-looking statements include, without limitation, possible events, statements with respect to possible events, the future price of gold and silver, the realization of mineral resource estimates and success of exploration activities. The words "is expected" or "estimates" or variations of such words and phrases or statements that certain actions, events or results "may" or "could" occur and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained in this MD&A which may prove to be incorrect, include, but are not limited to, (1) the discovery and expansion of mineral resources on the Company's property being consistent with the Company's current expectations; (2) the implementation of Colombia's mining law and related regulations and policies being consistent with the Company's current expectations; (3) certain price assumptions for gold and silver.

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the spot and forward price of gold or certain other commodities; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Colombia or other countries in which the Company does business or may carry on business in the future; business opportunities that may be presented to, or pursued by, the Company; operating or technical difficulties in connection with mining activities; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; diminishing quantities or grades of reserves; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. 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. Although the Company believes that the expectations in the forward-looking statements are reasonable, actual results may vary, and future results, levels of activity, performance or achievements cannot be guaranteed. 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, except as required by applicable law.

## Company Overview

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 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 was 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, agreed to the cancellation of 1,100,000 escrow shares.

On December 22, 2010 the Company entered into a letter of intent and subsequently, on February 16, 2011, entered into an option agreement, as amended effective March 31, 2011, 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 | [paid] | - |
| 3 months after closing | 250,000 | [paid] | - |
| 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 | | - |
| | 3,000,000 | | 3,000,000 |

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, 2011 the Company closed on its Qualifying Transaction involving the Santa Elena option and made the US $250,000 option payment due on closing 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 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 was transferred from the NEX Board of the TSXV to the TSXV and began trading under the symbol "CUA".

Effective May 31, 2011 the Company entered into an agency agreement with a syndicate of underwriters co-led by Canaccord Genuity Corp. and Scotia Capital Inc. (the "Underwriters"), under which the Underwriters purchased, on a bought deal private placement basis, 6,690,000 special warrants (the "Special Warrants") at a price of $2.00 per Special Warrant (the "Special Warrant Offering") for gross proceeds of $13,380,000. In addition, the Company issued 810,000 units (the "Private Placement Units") on a non-brokered private placement basis (the "Non-Brokered Private Placement") for gross proceeds of $1,620,000 at the same terms as the Special Warrant Offering. Total gross proceeds raised from the Special Warrant Offering and the Non-Brokered Private Placement was $15,000,000.

Each Special Warrant entitled the holder to acquire one unit in the Company (a "Unit") on the exercise or deemed exercise of the Special Warrant. The Special Warrants could be exercised by the holder in whole or in part at any time after the closing of the Special Warrant Offering for no additional consideration and all unexercised Special Warrants was deemed to be exercised on that day which is the earlier of: (i) October 1, 2011 or (ii) three business days after the Qualification Date. The Company subsequently filed its final short form prospectus (the "Prospectus") dated June 30, 2011 to qualify the distribution of the 6,690,000 Units upon the deemed exercise of the 6,690,000 Special Warrants issued pursuant to the Offering. On July 6, 2011 (the "Qualification Date") the Company received a receipt for its Prospectus from the securities commissions of British Columbia, Alberta and Ontario and the Special Warrants were deemed to be exercised.

Each Unit consists of one common share of the Company and one half of one transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one common share of the Company until May 31, 2013 at an exercise price of $2.50. In the event that, at any time after four months and one day after the Closing, the volume weighted average trading price of the Company's common shares on the TSXV, for a period of 20 consecutive trading days exceeds $4.00, the Company may, within five days after such an event, provide notice to the Warrant holders of early expiry and thereafter, the Warrants will expire on the date which is 30 days after the date of such notice.

The Underwriters received a $936,600 cash fee on the sale of the Special Warrants, representing 7% of the gross proceeds raised. In addition, the Company issued to the Underwriters 468,300 special warrants (the "Underwriters' Special Warrants") exercisable to acquire, for no additional consideration, 468,300 underwriters' warrants of the Company (the "Underwriters' Warrants") with each such Underwriters' Warrant exercisable to acquire one Unit of the Company, at a price equal to the price of the Special Warrants issued under the Offering until May 31, 2013. The Prospectus also qualifies the distribution of the Underwriters' Warrants upon the deemed exercise of the Underwriters' Special Warrants, which were also deemed to be exercised on the Qualification Date.

