

# VIPER GOLD LTD.

(formerly LEBOLDUS CAPITAL INC.)

## MANAGEMENT'S DISCUSSION & ANALYSIS

**FOR THE PERIOD ENDED JUNE 30, 2011**

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This management's discussion and analysis ("MD&A") discusses the financial position of Viper Gold Ltd. ("Viper" or the "Corporation") for the six month period ended June 30, 2011. The following information should be read in conjunction with the unaudited condensed interim financial statements of the Corporation as at and for the six month period ended June 30, 2011. The unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com), and the Corporation's website at [www.vipergoldltd.com](http://www.vipergoldltd.com).

All dollar amounts are expressed in Canadian currency unless otherwise stated.

### **Date of Report**

This MD&A is dated August 22, 2011 and presents material information up to this date.

### **Forward-Looking Statements**

This MD&A may contain forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "believe", or similar expressions. In particular, this MD&A contains forward-looking statements with respect to the business of the Corporation following the completion of the Qualifying Transaction.

These forward-looking statements by their nature involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements, including the "Risks and Uncertainties" discussed in this MD&A. In particular, the results are dependent upon the ability of the Corporation to meet its payment requirements under the Option Agreement for the Campbell Lake Property (defined below), the accuracy of technical report data respecting the Corongo Property (defined below), general market and economic conditions, commodity prices, environmental and weather risks, political and economic risks of operating in Peru, availability of qualified personnel and management, the Corporation's dependence on third parties and other factors, many of which are beyond the control of the Corporation. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of the Corporation, may ultimately prove to be incorrect.

## **Brief Description of Business**

Until August 19, 2010, the Corporation was classified as a Capital Pool Company for the purposes of the policies of the TSX Venture Exchange (the "**TSXV**"). As a Capital Pool Company, the Corporation's business was to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction, as such term is defined in the policies of the TSXV. Until completion of the Qualifying Transaction, the Corporation was not permitted to carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. On August 17, 2010, the Corporation closed its Qualifying Transaction and is now classified as a Tier 2 mining issuer.

## **History of the Corporation and Overall Performance**

Viper Gold Ltd. (formerly LeBoldus Capital Inc.) was incorporated pursuant to the *Business Corporations Act* (Alberta) on January 29, 2008. The Corporation completed its initial public offering ("**IPO**") of 1,000,000 common shares in the capital of the Corporation ("**Common Shares**") at a price of \$0.20 per share on July 10, 2008, and the Common Shares commenced trading on the TSXV on July 25, 2008 under the trading symbol "LEB.P".

The Corporation realized gross proceeds from the IPO of \$200,000 (net proceeds of \$157,468). In connection with its IPO and pursuant to the terms of an agency agreement, the Corporation paid an agent a commission of 10% of the gross proceeds (\$20,000), and fees and costs of \$22,532. The Corporation also granted the agent an option to acquire up to 100,000 Common Shares at a price of \$0.20 per share until July 25, 2010, which option had been valued at \$3,912. The agent's option expired unexercised. The Corporation incurred additional fees and costs in relation to the IPO of \$75,232, which included legal (\$46,772), accounting and audit (\$10,383), filing (\$17,145), printing (\$581) and other expenses.

On March 17, 2010, the Corporation entered into an option agreement (the "**Option Agreement**") dated effective March 10, 2010 with Duran Ventures Inc. (TSXV: DRV) ("**Duran**"), an arm's length resources company focused on the exploration and development of porphyry copper, precious metal and polymetallic deposits in Peru, and its subsidiary Minera Aguila de Oro S.A.C. ("**Minera**"). The Option Agreement provides the Corporation with the right to acquire a 50% interest in certain mineral claims comprising a prospective gold property known as the Corongo Property in Peru (the "**Corongo Property**"). The Corporation and Duran amended the Option Agreement effective June 22, 2010 to extend the outside date of closing to October 24, 2010 and to modify the payment schedule of exploration expenditures. In addition, the Option Agreement was amended such that the Corporation is the operator of the project. The Option Agreement was amended effective August 5, 2010 to further modify the payment schedule of exploration expenditures.

Consideration for the 50% interest in the Corongo Property consists of: (i) the payment of U.S.\$25,000 in cash upon execution of the Option Agreement (which amount has been paid); (ii) the Corporation incurring not less than U.S.\$1,000,000 in exploration expenditures on the Corongo Property prior to March 10, 2012; and (iii) the issuance of 1,000,000 Common Shares at a deemed price of \$0.20 per Common Share, to be issued as to: (a) 300,000 Common Shares on or prior to the closing of the Qualifying Transaction (which have been issued); (b) 300,000 Common Shares on or prior to March 10, 2011 (which have been issued); and (c) 400,000 Common Shares on or prior to March 10, 2012. The right of Viper to acquire a 50% interest in the Corongo Property is an option only. Except for the U.S.\$25,000 cash payment made to Duran upon the execution of the Option Agreement and the 300,000 Common Shares issued on the closing of the Qualifying Transaction on August 17, 2010, the Corporation is not required to complete any cash payment, exploration expenditures or share issuances.

The Corporation may terminate its option at any time without further obligation to Duran under the Option Agreement.

This transaction constituted the Qualifying Transaction of the Corporation pursuant to the applicable policies of the TSXV. On August 17, 2010, the Corporation closed its Qualifying Transaction pursuant to which it acquired the option to acquire a 50% interest in the Corongo Property.

