

# GORILLA RESOURCES CORP.

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## FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF DECEMBER 19, 2011 TO ACCOMPANY THE UNAUDITED COMBINED INTERIM FINANCIAL STATEMENTS OF GORILLA RESOURCES CORP. (THE “COMPANY”) FOR THE FIRST QUARTER ENDED OCTOBER 31, 2011.

The following Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited combined interim financial statements of the Company for the three months ended October 31, 2011, and the audited financial statements of the Company for the year ended July 31, 2011, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and the notes thereto. All financial amounts are stated in Canadian currency unless stated otherwise.

This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of the Company. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undo reliance on these forward-looking statements. (See “Risks and Uncertainties” in this MD&A for more information).

### Overview of First Quarter 2011

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The first quarter was a positive one for the Company with the exploration of the Wels Property located in the Yukon Territory (see “Project Summaries and Activities” in this MD&A for more information).

The Wels Property consists of 136 unpatented mining claims. To acquire 100% right, title and interest in the Wels Property, the Company must make cash payments of \$15,900 upon signing (paid); make cash payments of \$15,450 upon the completion of a National Instrument 43-101 technical report (paid); issue 150,000 common shares on the sixth month anniversary (issued); make cash payments of \$25,000 and issue 100,000 common shares on or before September 30, 2012; make payments of \$40,000 on or before September 30, 2013, payable in cash, common shares, or a combination of cash and common shares; and make payments of \$80,000 on or before September 30, 2014, payable in cash, common shares, or a combination of cash and common shares. The Property is subject to a 3% Net Smelter Returns (“NSR”) in favour of the optionor. The Company has the right to buy back the NSR for a cash payment of \$750,000 for each 1%, to a maximum of \$1,500,000, at any time.

(see “Project Summaries and Activities” in this MD&A for more information).

On October 18, 2011 the Company announced the appointment of the Board as Scott Sheldon, Edward Reid, Donald Sheldon and Ranjit Pillai. The officers are Scott Sheldon as President, Chief Executive Officer and Corporate Secretary and Edward Reid as Chief Financial Officer.

The Company will continue to develop its exploration strategies with a view to maximizing shareholder value and focusing on its long term goal of moving the Company into production.

### Overall Performance and Description of Business

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The Company is an exploration stage company located at Suite 1825-925 West Georgia Street, Vancouver, BC, V6C 3L2, engaged in the acquisition, exploration and development of mineral resource properties located in Canada.

Orca Wind Power Corp. (“OWP” or the “Company”) was incorporated under Business Corporations Act (British Columbia) on November 2, 2010 as a wholly-owned subsidiary of Orca Power Corp. (“Orca”). On November 15, 2010, Orca entered into an arrangement agreement (the “Arrangement Agreement”) with OWP, among others, for the purposes of divesting certain non-core assets (the “Arrangement”), specifically, an investment in Katabatic Power Corp. which includes convertible debentures (\$490,000), promissory notes (\$79,000), cash

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advances (\$94,000), receivables (\$110,869) and 9,652,337 common shares, or approximately 48% of Katabatic Power Corp, a private British Columbia wind development company, all of which have been written down to \$1 on Orca's financial statements (the "Wind Assets"). The Arrangement received shareholder approval on December 29, 2010 and approval by the Supreme Court of British Columbia on January 10, 2011. The details of the Arrangement, pro-forma financial statements and all other relevant supporting documents are provided in an information circular which is available at [www.sedar.com](http://www.sedar.com).

On August 19, 2011, the Company incorporated a wholly-owned subsidiary NU2U Resources Corp. ("NU2U") to facilitate the spin-off of the Wind Assets. On August 24, 2011, the Company and NU2U entered into an arrangement agreement ("NU2U Arrangement"). Pursuant to the NU2U Arrangement, immediately prior to the completion of the Gorilla merger, the Company will transfer to NU2U all of the Company's interest in and to the Wind Assets in exchange for 23,849,615 shares of NU2U, which shares shall be distributed to the Company's shareholders.

On August 24, 2011, the Company entered into an Amalgamation Agreement with Gorilla Resources Corp. ("Gorilla").

On October 13, 2011, NU2U completed all outstanding obligations under the NU2U Arrangement by issuing a total of 23,849,615 common shares to the Company's shareholders of record as at September 29, 2011, as consideration for the transfer of certain investments in Katabatic Power Corp.