In addition, in connection with the Non-Brokered Private Placement, the Company paid an arm's length party a $113,400 cash fee on the sale of Private Placement Units.

**Constitution of the Board and Management Appointments**

On completion of the Qualifying Transaction on April 20, 2011, Mr. John Seaman was appointed to the board of directors. On July 21, 2011, Mr. Jorge Alberto Uribe was appointed as a director of the Company. The Board of directors now consists of:

- Robert Sedgemore
- Nick DeMare
- John Seaman
- Dave Doherty
- Jorge Alberto Uribe

The officers of the Company are:

- President and Chief Executive Officer - Robert Sedgemore
- Chief Financial Officer - Nick DeMare
- Corporate Secretary - Marc Cernovitch

The following individuals are also part of the Company's senior management team:

- Jack King - Project Manager, P Geo. and QP
- Andy Pystynen - Technical Manager
- Jorge Gaviria - Senior Geologist

**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 May 25, 2011, which is available on the website 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.

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.

Since the Company completed its Qualifying Transaction it has moved to implement the proposed work programs to advance the exploration and development of the Santa Elena Project. The Company has established its base of operations and office in Medellin, Colombia and the entire project team has relocated to Medellin. The Company's plan is to complete an extensive exploration program, consisting of mapping, ground and airborne geophysics, as well as a large diamond drill program, with the goal of generating a scoping study with an inferred and indicated resource on the Santa Elena property by the second quarter of 2012.

The Company has put in place an aggressive work program, which includes:

*Mapping*

Field geologists have conducted detailed mapping of the entire property as historical work and data was focused on the TEM anomaly and outcrops area, which only represents approximately 10% of the property. Two additional new targets to the southwest of the TEM area have been discovered. These areas of interest require further ground testing which will be done on a priority basis.

*Channel Sampling*

The Company has completed its second channel sampling program of the mineralized outcrops in the TEM area, which returned positive results and will be sampling the exploration tunnel over the coming weeks.

*Geophysical Survey*

On June 15, 2011 the Company awarded an airborne geophysical survey to MPX Geophysics Ltd., operating out of Medellin, Colombia. The airborne survey included magnetic and radiometric survey over the Company's entire Santa Elena property. The objective of the airborne survey is to delineate large-scale intrusive structures and geological contacts. The Radiometric component is useful for assisting in surficial geological mapping. This AeroMag and Radiometrics survey totals 317 line-kilometers with east-west flight lines at 50m spacing and north-south tie lines at 500m spacing. The results of the magnetic and radiometric surveys combined with geochemical sampling and mapping programs will be used to assist in defining new anomalies and additional drill targets on the Santa Elena property.

Once the airborne magnetic survey results have been processed and interpreted, the Company will target subsequent exploration including, detailed grid geochemical sampling followed by diamond core drilling.

The Company also has awarded a ground geophysical survey contract to KTTM Geophysics Ltd., also based out of Medellin, Colombia. The ground survey will consist of approximately 15 line kilometers of induced polarization and resistivity surveys. The geophysical surveys will investigate several areas identified as potential drill targets that were identified during previous surface mapping and geochemical programs. The historical TEM survey conducted by Val D'or Geophysics still remains open to the north and the Company's plan is to continue the geophysical survey north in order to define the full extent of the TEM area massive sulphide anomaly.

*Surface Access Agreement*

The Company has entered into a surface access agreement with the five surface rights property owners, which make up the Santa Elena Project. The terms of the agreement allow the Company immediate and full access over the principle areas of interest at Santa Elena, including TEM 1, TEM 2, TEM 3 and TEM 4, as well as the right to explore, drill and construct a road on the property. The agreement has a one year term and will renew annually for as long as access is needed by the Company to continue its exploration and development activities.

