

**GIDEON CAPITAL CORP.**

**(a Capital Pool Company)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED JUNE 30, 2012**

## **Introduction**

This Management's Discussion and Analysis ("**MD&A**") is dated September 6, 2012, unless otherwise indicated and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2012 in addition to the audited financial statements of Gideon Capital Corp. (the "**Company**") for period from June 15, 2011 (date of incorporation) to March 31, 2012, and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. Results are reported in Canadian dollars, unless otherwise noted. The results presented for three months ended June 30, 2012, are not necessarily indicative of the results that may be expected for any future period.

The Company applies International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**"). These unaudited condensed consolidated interim financial statements for the three months ended June 30, 2012 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

Further information about the Company and its operations can be obtained from the offices of the Company or from [www.sedar.com](http://www.sedar.com).

## **Cautionary Note Regarding Forward-Looking Information**

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

## **Description of Business**

The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Ontario) on June 15, 2011. The authorized share capital of the Company consists of an unlimited number of common shares, without nominal or par value.

The Company's head office and registered and records office address is 36 Lombard Street, Suite 700, Toronto, Ontario, Canada M5C 2X3.

The Company's financial year end is March 31.

The Company is classified as a Capital Pool Company as defined in Policy 2.4 – *Capital Pool Companies* ("**Policy 2.4**") of the TSX Venture Exchange ("**Exchange**"). The Company has not commenced commercial operations and has no assets other than cash, prepaids and a loan receivable. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a transaction where the Company acquires significant assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means (a "**Qualifying Transaction**"). Any proposed Qualifying Transaction must be accepted by the Exchange.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Company's shares from trading.

The Company has not conducted commercial operations and it is focused on the identification and evaluation of businesses or assets to acquire. Until Completion of the Qualifying Transaction (as such term is defined in Policy 2.4), the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a Qualifying Transaction. Except as described in the Company's prospectus dated December 1, 2011, the funds raised pursuant to the Company's initial public offering (the "**Offering**") will be utilized only for the identification and evaluation of potential Qualifying Transactions and, to the extent permitted by Policy 2.4, for general and administrative expenses. While the Company has commenced the process of identifying potential acquisitions, it has not yet entered into a definitive agreement for any particular transaction.

On June 1, 2012, the Company entered into a formal Amalgamation Agreement with Monterra S.A. ("Monterra"). The Amalgamation, once completed, will constitute the Company's Qualifying Transaction, pursuant to Exchange Policy 2.4. For further details, please see the section entitled "Proposed Transaction", on page 5.

On June 13, 2012, the Company incorporated a wholly owned subsidiary under the laws of the Republic of Panama. This subsidiary will be used to complete the proposed Qualifying Transaction.

### **Discussion of Operations**

As at June 30, 2012, the Company was a CPC and had no business operations. Until the completion of its Qualifying Transaction, corporate expenditures were restricted to the costs of raising equity financing, administrative costs to maintain the Company in good standing and those costs necessary to identify and evaluate and close potential Qualifying Transactions.

**Gideon Capital Corp.**  
**(a Capital Pool Company)**  
**Management's Discussion and Analysis**  
**Three months ended June 30, 2012**  
**Discussion dated: September 6, 2012**

**Selected Quarterly Information**

A summary of selected information for each of the quarters presented below is as follows:

	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended December 31, 2011	Period From Incorporation (June 15, 2011) September 30, 2011
Expenses	\$45,749	\$261,233	\$3,650	\$7,345
Net loss and comprehensive loss	(\$42,888)	(\$261,233)	(\$3,650)	(\$7,345)
Total assets	\$549,100	\$600,326	\$492,505	\$nil
Net loss per share, basic and diluted	(0.00)	(\$0.03)	(\$0.00)	(\$0.00)
Cash, end of period	\$271,244	\$548,066	\$471,255	\$Nil

Three months ended June 30, 2012

The Company's net loss totaled \$42,888 for the three months ended June 30, 2012 with a basic and diluted loss per share of \$nil. The net loss is principally related to professional fees, sundry office and bookkeeping expenditures and was offset by interest income of \$2,861, \$2,567 of which is attributable to accrued interest on the Company's loans receivable.