Concurrent with the closing of the Qualifying Transaction, the Corporation closed its previously-announced private placement of 1,750,000 units of the Corporation ("**Units**") at a subscription price of \$0.20 per Unit for aggregate gross proceeds of \$350,000. Each Unit consists of one Common Share and one warrant to acquire an additional Common Share at a price of \$0.40 per share until August 17, 2012, subject to acceleration in the event the Corporation issues a press release advising that the Common Shares have traded on the TSXV at a price per share greater than \$0.50 for 10 consecutive trading days, in which case the warrants shall expire, without further notice, on the 31st day following the issuance of the press release.

Trading of the Common Shares was halted on March 18, 2010 pending receipt and review by the TSXV of acceptable documentation regarding the proposed Qualifying Transaction.

In connection with the private placement, finder's fees were paid in the aggregate amounts of \$20,800 in cash and 104,000 in Finder's Warrants. Each Finder's Warrant entitled the holder thereof to purchase one Common Share at a price of \$0.20 per share until August 17, 2011. These warrants have expired without being exercised.

In connection with closing of the Qualifying Transaction, Mr. Paul Davis and Mr. Joseph Del Campo were appointed to the Corporation's board of directors following the resignation of Messrs. Merchant and Magnan. Mr. Davis also replaced Mr. Merchant as the Corporation's President and Chief Executive Officer. Messrs. Davis and Del Campo were each granted 100,000 options in connection with their appointments.

The TSXV released its final bulletin on August 19, 2010 and trading in the Common Shares resumed August 20, 2010 under the trading symbol "LEB".

On October 1, 2010 the Corporation engaged Advanture Capital Partners Inc. ("**Advanture**") of Vancouver, B.C. to provide investor relations, corporate communications and marketing services to the Corporation. The renewable agreement ("**Agreement**") between the Corporation and Advanture was for an initial term of six (6) months beginning October 1, 2010 and was extended for a further six (6) months by mutual consent of both parties. In consideration for the investor relations, corporate communications and marketing services, Advanture is paid a monthly fee of \$6,500 (plus applicable taxes) out of working capital and received 50,000 Options at an exercise price of \$0.20 per share. The Options will vest over a twelve (12) month period in accordance with the policies of the TSXV and expire five (5) years from the date of grant or earlier if the Agreement is terminated prior thereto. An additional 25,000 Options at an exercise price of \$0.40 were granted January 26, 2011 on the same terms. The Agreement is subject to regulatory approval and all terms will be subject to and in accordance with the rules and regulations of the TSXV. Advanture is a shareholder of the Corporation but is considered an arm's-length party.

On October 10, 2010, Surface Rights Agreements were entered into with two communities that cover the Santa Rosa East and Descubridora zones and are valid until October 9, 2011. These agreements are necessary for surface access and are a requirement to advance the project with more detailed trenching and drilling programs.

At the Corporation's annual and special meeting of shareholders held October 14, 2010, shareholders voted in favour of the name change from "LeBoldus Capital Inc." to "Viper Gold Ltd.", which was effected on the same day. At the commencement of trading on October 19, 2010, Viper began trading under the new symbol of "VPR" on the TSXV.

On December 17, 2010 the Corporation closed a private placement of 5,155,000 units of the Corporation ("**Units**") at a subscription price of \$0.25 per Unit for aggregate gross proceeds of \$1,288,750. Each Unit consists of one Common Share and one warrant to acquire an additional Common Share at a price of \$0.30 per share until December 17, 2012, subject to acceleration in the event the Corporation issues a press release advising that the Common Shares have traded on the TSXV at a price per share greater than \$0.50 for 10 consecutive trading days, in which case the warrants shall expire, without further notice, on the 31st day following the issuance of the press release.

In connection with the private placement, finder's fees were paid in the aggregate amounts of \$102,300 in cash and 409,200 in Finder's Warrants. Each Finder's Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.25 per share until December 17, 2011.

### **The Corongo Property**

The Corongo Property is situated in the Department of Ancash in the Republic of Peru on the continent of South America; approximately 400 km north-northwest of Lima. The eleven claims comprising the Corongo Property (the "**Claims**") are centered on Universal Transverse Mercator coordinate system, Provisional South American Datum 1956, zone 18L, 198797 meters East and 9054173 meters North; or geographic coordinate system 77° 44' 00" of west Longitude and 8° 33' 00" of south Latitude.

The Claims cover an area of 3100 hectares and are named: KFC, PASACANCHA 09, PASACANCHA 13, PASACANCHA 14, PASACANCHA 15, PASACANCHA 16, PASACANCHA 19, PASACANCHA 20, PASACANCHA 21, PASACANCHA 22 and PASACANCHA 23. The Claims are 100%-held by Minera Aguila de Oro S.A.C., a Peruvian corporation, the subsidiary of Duran Ventures Inc (TSXV: DRV), a Canadian corporation.

The Corongo Property area is underlain by Jurassic and Cretaceous quartzite, siltstone, and shale sedimentary rocks members of the Chicama and Chimu Formations. The sedimentary rocks are strongly folded and faulted, with a dominant north-west strike direction.