*Diamond Drilling*

The Company has awarded a diamond drill contract to Logan Drilling Colombia S.A.S. The contract covers the initial phase of the drill program. The Company has now received the necessary environmental and water permits to conduct its drilling activities. Drilling commenced in early July 2011.

The Phase 1 drill program has 68 holes planned at varying depths from 70 to 600 meters and spaced at 100 meters to 150 meters along the northerly axis of the TEM anomaly, which extends approximately 900 meters (north-south) by 500 meters (east-west) and remains open to the north.

It is anticipated that Phase 1 drilling utilizing three diamond drill rigs, will take approximately six to seven months to complete. The drill program's objectives are to define the extent of mineralization at depth of the TEM anomaly and the Volcanogenic Massive Sulfide ("VMS") outcrops. The first holes will be setup parallel to the VMS outcropping structures known as TEM 1 (El Azufral) and TEM2 (El Arroyo) and will be drilled on a pattern and angled to 45 degrees to cut the structures at varying depths. Vertical holes of up to 600 meters over the VMS outcrops to test the

geophysical anomaly and mineralization at depth are also planned.

The core will be logged, photographed, cut and stored in the Company's warehouse in Medellin. Samples will be transported to assay Labs in Medellin where they will pulp the entire sample from which a representative split will be taken. Testing methods will include fire assay for gold and four acid total digestion with an AA finish for copper. As part of the QA/QC program a series of duplicates and blanks will be submitted. Drill core assays are estimated to have a four week turnaround time depending on lab congestion.

Site preparations for the drill program are completed and the Company has rented two houses in a nearby community that is used for lodging of employees and contractors.

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

On December 9, 2010, as amended, the Company entered into a non-binding letter of intent, as amended, to acquire a 100% interest in the Barranco de Loba Gold & Silver Project (the "Barranco Acquisition"), located in the Department of Sur de Bolivar, Colombia. Completion of the Barranco Acquisition is subject to a number of conditions, including the satisfactory completion of the Company's due diligence review. The Company has made payments totalling US $35,000 to extend the due diligence period. As of the date of this MD&A, the Company's due diligence review has been completed and the Company and the vendor are currently finalizing the terms of a renegotiated agreement to acquire the Barrance de Loba 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 artisanaly 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.

## Selected Financial Data

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

| | Fiscal 2011 | | Fiscal 2010 | | | | Fiscal 2009 | |
|---|---|---|---|---|---|---|---|---|
| **Three Months Ended** | **May 31, 2011 $** | **Feb. 28, 2011 $** | **Nov. 30, 2010 $** | **Aug. 31, 2010 $** | **May 31, 2010 $** | **Feb. 28, 2010 $** | **Nov. 30, 2009 $** | **Aug. 31, 2009 $** |
| **Operations:** | | | | | | | | |
| Revenues | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Expenses | (1,778,839) | (275,931) | (548,375) | (887) | (29,444) | (96,152) | (206,096) | (6,548) |
| Net income (loss) | (1,778,839) | (275,931) | (548,375) | (887) | (29,444) | (96,152) | (206,096) | (6,548) |
| Dividends per share | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **Balance Sheet** | | | | | | | | |
| Working capital (deficiency) | 22,490,565 | 230,782 | 564,228 | (171,439) | (170,552) | (141,109) | (48,709) | 57,424 |
| Total assets | 23,635,132 | 440,620 | 834,711 | 26,998 | 29,798 | 37,984 | 57,669 | 178,768 |
| Total long-term liabilities | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

**Results of Operations**

During the six months ended May 31, 2011 (the "2011 period") the Company reported a net loss of $2,054,770 an increase of $1,929,175, compared to a net loss of $125,595 for the six months ended May 31, 2010 (the "2010 period"). The 2011 period reflects significant activities by the Company while negotiating and completing the Qualifying Transaction and increased operations as an active junior resource company. During the 2010 period the Company was inactive as it had not yet identified the Qualifying Transaction. The significant contributing factors for the increase in loss were attributed to: (i) a total increase of $509,303 in due diligence costs, legal fees and travel costs,primarily incurred for the identification and evaluation of the Qualifying Transaction that was completed on April 20, 2011. These amounts are partially offset by a $93,379 expense recorded in the 2010 period for due diligence activities conducted on the Battle Mountain and Cortez mineral properties; and (ii) the recognition of stock-based compensation of $981,380 for stock options granted during the 2011 period. In the 2010 period the Company recorded stock-based compensation of $3,752 on the vesting of stock options which had been granted in fiscal 2008.