On October 14, 2011, OWP and Gorilla completed a statutory amalgamation under the provisions of the Business Corporations Act (British Columbia) (the "BCA") pursuant to which the continuing entity is the Company ("Amalco"). Pursuant thereto, Amalco issued a total of 11,722,480 common shares in its capital to the former shareholders of the Company and Gorilla. The share capital of the Company was converted on the basis of approximately one Amalco share for every 20 issued and outstanding common shares of the Company, and the share capital of Gorilla was converted on the basis of one Amalco share for each issued and outstanding common share of Gorilla.

The Company has been conducting exploration activities which have been focused on the Wels Property in the Yukon Territory. The Company's main performance activities in the first quarter were advancing this project (see "Project Summaries and Activities" in this MD&A for more information).

## **Results of Operations**

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### **Results of Operations – For the quarter ended October 31, 2011**

For the quarter ended October 31, 2011, the Company incurred a loss of \$222,304 (2010: \$nil). Significant expenses included exploration expenses of \$68,348 (2010: \$nil); legal fees of \$55,036 (2010: \$nil); share based compensation of \$37,854 (2010: \$nil); regulatory and shareholder services of \$26,605 (2010: \$nil); and audit and accounting fees of \$13,342 (2010: \$nil).

The overall objective of the first quarter was to advance its project, which was accomplished through its exploration expenditures on the Wels Property.

### **Summary of Quarterly Results:**

<b><u>2012/11 Quarterly Results:</u></b>	<b><u>4<sup>th</sup> Quarter</u></b>	<b><u>3<sup>rd</sup> Quarter</u></b>	<b><u>2<sup>nd</sup> Quarter</u></b>	<b><u>1<sup>st</sup> Quarter</u></b>
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss	-	-	-	(222,304)
Basic and diluted loss per share	-	-	-	(0.02)
Total assets	-	-	-	52,509
Working capital	-	-	-	11,148

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<b>2011/10 Quarterly Results:</b>	<b>4<sup>th</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>
Revenue	\$ -	\$ -	\$ -
Loss and comprehensive loss	(36,652)	-	-
Basic and diluted loss per share	(0.04)	-	-
Total assets	112,283	-	-
Working capital	62,498	-	-

\* No exercise or conversion is assumed during the years in which a net loss is incurred, as the effect is anti-dilutive.

### **Project Summaries and Activities**

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#### **CANADA**

##### ***Wels Property (Yukon Territory)***

Pursuant to an option agreement dated June 6, 2011, the Company was granted an option to acquire a 100% interest in the Wels property located in Whitehorse Mining District of the Yukon Territory, Canada. The Property covers an area of 2 295 hectares in three separate claim blocks; Wels West, Wels East and Wels South. The Property is located around Wellesley Lake in southwestern Yukon west of the community of Beaver Creek and close to the Alaska Highway and is part of the Tintina Gold Belt. The property consists of 110 quartz mineral claims and is subject to a 3% Net Smelter Returns ("NSR") in favour of the optionor. The Company has the right to buy back the NSR for a cash payment of \$750,000 for each 1%, to a maximum of \$1,500,000, at any time. To maintain and exercise the option, the Company must:

- Make cash payments of \$15,900 upon signing (paid);
- Make cash payments of \$15,450 upon the completion of a National Instrument 43-101 technical report (paid);
- Issue 150,000 common shares on the sixth month anniversary (issued);
- Make cash payments of \$25,000 and issue 100,000 common shares on or before September 30, 2012;
- Make payments of \$40,000 on or before September 30, 2013, payable in cash, common shares, or a combination of cash and common shares;
- Make payments of \$80,000 on or before September 30, 2014, payable in cash, common shares, or a combination of cash and common shares.

The Company acquired the services of All-In Exploration to conduct a soil sample program with the support of Capital Helicopters. The grid program was intended to follow up on the Mineral Assessment after the Yukon Geological Survey in 2002.

The results of the Mineral Assessment indicated that the Wels claims are located within tracts of relative highest mineral potential. The tracts were assessed for potential of Volcanogenic Massive Sulfide (Besshi/Cyprus Type), Gabbroic Nickel-Copper, Gold Quartz vein, Podiform Chromite and Epithermal Gold (high-sulfidation Type) deposits.