The Corongo Property's geological setting (proximity to the Aguila Cu-Mo porphyry and the occurrence of small monzonitic stocks) is favorable for several types of intrusion-related hydrothermal deposits such as vein, manto and porphyry deposit types.

In 2009, Duran completed a phase I exploration program including mapping, trenching and underground sampling, which identified four prospective zones that are characterized by contrasting geochemical signatures consistent with intrusion-related mineralization and possibly related to epithermal Au-Ag, Porphyry Cu ± Au ± Mo, and polymetallic Ag, Pb, Zn ± Au deposit types.

The Descubridora Zone is the most prospective zone of the Corongo Property. Both surface and underground samples returned significant grades. Initial underground along strike sampling has outlined two mineralized zones characterized by elevated precious metal concentrations. These zones possibly represent high-grade ore shoots which may continue at depth. The Descubridora mineralized structure offers good precious metals and copper potential and should be drilled if the geophysical studies are positive.

At least one, Cu, Mo ± Au, Ag, W vein has been identified within the Pucapampa Zone where the previous owners operated an underground mine. The vein has an apparent length that reaches up to 150 m and has mineralized widths that reach up to 3.0 m. The Pucapampa mineralized structure offers good copper potential with Au, Mo as an added value.

The Breccia Zone is at an early exploration stage and only reconnaissance studies and sampling has been performed.

The Santa Rosa East mineralized zone comprises shallow to steeply dipping vein and breccia structures that are considered the continuation of the Descubridora vein system.

In 1998, Rio Tinto carried out a regional exploration program aimed at identifying new porphyry targets in the area. An exploration drilling campaign was performed within the Santa Rosa East zone. Rio Tinto drilled 8 diamond drill holes for a total of 1465.9 m.

### *Exploration*

Work completed during the second quarter of 2011 included the completion of 1,573 metres of diamond drilling in 11 holes on the Santa Rosa East (COR001 to COR008), Descubridora (COR009 and COR010) and Santa Rosa (COR011; in progress) by Energold Drilling Peru S.A.C. A total of 1,228 samples were sent for analysis during the second quarter of 2011.

Subsequent to the end of the quarter, COR011 and COR012 were completed for a total of 184 metres of drilling on the Santa Rosa zone. Progressive rehabilitation work has been ongoing on the drill setups and access roads.

### *Santa Rosa East*

A summary of exploration work completed on the Santa Rosa East area in the third and fourth quarters of 2010 and the first quarter of 2011 is available in the Corporation's MD&A for the year ended December 31, 2010 and for the quarter ended March 31, 2011, respectively.

Work began on April 5, 2011 preparing the Santa Rosa East area for the diamond drill program. Work included the completion of the proposed drill platforms and sludge ponds. The diamond drill rig began coring of the first hole on April 12, 2011. A total of 8 holes representing 1,315 metres of diamond drill core were completed on the Santa Rosa East area. Assay results for the eight holes of the program were reported in two press releases dated June 9, 2011 and July 26, 2011 and are available on SEDAR. Highlights of the assay results from the Santa Rosa East area are summarized in the following table.

Hole ID	From (m)	To (m)	Width (m)	Gold (ppm)	Silver (ppm)	Copper (%)
COR001	96.00	105.00	9.00	<0.01	1.12	0.14
and	151.10	158.50	7.40	0.12	2.51	<0.01
and	324.00	328.40	4.40	0.25	3.85	<0.01
COR002	6.80	10.50	3.70	0.29	6.35	0.11
and	8.00	30.00	22.00	0.02	1.22	0.12
<b>and</b>	<b>152.00</b>	<b>154.50</b>	<b>2.50</b>	<b>0.57</b>	<b>61.00</b>	<b>0.14</b>
COR003	0.20	15.00	14.80	0.08	3.00	0.14
Incl.	10.50	15.00	4.50	0.17	3.27	0.29
and	48.00	54.00	6.00	0.02	16.80	0.14
COR004	0.00	6.00	6.00	1.08	16.55	0.34
<b>Incl.</b>	<b>4.50</b>	<b>6.00</b>	<b>1.50</b>	<b>4.07</b>	<b>61.20</b>	<b>1.30</b>

Hole ID	From (m)	To (m)	Width (m)	Gold (ppm)	Silver (ppm)	Copper (%)
and	73.90	76.20	2.30	1.64	1326.0	1.98
<b>Incl.</b>	<b>74.50</b>	<b>76.20</b>	<b>1.70</b>	<b>2.15</b>	<b>1785.0</b>	<b>2.64</b>
COR006	38.95	44.60	5.65	0.32	2.05	0.03
and	102.50	104.00	1.50	0.18	2.90	0.10
COR007	103.50	104.57	1.07	0.34	<0.50	<0.01
COR008	2.75	5.33	2.58	0.14	9.28	0.03

All assay intervals reported are core length and do not represent true widths (defined as being measured at right angles to the direction of extension of the mineralized body).

### *Descubridora*

A summary of exploration work completed on the Descubridora area in the third and fourth quarters of 2010 and the first quarter of 2011 is available in the Corporation's MD&A for the year ended December 31, 2010 and for the quarter ended March 31, 2011, respectively.

A total of two holes representing 200 metres of diamond drill core were completed on the Descubridora area. Assay results for the two holes of the program were reported in a press release dated July 26, 2011 and are available on SEDAR. Highlights of the assay results from the Descubridora area are summarized in the following table.