Excluding the stock-based compensation expenses of $981,380, significant general and administrative expenses incurred during the 2011 period include:

- $32,800 for accounting and administrative fees. During the 2011 period the Company was billed $32,800 for accounting, financial reporting and administrative services provided by Chase Management Ltd. a private company owned by a director of the Company. No such services were provided during the 2010 period;
- $72,942 for participation and attendance at investment conferences. During the 2011 period the Company participated in investment conferences and trade shows in North America and Asia;
- a total of $156,119 for salary and compensation was paid, comprising $10,919 for salaries and benefits for personnel in Colombia, commencing in April 2011, and a $145,200 (US $150,000) signing bonus;
- $46,024 paid for relocation costs, comprising of $10,918 for travel costs incurred for the relocation of the President and his family plus a $13,068 (US $15,000) relocation payment to the President and $22,038 (US $23,000) relocation payment to the Technical Manager;
- $24,984 for office and warehouse rent in Colombia;
- $74,015 for shareholder communications. Significant items comprise fees paid for an online marketing campaign and assistance in preparation of corporate brochures and design logo. In addition the Company paid approximately $50,000 for marketing and consulting services provided by an arms-length company directed towards the investment community in Germany;
- $8,000 for investor relations. Effective May 1, 2011 the Company entered into an investor relations agreement with Apex Capital Inc. ("Apex") to provide marketing and investor relations services for the Company for twelve months at a rate of $8,000 per month;
- a $20,755 increase in professional fees. During the 2011 period the Company paid $5,000 for professional services provided by the corporate secretary of the Company and $30,855 for professional fees billed by third parties;
- $13,431 for development of the Company's website and ongoing maintenance; and
- a $30,653 increase in filing fees, due to increased activities, incorporation and establishment of subsidiary and fees associated with the filing of the annual information form.

During the 2011 period the Company completed a number of equity financings whereby it raised a total of $11,620,000 from the issuances of common shares and a further $13,380,000 from a special warrant financing. In July 2011, the Company completed and filed its prospectus and the special warrants were converted into units of the Company. Each unit comprised one common share and one-half of one warrant. See "Company Overview". The Company also received a further $26,465 from stock options and warrant exercises. No financings were conducted during the 2010 period. The majority of the funds raised during the 2011 period have been deposited in an interest bearing savings account and the purchase of a $7.2 million redeemable bank guaranteed investment certificate.

During the 2011 period the Company incurred $598,274 for acquisition costs and $36,998 for exploration activities on the Santa Elena Project and $49,127 for acquisition costs and $994 for exploration activities on the Barranco de Loba Project. See also "Exploration Projects".

**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.

As at May 31, 2011, the Company had working capital of $22,490,565. The Company believes that it currently has sufficient financial resources to conduct anticipated exploration programs, make its payments on the option agreement for the Santa Elena Project and meet anticipated corporate administration costs for the upcoming twelve month period. In addition, the Company expects to have sufficient financial resources to acquire the Barranco de Loba Project if completed on favourable terms. However, exploration activities may change due to ongoing results and recommendations, or the Company may acquire additional properties, which may entail significant funding or exploration commitments. In the event that the occasion arises, the Company may be required to obtain additional financing. The Company has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financing should the need arise.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Proposed Transactions**

The Company does not have any proposed transactions.

**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**

***Adoption of Accounting Policies***

With the completion of the option agreement on the Santa Elena Project the Company is now a junior resource company. The following accounting policies have been adopted or are applicable in addition to the Company's most recent financial statements.

*Basis of Presentation*

These consolidated interim financial statements of the Company have been prepared by management in accordance with Canadian GAAP and include the accounts of the Company and its wholly-owned Colombian subsidiary, Minera CuOro S.A.S. which was incorporated on March 15, 2011 to conduct the Company's operation in Colombia. Inter-company balances and transactions are eliminated on consolidation.