Three months ended March 31, 2012

The Company's net loss totaled \$261,233 for the three months ended March 31, 2012 with a basic and diluted loss per share of \$0.03. The net loss is principally related to the fair value ascribed to the fourth quarter option grant and costs associated with the preparation and filing of the Company's year-end financial statements.

Three months ended December 31, 2011

The Company's net loss totaled \$3,650 for the three months ended December 31, 2011, with basic and diluted loss per share of \$nil. The net loss is principally related to sundry office and bookkeeping expenditures.

Period from Incorporation (June 15, 2011) to September 30, 2011

The Company's net loss totaled \$7,345 for the period from Incorporation (June 15, 2011) to September 30, 2011, with basic and diluted loss per share of \$nil. The net loss is principally related to sundry office and bookkeeping expenditures.

### **Liquidity**

At June 30, 2012, the Company had working capital of \$534,366. The Company manages its capital structure and makes adjustments to it, based on available funds to the Company. Capital levels for capital pool companies are regulated pursuant to guidelines issued by the Exchange. These guidelines state that proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until Completion of the Qualifying Transaction by the Company. Management believes the Company's working capital is sufficient for the Company to meet its ongoing obligations and meet its objective of completing its Qualifying Transaction.

### **Capital Resources**

The following financings have been completed by the Company:

<b>Date</b>	<b>Gross Proceeds</b>	<b>Type of Transaction</b>
October 24, 2011	\$100,000	Private Placement
October 25, 2011	\$400,000	Private Placement
January 27, 2012 <sup>(1)</sup>	\$250,000	Initial Public Offering

<sup>(1)</sup> On January 27, 2012 the Company completed the Offering by issuing 2,500,000 common shares at a price of \$0.10 per common share pursuant to Policy 2.4.

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

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

### **Proposed Transaction**

On June 1, 2012, the Company entered into a formal Amalgamation Agreement (the "Amalgamation Agreement") with Monterra S.A. ("Monterra") pursuant to which the Company will complete a "three-cornered amalgamation" (the "Amalgamation") whereby the Company will acquire all of the issued and outstanding common shares of Monterra (each, a "Monterra Share") on terms described in the Letter of Intent. The Amalgamation, when completed, will constitute the Company's "Qualifying Transaction" pursuant to Exchange Policy 2.4.

Pursuant to the Amalgamation Agreement, Gideon has incorporated a wholly-owned subsidiary, Gideon Acquisition Corp., under the laws of the Republic of Panama, which will amalgamate with Monterra to form an amalgamated entity ("Amalco"), and all of the shareholders of Monterra will exchange all their Monterra Shares for common shares of the Company (each, a "Gideon Share") on a one-for-one basis. Upon completion of the Amalgamation, Amalco will be a wholly-owned subsidiary of the Company.

In accordance with the terms and conditions of the Amalgamation Agreement, it is anticipated that the Company will issue approximately 75,000,000 Gideon Shares in exchange for all of the issued and outstanding Monterra Shares. At the effective time of the Amalgamation, each share purchase option ("Monterra Option") and share purchase warrant ("Monterra Warrant") of Monterra outstanding will,

without any further action on the part of the holder of such Monterra Option or Monterra Warrant, be replaced with a Gideon share purchase option or share purchase warrant, as the case may be, on substantially the same terms and conditions as were applicable under the particular Monterra Option or Monterra Warrant.