Hole ID	From (m)	To (m)	Width (m)	Gold (ppm)	Silver (ppm)	Copper (%)
<b>COR009</b>	9.50	10.50	1.00	0.49	6.10	<0.01
and	31.50	34.50	3.00	0.88	0.90	<0.01
and	42.00	47.80	5.80	0.92	9.36	<0.01
incl.	45.00	46.40	1.40	2.48	8.00	<0.01
<b>COR010</b>	7.00	9.50	2.50	0.42	37.74	0.04
incl.	8.00	9.50	1.50	0.60	50.70	0.07
and	19.50	32.50	12.50	0.91	9.10	0.01
incl.	19.50	22.50	3.00	3.57	25.65	<0.01

All assay intervals reported are core length and do not represent true widths (defined as being measured at right angles to the direction of extension of the mineralized body).

### *Santa Rosa*

A total of two holes representing 242 metres of diamond drill core were completed on the Santa Rosa area. The drill program was designed to test the down plunge extent of the Santa Rosa Copper Porphyry system and the gold silver potential of the hosting sedimentary sequence. Assay results for the COR011 was reported in a press release dated July 26, 2011 and are available on SEDAR. Highlights of the assay results from the Santa Rosa area are summarized in the following table.

Hole ID	From (m)	To (m)	Width (m)	Gold (ppm)	Silver (ppm)	Copper (%)
<b>COR011</b>	37.90	40.50	2.60	1.18	96.81	2.22
incl.	37.90	39.50	1.60	1.81	140	2.46
and	60.00	63.00	3.00	0.24	24.55	0.22
incl.	63.00	61.50	1.50	0.19	45.10	0.30
<b>COR012</b>	69.00	70.50	1.50	0.26	19.70	0.06

All assay intervals reported are core length and do not represent true widths (defined as being measured at right angles to the direction of extension of the mineralized body).

## Selected Quarterly Financial Information

A summary of selected financial information for the periods indicated follows:

	<b>3 Months Ended June 30, 2011</b>	<b>3 Months Ended Mar. 31, 2011</b>	<b>3 Months Ended Dec. 31, 2010</b>	<b>3 Months Ended Sept. 30, 2010</b>	<b>3 Months Ended June 30, 2010</b>	<b>3 Months Ended Mar. 31, 2010</b>	<b>3 Months Ended Dec. 31, 2009</b>	<b>3 Months Ended Sept. 30, 2009</b>
Total Revenue	\$ Nil	\$ Nil	\$ Nil	\$ 43	\$ 76	\$ 54	\$ 40	\$ 43
Net Loss	\$ 103,741	\$ 222,875	\$ 97,042	\$ 36,069	\$ 8,127	\$ 10,765	\$ 23,507	\$ 20,859
Net Loss Per Share, Basic and Diluted	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.02
Total Assets	\$ 1,878,913	\$ 1,598,103	\$ 1,683,317	\$ 579,407	\$ 364,901	\$ 374,076	\$ 183,045	\$ 185,942
Total Liabilities	\$394,784	\$ 10,233	\$ 83,886	\$ 2,941	\$ 34,184	\$ 35,232	\$ 21,646	\$1, 036

No dividends have been declared or paid by the Corporation in any of the periods presented above. The Corporation does not anticipate declaring or paying any dividends on its Common Shares in the foreseeable future.

### Results of Operations

The Corporation did not begin operations until the third quarter of 2010, when it completed its Qualifying Transaction on August 17, 2010. The Corporation's major asset is its option to acquire a 50% interest in the Corongo Property. This is reflected in the Corporation's statements of financial position as at June 30, 2011 as exploration and evaluation assets of \$1,054,266 (December 31, 2010 - \$330,982). The Corporation's assets as at June 30, 2011 also included cash in the amount of \$758,889 (December 31, 2010 - \$1,323,599) and amounts receivable of \$23,735 (December 31, 2010 - \$18,609).

The Corporation's liabilities as at June 30, 2011, consisted of accounts payable and accrued liabilities of \$394,784 (December 31, 2010 - \$83,886).

The Corporation incurred a loss of \$103,741 for the three month period ended June 30, 2011 (compared with a loss of \$8,127 in the three months ended June 30, 2010), bringing the year-to-date loss for 2011 to \$326,616 (\$18,892 for the six month period ended June 30, 2010). General and administration expenses of \$41,550 and professional fees of \$62,087 accounted for the largest expenses during the second quarter, which included consulting fees, transfer agent fees, news releases, legal, accounting and audit.

During the first six months of 2011, \$651,284 (US\$668,597) was incurred on exploration activities on the Corongo Property. This brings the total spent on the Corongo Property to \$911,809 (US\$918,897). The Corporation only needs to spend an additional US\$82,000 to meet the requirement to expend an aggregate total of US\$1,000,000 in exploration expenditures and issue 400,000 Common Shares by March 10, 2012 to earn the 50% interest in the Corongo Property.

## Liquidity and Capital Resources

Working capital at June 30, 2011 was \$427,223, a decrease of \$840,175 since December 31, 2010. This included \$758,889 in cash, and is sufficient for the Corporation to meet its ongoing obligations.

Management expects that the Corporation will have sufficient working capital to meet its corporate commitments over the next twelve months. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity. Management believes it will be able to raise equity capital as required, but recognizes the uncertainty attached thereto.