*Use of Estimates*

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Examples of significant estimates made by management include amortization, the provision for income taxes, composition of future income tax assets, future income tax liabilities and asset retirement obligations and valuations of mineral resource interests, equipment and stock-based compensation. Actual results may differ from those estimates.

*Cash Equivalents*

Cash equivalents include short-term deposits maturing within 90 days of the original date of acquisition. As at May 31, 2011 the Company did not hold any cash equivalents.

*Mineral Resource Interests*

Unproven mineral interests costs and exploration, development and field support costs directly relating to mineral interests are deferred until the mineral interest to which they relate is placed into production, sold or abandoned. The deferred costs will be amortized over the life of the orebody following commencement of production or written off if

the mineral interest is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific mineral interest are expensed as incurred.

On a periodic basis, management reviews the carrying values of deferred unproven mineral interest acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or mineral interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or mineral interest.

Although the Company has taken steps to verify title to the unproven mineral interests, according to the usual industry standards for the stage of exploration of such mineral interests, these procedures do not guarantee the Company's title. Such mineral interests may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time the Company acquires or disposes of mineral interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral interest costs or recoveries when the payments are made or received.

*Equipment*

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful life at an annual rate of 20% commencing when the equipment is available for use.

*Asset Retirement Obligations*

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. The Company has determined that it does not have any material asset retirement obligations at May 31, 2011.

*Impairment of Long-Lived Assets*

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings. Fair value is generally determined using a discounted cash flow analysis.

*Translation of Foreign Currencies*

The Company's foreign operations conducted through its subsidiary are of an integrated nature and, accordingly, the temporal method of foreign currency translation is used for conversion of foreign denominated amounts. Under this method the Company translates monetary items at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at rates in effect during the period in which they were earned or incurred. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the determination of income.

***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 January 2006, the Canadian Accounting Standards Board adopted a strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted high-quality standards, namely, International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The effective implementation date of the conversion from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS is December 1, 2011, with an effective transition date of December 1, 2010 for financial statements prepared on a comparative basis.

At this point, the Company's IT accounting and financial reporting systems are not expected to be significantly impacted. Further, the Company has in place internal and disclosure control procedures to ensure continued effectiveness during this transition period.

Based on the review undertaken, the Company believes that IFRS will have limited impact on its current financial position. At the same time, IFRS will likely require more extensive disclosure and analysis of balances and transactions in the notes to the financial statements. The specific accounting areas the Company has focused its analysis on are outlined below together with the more salient issues under each area.

| **Key Area** | **Canadian GAAP (as currently applied)** | **IFRS** | **Analysis and Preliminary Conclusions** |
|---|---|---|---|
| Capital Assets | Capital assets are recorded at historical cost. | Capital assets can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models. | Capital assets will likely continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis. |
| | Depreciation is based on their useful lives after due estimation of their residual values. | Depreciation must be based on the useful lives of each significant component within Capital assets. | Based on an analysis of Capital assets' significant components and their useful lives, it is unlikely that changes to their useful lives and, therefore, depreciation rates and expenses, will be required. |
| Resource Properties | Exploration, evaluation and development costs directly relating to unproven mineral interests are deferred until the mineral interest in which they relate is placed into production, sold or abandoned | IFRS has limited guidance with respect to these costs and currently allows exploration and evaluation costs to be either capitalized or expensed. | The existing accounting policy is likely to be maintained. |