The summer sample program recovered approximately 800 samples over 2 weeks of field time. The samples were prepped in Whitehorse then sent to be assayed at ACME labs in Vancouver. Results are expected at the end of December.

#### **New Opportunities**

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The Company continues to evaluate mineral properties and is focused on deposits in Canada with economic merit and good logistics will be considered for acquisition.

#### **Outstanding Share Data**

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The Company has an authorized share capital of an unlimited number of common shares, of which 11,872,480 were issued and outstanding as at the date of this report.

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The Company has outstanding a total of 400,000 options with exercise prices of \$0.12 per share that expire on October 14, 2013.

### Related Party Transactions

During the three months ended October 31, 2011 the Company paid or accrued management fees of \$6,000 (2010 - \$nil) to a company owned by the President of the Company and rent of \$3,000 (2010 - \$nil) to a company owned by a director of the Company. The rent is, in turn, paid to the head landlord.

The remuneration of directors during the three months ended August 31, 2011 included share based compensation of \$37,854 (2010: \$nil). As at October 31, 2011, the Company owed \$6,279 to various directors and their companies and owed \$50,438 to a director for a loan borrowed by promissory note agreement.

### Liquidity and Solvency

The following table summarizes the Company's cash on hand, working capital and cash flow:

<b>As at</b>	<b>October 31, 2011</b>	<b>July 31, 2011</b>
Cash	\$ 3,652	\$ 80,933
Working capital	11,148	62,498
<b>Period Ended</b>	<b>October 31, 2011</b>	<b>July 31, 2011</b>
Cash used in operating activities	\$ (210,382)	\$ (18,217)
Cash used in investing activities	-	(31,350)
Cash provided by financing activities	133,101	130,500
Change in cash	\$ (77,281)	\$ 80,933

On November 2, 2010, OWP issued one common share at \$1.00 per share for proceeds of \$1. This amount is included in share subscriptions receivable at July 31, 2011.

On May 13, 2011, Gorilla issued 2,500,000 shares at \$0.005 per share for proceeds of \$12,500.

On July 26, 2011, Gorilla issued 7,500,000 shares at \$0.02 per share for proceeds of \$150,000, of which \$32,000 is included in share subscriptions receivable as of July 31, 2011. On August 8, 2011, \$32,000 was received from the shareholder as full payment for the shares subscribed for.

On July 15, 2011, OWP entered into a debt settlement for settlement of the \$6,000 debt by the issuance of 6,000,000 common shares. On August 10, 2011, OWP issued the 6,000,000 common shares as full settlement of the debt.

On August 10, 2011, OWP issued 17,849,615 common shares and effectively completed all outstanding obligations under the Arrangement (Note 7).

During the current period, and prior to the amalgamation on October 14, 2011, Gorilla issued 530,000 shares between \$0.05 per share and \$0.12 per share for total proceeds of \$40,100.

On October 14, 2011, OWP and Gorilla entered into an amalgamation agreement. Under the terms of the agreement, the common shares of OWP and the common shares of Gorilla were exchanged for the common shares of the amalgamated company, Gorilla Resources Corp. ("AMALCO") with each shareholder of OWP receiving one share of AMALCO for every twenty (20) shares of OWP and each shareholder of Gorilla will receiving one share of AMALCO for every one (1) share of Gorilla. In total, the Company issued 11,722,480 shares to former shareholders of OWP and Gorilla.

On September 29, 2011, the Company borrowed \$50,000 from a director by promissory note agreement. The loan is subject to an interest rate of 10% per annum, payable annually and due in full on September 29, 2013.

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In November 2011, the Company received \$21,250 in non-transferable contribution funds from the government of Yukon for financial assistance to carry out the Wels Property.

The Company intends to use the net proceeds raised from the private placement to advance work programs on its mineral property and for general working capital purposes.

The Company is dependent on the sale of treasury shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

### **Capital Resources**

The Company has no operations that generate cash flow and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable. The Company's primary capital asset is a resource property. Exploration expenditures are expensed as incurred.

The Company's resource property agreement is an option agreement and the exercise thereof is at the discretion of the Company. To earn its interest in the properties, the Company must incur certain expenditures in accordance with the agreements (see "Project Summaries and Activities" in this MD&A for more information).