## Commitments and Contingencies

### *Consulting agreements*

On October 1, 2010, the Company engaged Advanture Capital Partners Inc. (“Advanture”) to provide investor relations, corporate communications and marketing services. The agreement with Advanture was for an initial term of six months beginning October 1, 2010 and it was extended for a further six months. The Company is committed to monthly cash payments of \$6,500. A grant of 50,000 stock options in the capital of the Company at an exercise price of \$0.20 per share was made to Advanture, effective October 1, 2010. Another grant of 25,000 stock options in the capital of the Company at an exercise price of \$0.40 per share was made to Advanture, effective January 26, 2011.

On October 27, 2010 (effective August 17, 2010), the Company entered into a consulting agreement with Paul C. Davis, the Company’s President and Chief Executive Officer, to provide management services to the Company. The Company will pay Mr. Davis a per diem rate of \$650 to a maximum of \$4,000 monthly, along with a vehicle allowance of \$55 per day to a maximum of \$330 per month. The agreement is for a one year term, expiring August 31, 2011 and has been renewed for an additional one year term expiring August 31, 2012.

### *Office lease commitment*

On February 14, 2011, the Company entered into a lease agreement for office space commencing May 1, 2011. The term of the lease is for a period of two years, expiring on April 30, 2013. As part of the agreement, the Company paid a rental deposit of \$1,233 to be applied to the first rental payment due and an additional \$1,253 to be held as a security deposit. Future minimum rental payments under this lease are as follows:

July 1, 2011 – December 31, 2011	\$ 7,400
January 1, 2012 – December 31, 2012	\$14,954
January 1, 2013 – April 1, 2013	<u>\$ 3,758</u>
	<u>\$26,112</u>

### *Environmental matters*

The Company currently has exploration property interests in Peru and Canada. The enforcement of environmental regulation in Peru is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations for both Peru and Canada.



The Company's exploration activities are subject to various federal and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### Transactions with Related Parties

During the six months ended June 30, 2011, the Corporation incurred legal fees in the amount of \$21,855 (2010 - \$24,347) from a law firm of which a director of the Company is a partner, of which \$3,770 (December 31, 2010 - \$62,662) is included in accounts payable.

During the six month period ended June 30, 2011, the Corporation incurred consulting fees in the amount of \$23,400 (2010 - \$Nil) from an officer and director of the Corporation under the terms of a Consulting Services Agreement for acting as the President and Chief Executive Officer, of which \$3,900 (December 31, 2010 - \$6,356) is included in accounts payable.

All related party transactions are in the normal course of business. They have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties.

### Compensation of Key Management

The remuneration of directors and members of key management of the Corporation for the six months ended June 30, 2011 and 2010 was as follows:

	<b>2011</b>	<b>2010</b>
Aggregate compensation	\$ 23,400	\$ Nil
Share-based payments	\$133,092	\$ Nil
	<hr/> \$156,492	<hr/> \$ Nil

The directors and key management were awarded the following share options under the employee share option plan during the six months ended June 30, 2011:

<b>Date of grant</b>	<b>Number of options</b>	<b>Exercise price</b>	<b>Expiry</b>
January 26, 2011	456,000	\$0.40	January 26, 2016
March 29, 2011	100,000	\$0.26	March 29, 2016

### Disclosure of Outstanding Share Data

The Corporation is authorized to issue an unlimited number of Common Shares, of which 12,005,000 Common Shares were issued and outstanding as at June 30, 2011. Of these Common Shares, 1,548,750 were held in escrow to be released *pro rata* to the holders thereof in accordance with the applicable policies of the TSXV. The Common Shares began to be released from escrow upon the issuance of the final bulletin from the TSXV announcing the acceptance of the Corporation's Qualifying Transaction on August 19, 2010. As at June 30, 2011, there were 1,081,000 Common Shares issuable upon exercise of incentive stock options granted to the Corporation's directors, officers and consultants.

As at June 30, 2011 and as at the date hereof, the following is a description of the outstanding equity securities and convertible securities previously issued by the Corporation:

	<b>Authorized</b>	<b>Outstanding as at June 30, 2011</b>	<b>Outstanding as at August 22, 2011</b>
Voting or equity securities issued and outstanding	Unlimited Common Shares	12,005,000	12,005,000
Securities convertible or exercisable into voting or equity securities - stock options	Stock Options to acquire up to 10% of outstanding Common Shares	1,081,000	1,081,000
Securities convertible or exercisable into voting or equity securities – Warrants <sup>(1-4)</sup>	7,500,000	7,418,200	7,314,200

Notes:

- (1) Includes 1,750,000 warrants where each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.40 per share until August 17, 2012, subject to acceleration in the event the Corporation issues a press release advising that the Common Shares have traded on the TSXV at a price per share greater than \$0.50 for 10 consecutive trading days, in which case the warrants shall expire, without further notice, on the 31st day following the issuance of the press release.
- (2) Includes 104,000 Finder's Warrants where each Finder's Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.20 per share until August 17, 2011. These warrants expired on August 17, 2011 without being exercised.
- (3) Includes 5,155,000 warrants where each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.30 per share until December 17, 2012, subject to acceleration in the event the Corporation issues a press release advising that the Common Shares have traded on the TSXV at a price per share greater than \$0.50 for 10 consecutive trading days, in which case the warrants shall expire, without further notice, on the 31st day following the issuance of the press release.
- (4) Includes 409,200 Finder's Warrants where each Finder's Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.25 per share until December 17, 2011.