| Key Area | Canadian GAAP (as currently applied) | IFRS | Analysis and Preliminary Conclusions |
|---|---|---|---|
| Asset Retirement Obligations | Canadian GAAP limits the definition of ARO's to legal obligations. | IFRS defines ARO's as legal or constructive obligations. | The broadening of this definition is unlikely to cause a significant change in current estimates. |
| | ARO is calculated using a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions. The original liability is not adjusted for changes in current discount rates. | ARO is calculated using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised every reporting period to reflect changes in assumptions or discount rates. | The change in calculation of ARO and the discounting process will likely generate some changes in the value of ARO on transition. |
| Impairment of Long Lived Assets | Impairment tests of its long-term assets are considered annually based on indications of impairment. | Impairment tests of "cash generating units" are considered annually in the presence of indications of impairment. | Assets will continue to be grouped under the Company's various mining operations. Currently, there are no indications of impairment and, therefore, no impairment test has been performed. |
| | Impairment tests are generally done on the basis of undiscounted future cash flows. | Impairment tests are generally carried out using the discounted future cash flow. | Impairment tests using discounted values could generate a greater likelihood of write downs in the future. |
| | Write-downs to net realizable values under an impairment test are permanent changes in the carrying value of assets. | Write downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist. | Potential significant volatility in earnings could arise as a result of the difference in the treatment of write-downs. |
| Stock-Based Compensation | Stock-based compensation is determined using fair value models (e.g. Black-Scholes) for equity-settled awards and the intrinsic model for cash-settled awards. | Stock-based compensation is determined using fair value models for all awards. However, upon settlement, cash-settled awards are adjusted to the value actually realized (intrinsic model). | The determination of the value of stock-based compensation for share appreciation rights and deferred share units, both cash-settled awards, will change and likely be more volatile under a Black-Scholes model until the awards are settled. |
| Income Taxes | There is no exemption from recognizing a deferred income tax for the initial recognition of an asset or liability in a transaction that is not a business combination. The carrying amount of the asset or liability acquired is adjusted for the amount of the deferred income tax recognized. | A deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit. | The Company does not expect the difference in recognition of deferred income tax to have any significant change in the future. |
| | All deferred income tax assets are recognized to the extent that it is "more likely than not" that the deferred income tax assets will be realized recognized. | A deferred tax asset is recognized if it is "probable" that it will be realized. | "Probable" in this context is not defined and does not necessarily mean "more likely than not". The Company is in the final stages of quantifying the impact of this difference. |

The above comments should not be considered as a complete list of changes that will result from the transition to IFRS as the Company's analysis is still in progress and no final determinations have been made where choices of accounting

policies are available. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's financial statements as at November 30, 2011 and in subsequent years, including projects regarding income taxes, financial instruments and joint venture accounting. In addition, there is an extractive industries project currently underway that will lead to more definitive guidance on the accounting for exploration and evaluation expenditures, but this is still in the discussion paper stage and may not be completed for some time. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

**Transactions with Related Parties**

During the six months ended May 31, 2011 the Company incurred:

(i) $32,800 (2010 - $nil) for accounting, administration and professional services provided by private companies owned by a director and officer of the Company; and
(ii) $158,268 (2010 - $nil) for salary and compensation, and relocation expenses paid to the President of the Company.

As at May 31, 2011, $8,500 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 competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

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

Colombia is home to South America's largest and longest running political insurgency, and over the past two decades has experienced significant social upheaval and criminal activity relating to drug trafficking. While the situation has improved dramatically in recent years, there can be no guarantee that the situation will not again deteriorate. As such, the Company is subject to governmental, political, economic, and other uncertainties, including, but not limited to, expropriation of property without fair compensation, changes in policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty increases, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the imposition of specific obligations and the other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities, insurrections, the actions of national labour unions, terrorism and abduction. Additionally, the continued perception that matters have not improved in Colombia may hinder the Company's ability to access capital in a timely or cost effective manner.

**Investor Relations Activities**

Effective May 31, 2011, the Company has engaged Apex Capital Inc. ("Apex") to provide marketing and investor relations services for the Company at $8,000 per month, for a term of twelve months. The Company also granted options to Apex to purchase 150,000 common shares of the Company at $1.00 per share, for a term of five years. During the six months ended May 31, 2011, the Company paid $8,000 to Apex for investor relations services. In addition a further $34,000 was paid to Apex for other professional services provided.

## Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at July 26, 2011 there were 30,240,451 issued and outstanding common shares and 2,258,752 stock options outstanding at exercise prices ranging from $0.10 to $2.10 per share and 9,131,143 warrants outstanding at exercise prices ranging from $0.25 to $2.50 per share.