The Company depends on equity sales to finance its exploration programs and to cover administrative expenses.

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

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The Company does not utilize off-balance sheet transactions.

### **Proposed Transactions**

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There are no proposed transactions that will materially affect the performance of the Company.

### **Accounting Policies**

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The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgements or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

#### *Critical Accounting Estimates*

The Company prepares its financial statements in accordance with IFRS, which require management to estimate various matters that are inherently uncertain as of the date of the financial statements. Accounting estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimate are reasonably likely to occur from period to period, and would materially impact the Company's financial statements. The Company's significant accounting policies are discussed in the unaudited combined interim financial statements. Critical estimates in these accounting policies are discussed below.

#### *Environmental Rehabilitation Provision*

The Company recognizes the fair value of a liability for environmental rehabilitation in the period in which the Company is legally or constructively required to remediate, if a reasonable estimate of fair value can be made, based on an estimated future cash settlement of the environmental rehabilitation obligation, discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The environmental rehabilitation obligation is capitalized as part of the carrying amount of the

associated long-lived asset and a liability is recorded. The environmental rehabilitation cost is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of environmental rehabilitation cash flows.

#### Share-based Payments

The Company has a share option plan which is described in Note 7 (c) of the unaudited combined interim financial statements for the three months ended October 31, 2011. The fair value of all share-based awards is estimated using the Black-Scholes Option-Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received, or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

None of the Company's awards call for settlement in cash or other assets. Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of share purchase options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for share purchase options that are forfeited before vesting are reversed from share-based payments reserve. For those share purchase options that expire or are forfeited after vesting, the recorded value is transferred to retained earnings (deficit).

#### Future Changes in Accounting Standards

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

The following new standards, amendments and interpretations will not have an effect on the Company's future results and financial position:

- IFRS 1: Severe Hyperinflation (Effective for periods beginning on or after July 1, 2011)
- IFRS 7 (Amendment): Financial Instruments: Disclosures: Transfers of Financial Assets (Effective for annual periods beginning on or after July 1, 2011 with early application permitted)
- IAS 12 (Amendment): Deferred Tax: Recovery of Underlying Assets (Effective for annual periods beginning on or after January 1, 2012, with early application permitted)

## **Financial Instruments**

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### **Designation and Valuation of Financial Instruments**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and due to/from related parties. Cash is designated as held for trading and carried at fair value, with any unrealized gain or loss recorded in the statement of operations. Interest income is recorded in the statement of operations. Receivables are classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities, and recorded at amortized cost using the effective interest rate method. The Company does not hold any derivative financial instruments.

The carrying value of receivables, accounts payable, accrued liabilities and due to/from related parties approximated their fair value because of the relatively short-term nature of these instruments. Cash, which is classified as held for trading and carried at fair value, has been determined using Level 1 inputs.

## **Risks**

### Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

### Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist of GST/HST receivable due from the Federal Government of Canada. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

### Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

### Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

### Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

## **Risks and Uncertainties**

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The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risk, including but not limited to, environmental, metal prices, political and economical.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its mineral property contains mineral reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

There is no guarantee that the Company will be able to contribute or obtain all necessary resources and funds for the exploration and exploitation of its permits, and may fail to meet its exploration commitments.

The property that the Company has an option to earn an interest in is in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration

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involves a high degree of risk and few properties, that are explored, are ultimately developed into producing mines.

Exploration of the Company's mineral property may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

### **Other**

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Additional information relating to the Company's operations and activities can be found by visiting the Company's website at [www.gorillaresources.com](http://www.gorillaresources.com) and [www.sedar.com](http://www.sedar.com).

### **Trends**

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Trends in the industry can materially affect how well any junior exploration company is performing. The price of precious metals remains high and as a result worldwide exploration is starting to pick up. Under the current economic conditions, the Company is advancing its property as quickly as possible while still remaining prudent when considering large cost items such as drilling and geophysics. Company management believes that the general upward trend will continue and that prices will be higher at the end of 2011.

### **Outlook**

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The outlook for precious metals continues to improve and this is reflected in the Company's ongoing activity. The prospect for financing the Company's projects is good and this will enable the Company to continue as a viable entity. The Property will require significant investment as it transitions into development stage projects.

### **Cautionary Statement**

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavours to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other actors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.