## **Stock Options**

The Corporation has adopted an incentive stock option plan (the "**Plan**"), whereby it may grant options to directors, officers, employees, and consultants of the Corporation. The maximum number of Common Shares that may be reserved for issuance under the Plan is limited to 10% of the issued Common Shares of the Corporation at any time with no one individual being granted more than 5% of the issued and outstanding Common Shares. The exercise price of options granted under the Plan shall not be less than the closing price of the Common Shares on the day proceeding the day the options are granted, less any discounted price permitted by the TSXV.

On July 10, 2008, the Corporation granted options to the officers, directors and a consultant of the Corporation providing the right to purchase an aggregate of up to 250,000 Common Shares of the Corporation at an exercise price of \$0.20 per share until July 10, 2013.

On August 17, 2010, the Company granted options to two directors of the Company to acquire an aggregate of 200,000 options, exercisable at a price of \$0.20 per common share for a period of five years from the date of grant. The options vested immediately upon grant.

On October 1, 2010, the Company granted options to a consultant to acquire an aggregate of 50,000 options, exercisable at a price of \$0.20 per share for a period of five years from the date of grant. The options vest in four equal tranches every quarter with the first tranche having vested on December 31, 2010.

On January 26, 2011, the Company granted a total of 481,000 stock options to directors, officers and a consultant of the Company, exercisable at a price of \$0.40 per common share for a period of five years from the date of grant. The 456,000 options granted to directors and officers vested immediately. The 25,000 options granted to the consultant vest as to ¼ on each of the 3rd, 6th, 9th, and 12th month anniversaries of the date of grant.

On March 29, 2011, the Company granted options to a director of the Company to acquire an aggregate of 100,000 stock options, exercisable at a price of \$0.26 per common share for a period of five years from the date of grant, all of which vested immediately.

No options were granted during the three month period ended June 30, 2011.

The fair value of the options granted was estimated determined using the Black-Scholes option pricing model, using the following range of assumptions:

	<u>2011</u>	<u>2010</u>
Risk-free interest rate	2.20% - 2.56%	2.03% – 2.18%
Expected life	5 years	5 years
Expected volatility	100%	100%
Dividend yield	nil	nil
Exercise price	\$0.20 - \$0.40	\$0.20
Grant date fair value per option	\$0.20 - \$0.25	\$0.13

If and when the stock options are ultimately exercised, the applicable amounts in the share-based payments reserve account will be transferred to share capital.

### **Financial Instruments and Other Instruments**

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

#### Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to cash and amounts receivables. Cash is held with a reputable Canadian financial institution, from which management believes the risk of loss is remote. Financial instruments included in amounts receivable consists of harmonized sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivables is minimal.

#### Liquidity Risk

As at June 30, 2011, the Corporation had working capital of \$427,223 (December 31, 2010 - \$1,267,398). The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has a sufficient cash balance to settle current liabilities.

Market Risk

At the present time, the Corporation does not hold any interest in a mining property that is in production. The Corporation's viability and potential success depends on its ability to develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future mining operations in which the Corporation is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Corporation's control.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has cash balances and currently does not carry interest-bearing debt. The Corporation's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. As at June 30, 2011, the Corporation's exposure to interest rate risk is minimal.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Corporation is required to make all exploration expenditures required under the Option Agreement in US dollars (see Note 6 to the unaudited condensed interim financial statements) but does not use derivative instruments to manage its exposure to foreign currency. As at June 30, 2011, the Corporation had cash balances of \$457,579 in US dollars. Sensitivity to a plus or minus 5% change in the foreign exchange rate would have affected the net loss by approximately \$23,000 in the six month period ended June 30, 2011.

Commodity Price Risk

The ability of the Corporation to develop its properties and the future profitability of the Corporation is directly related to the market price of certain minerals.

Fair Value of financial assets and liabilities

The book values of the cash, amounts receivable, and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments.

The fair values together with the carrying amounts shown in the statements of financial position are as follows:

	As at June 30, 2011		As at December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash	\$ 758,889	\$ 758,889	\$1,323,599	\$1,323,599
Amounts receivable	23,735	23,735	18,609	18,609
Accounts payable and accrued liabilities	(394,784)	(394,784)	(83,886)	(83,886)
Unrecognized (losses) / gains		\$ -		\$ -

### **International Financial Reporting Standards (IFRS):**

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. The three and six months period ended June 30, 2011 is the Company's second reporting period under IFRS.

Note 14 to the condensed interim financial statements provides more detail on the key Canadian GAAP to IFRS difference, the accounting policy decisions and IFRS 1, First-Time Adoption of International Financial Reporting Standards, optional exemptions for significant or potentially significant areas that have had an impact on the financial statements on transition to IFRS or may have an impact in future periods.

The tables set out in Note 14 to the condensed interim financial statements have not been reproduced as there were no changes identified upon transition to IFRS.

#### *Post-Implementation*

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. Management notes that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that we have selected. In particular, there may be additional new or revised IFRSs or interpretations developed by the International Financial Reporting Interpretations Committee (IFRICs) that may impact the Corporation's financial statements in the future. The impact of any new standards and interpretations will be evaluated as they are drafted and published.

### **Subsequent Events**

On July 29, 2011, the Company filed an Application to Record Ground Staked Mining Claims totalling 369 units in the Porcupine Mining Division in Currie, Egan, Bowman and McCann Townships. Details regarding the Currie-Bowman Property were reported in a press release dated August 8, 2011 and are available on SEDAR.

On August 15, 2011, the Company entered into a property option agreement with a local prospector (the "Vendor"), whereby the Company can acquire an undivided 100% interest in certain unpatented mining claims known as the Campbell Lake Property, consisting of 96 claim units representing approximately 1,500 hectares in Northeastern Ontario. The Company can earn a 100% interest over a two year period by making option payments totaling \$100,000 and issuing 600,000 common shares. The Vendor will retain a 2% Net Smelter Royalty, 1% of which can be purchased by the Company for \$1 million. The transaction is subject to approval by the TSX Venture Exchange.

### **Qualified Person**

The foregoing scientific and technical information has been prepared or reviewed by Paul C. Davis, P.Geol., the President and Chief Executive Officer of the Corporation. Mr. Davis is a "qualified person" within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (NI 43-101").

## **Risks and Uncertainties**

### *Title Matters*

Although a legal opinion was prepared in respect of the mineral claims comprising the Corongo Property, there is no guarantee that title to the claims will not be challenged or impugned. The mining claims comprising the Corongo Property may be subject to prior unregistered licences, agreements or transfers, native land claims or other undetected title defects. In particular, the KFC mineral concession acquired by Minera was forfeited in September 1996 by a previous owner due to non-compliance with payment of license fees. The previous owner initiated judicial proceedings to challenge the termination of his mineral application and to seek restitution of rights. However, the claims were dismissed by final rulings in 2000 and 2003, and the maximum term to initiate a judicial action has expired. Accordingly, the Corporation is satisfied that evidence of title to the mining claims comprising the Corongo Property is adequate and acceptable by prevailing industry standards.

### *No History of Operations or Earnings*

The Corporation does not have a history of operations, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future. Furthermore, the Corporation has limited financial resources, has no source of operating cash flow and there is no assurance that additional funding will be available to it for exploration and development.

### *Corongo Property Subject to Option Agreement*

The Corporation has an exclusive option to acquire a 50% interest in the Corongo Property pursuant to the Option Agreement, but does not hold title to the Corongo Property. The option only grants the Corporation the right to acquire an undivided 50% interest in and to the Corongo Property. The incurrence of the exploration expenditures, the payment of money, and the issuance of additional Common Shares to Duran under the Option Agreement is optional to the Corporation. If prior to exercising the Option the Corporation determines the Corongo Property to be without sufficient merit, the Corporation may, in its sole discretion, decide not to make any further payments or incur further exploration expenditures and relinquish its interests in the Corongo Property.

### *Resources*

There can be no assurance that the Corporation's future exploration and development efforts will result in the discovery and development of commercial accumulations of natural resources. No NI 43-101-compliant mineral resource or reserve study has been prepared on the Corongo Property.

### *Exploration, Development and Production Risks*

An investment in the Common Shares is speculative due to the nature of the Corporation's business, being the earning of its interest in the Corongo Property pursuant to the terms of the Option Agreement and the exploration for minerals. Mineral exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Corporation will result in new discoveries in commercial quantities.

Now that the Qualifying Transaction is complete, Management of the Corporation will evaluate prospects on an ongoing basis in a manner consistent with industry standards. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce economic reserves. No assurance can be given that the Corporation will be able to locate satisfactory properties for

acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions made such acquisitions or participations uneconomic. The continued operation of the Corporation will be dependent upon its ability to procure additional financing or generate operating revenue; and there is no assurance it will be able to do either. Additional financings will be required to complete the Phase III exploration program. If the Corporation fails to make timely payment of all required license fees, together with required minimum exploration expenditures and maintenance obligations or penalties, it may lose its title to the mineral claims.

#### *Community Relations and Project Support*

The successful development of the Corongo Property is dependent on support from local communities. On October 10, 2010, Surface Rights Agreements were entered into with two communities that cover the Santa Rosa East and Descubridora zones that are valid until October 9, 2011. These agreements are necessary for surface access and are a requirement to advance the project with more detailed trenching and drilling programs. There is no assurance that such agreements will be extended beyond October 9, 2011.

#### *Political and Economic Risk in Peru*

The Corongo Property is located in Peru. Regardless of recent progress in restructuring its political institutions and revitalizing its economy, Peru's history since the mid-1980s has been one of political and economic instability under both democratically elected and dictatorial governments. These governments frequently have intervened in the national economy and social structure, including periodically imposing various controls, the effects of which have been to restrict the ability of both domestic and foreign companies to freely operate. Although the Corporation believes that the current conditions in Peru are relatively stable and conducive to conducting business, the Corporation's current and future mineral exploration and mining activities in Peru are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, political and labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, changing political conditions, fluctuations in currency exchange rates, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. There has been a significant level of social unrest in Peru in recent years resulting from a number of factors, including a high rate of unemployment. Protestors have targeted foreign firms in the mining sector in recent years. The Corporation believes that the current conditions in Peru are relatively stable and conducive to conducting business; however, there is no assurance that future social unrest will not have an adverse impact on the Corporation's operations.

The Corporation's exploration and development activities may be affected by changes in government, political instability and the nature of various government regulations relating to the mining industry. Peru's fiscal regime has historically been favourable to the mining industry and has been relatively stable over the past 10 years or so, but there is a risk that this could change. Ollanta Humala, the left-wing candidate and former army officer, was elected as President of Peru in the run-off Presidential election held on June 5, 2011. In addition, labour in Peru is customarily unionized and there are risks that labour unrest or wage agreements may impact operations. The Corporation cannot predict the government's positions on foreign investment, mining concessions, land tenure, environmental regulation or taxation. A change in government positions on these issues could adversely affect the Corporation's business and/or its holdings, assets and operations in Peru. Any changes in regulations or shifts in political conditions are

beyond the control of the Corporation. The Corporation's operations in Peru will entail significant governmental, economic, social, medical and other risk factors common to all developing countries. The status of Peru as a developing country may also make it more difficult for the Corporation to obtain any required financing because of the investment risks associated with it.

The Corporation's operations in Peru may be adversely affected by economic uncertainty characteristic of developing countries. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and safety factors. Any such changes could have a material adverse effect on the Corporation's results of operations and financial condition.

Peru has no limitation on profit or capital remittances to foreign shareholders provided that all applicable Peruvian taxes have been paid. However, there can be no assurance that additional restrictions on the repatriation of earnings in Peru will not be imposed in the future.

#### *Approvals and Permits*

Government approvals and permits are currently, or may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained; the Corporation may be curtailed or prohibited from proceeding with planned exploration, development or operation of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations and parties that were engaged in operations in the past, may be required to compensate those suffering loss or damage by reason of such mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or the more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

#### *Substantial Capital Requirements and Liquidity*

The Corporation anticipates that it will have to make substantial capital expenditures for the acquisition, exploration, development and production of natural resources in the future. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or if, debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations or prospectus.

#### *Additional Funding Requirements*

From time to time, the Corporation may require additional financing in order to carry out its acquisition, exploration and development activities. Additional financings will be required to complete additional exploration programs. Failure to obtain such financing on a timely basis could cause the Corporation to



forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Lower commodity prices and general market conditions can affect the Corporation's ability to raise the necessary capital.

### *Environmental Risks*

All phases of the natural resources business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with operations. The legislation also requires that facility sites and mines be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of tailings or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Corporation to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

Companies engaged in the exploration and development of mineral properties generally experience increased costs, and delays as a result of the need to comply with applicable laws, regulations and permits.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in natural resource exploration and development activities may be required to compensate those suffering loss or damage by reason of its activities and may have civil or criminal fines or penalties imposed for violations of applicable laws of regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of natural resources companies, or more stringent implementation therefore, could have a material adverse impact on the Corporation and cause increases in capital expenditure or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

### *Regulatory Requirements*

Natural resource activities may be affected in varying degrees by political and financial instability, inflation and haphazard changes in government regulations related to this industry. Any changes in regulations or shifts in political or financial conditions are beyond the Corporation's control and may adversely affect the Corporation's business. Operations may be effected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of Corongo Property, environmental legislation and safety.

### *Reliance on Operators and Key Employees*

The success of the Corporation will be largely independent upon the performance of its management and key employees. The Corporation will not have any key man insurance policies and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on the Corporation. In assessing the risk of an investment in the Common Shares, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management of the Corporation.

### *Insurance*

The Corporation's involvement in the exploration for and development of natural resource properties may result in the Corporation becoming subject to liability for certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fire, floods, earthquakes, pollution, blow-outs, Corongo Property damage, personal injury or other hazards.

Although the Corporation will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable, or, in certain circumstances, the Corporation may elect not to obtain insurance to detail with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer, could have a material adverse effect on the Corporation's financial position, results of operations or prospects.

No assurance can be given that insurance to cover the risk to which the Corporation's activities will be subject will be available at all or at economically feasible premiums. Insurance against environmental risks (including potential for pollution or other hazards as a result of the disposal of waste products occurring from production) is not generally available to the Corporation or to other companies within the industry. The payment of such liabilities would reduce the funds available to the Corporation. Should the Corporation be unable to fund fully the costs of remedying an environmental problem, the Corporation might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

### *No Prior Trading*

Prior to the IPO, there was no public market for the Common Shares. Since the IPO, there has been limited trading of the Common Shares on the TSXV. The Corporation cannot predict at what price the Common Shares will trade and there can be no assurance that an active trading market will be maintained.

### *Availability of Equipment and Access Restrictions*

Natural resource exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

### *Conflict of Interest of Management*

Certain of the directors and officers of the Corporation are also directors and officers of other natural resources companies. Consequently there exists the possibility for such directors and officers to be in a

position of conflict. Any decision made by such directors and officers relating to the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with the Corporation and such other companies.

#### *Share Price Fluctuations*

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Corporation, lack of liquidity, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Corporation, general economic conditions, changes in commodity prices, changes in mineral reserves or resource estimates, results of exploration, changes in results of mining operations, legislative changes and other events and factors outside of the Corporation's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

The Corporation is unable to predict whether substantial quantities of Common Shares will be sold in the open market. Any sales of substantial quantities of Common Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Common Shares.

#### **Approval**

The board of directors of the Corporation has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.