The Amalgamation is subject to the conditional approval of the Exchange and all other applicable regulatory approvals. The completion of the Amalgamation is also subject to additional conditions precedent, including, among other things, shareholder approval of Monterra and the completion of a brokered private placement by Monterra (the "Monterra Private Placement") of subscription receipts (each, a "Subscription Receipt") at a price of \$0.35 per Subscription Receipt, for gross proceeds of a minimum of \$5,000,000 and a maximum of \$10,000,000, to be completed on or before the closing of the Amalgamation. Upon the satisfaction of certain release events, including, among other things, the completion or satisfaction of all conditions precedent to the Amalgamation and the receipt of shareholder and applicable regulatory approvals required for the Amalgamation, each Subscription Receipt will be deemed to be exchanged, without any further payment on the part of the holder thereof, into one unit of the Company, consisting of one Gideon Share and one-half of a common share purchase warrant of the Company (each whole warrant, a "Gideon Warrant"). Each Gideon Warrant will entitle the holder thereof to purchase one additional Gideon Share for a period of twenty-four months at an exercise price of \$0.45 per Gideon Share in the first twelve months and an exercise price of \$0.55 per Gideon Share in the second twelve months, subject to acceleration.

On May 1, 2012, as part of the Proposed Transaction, the Company granted a secured promissory note of \$225,000 to Monterra that bears interest at 0.5% per month, compounded monthly. The principal and accrued interests are payable at maturity which is the earlier of May 31, 2013 or completion of the Proposed QT. The loan will be used by Monterra to cover its portion of the Proposed QT transaction costs.

The loan is secured by a pledge agreement dated May 1, 2012 made between the parties that pledge all of the issued and outstanding shares of Terrasources Minerals S.A., a wholly owned Ecuadorian subsidiary of Monterra, as security.

As at the date of this document, the Amalgamation has not been completed. The parties are still negotiating.

### **Related Party Transactions**

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

There were no related party transactions for the three months ended June 30, 2012 or for the period from incorporation (June 15, 2011) to June 30, 2011.

### **Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks Factors" in the Company's management's discussion and analysis for the period ended March 31, 2012, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Future Accounting Pronouncements**

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the Company's management's discussion and analysis for the period ended March 31, 2012, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Financial Instruments**

The Company's financial instruments consist of cash, loan receivable and accounts payable and accrued liabilities. The Company's financial risk exposure and the impact of the Company's financial instruments are summarized below:

#### Credit Risk

All of the Company's cash is held at one financial institution which is a Canadian Chartered Bank in which Management believes that the risk of loss is minimal but the Company is subject to concentration of credit risk.

#### Liquidity Risk

The Company does not have any borrowings nor does it have any capacity to borrow funds. The liquidity risk of the Company is that it may not have sufficient funds to meet financial obligations as they fall due. However, as at March 31, 2012, the Company had working capital of \$534,366. As a result, the Company is not exposed to any liquidity risk, and has sufficient funds to meet its ongoing obligations and meet its objective of completing a Qualifying Transaction.

#### Interest Rate Risk

It is management's opinion that the Company is not exposed to significant interest risk arising from these financial instruments.

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Fair Value

Fair value of financial instruments is as follows as at June 30, 2012:

	<u>Book value</u>	<u>Fair value</u>
Cash	\$ 271,244	\$ 271,244
Loan receivable	252,567	250,000
Accounts payable and accrued liabilities	14,734	14,734

**Critical Accounting Estimates**

The preparation of the Company's financial statements requires management to make certain estimates that affect the amounts reported in the financial statements. The accounting estimates considered to be significant include estimates of stock-based compensation.

The Company uses a Black-Scholes model to determine the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparable entities in the estimate of future volatilities.

**Subsequent Events**

There are no reportable subsequent events.

**Capital Management**

The Company's objective when managing its capital is to ensure sufficient equity financing to fund a Qualifying Transaction in a way that maximizes the shareholders' return given the assumed risks of its operations. The Company considers shareholders' equity as capital. The Company may raise additional capital through the equity markets as additional capital is required. The Company is not subject to any externally imposed capital requirements and does not currently utilize any quantitative measures to monitor its capital.

**Additional Disclosure for Venture Issuers without Significant Revenue**

	Three Months Ended  June 30,  2012	Three Months Ended  March 31,  2012	Three Months Ended  December 31,  2011	Period From Incorporation (June 15, 2011)  September 30,  2011
Share-based compensation	\$nil	\$171,787	\$nil	\$nil
Professional fees	\$36,024	\$60,126	(\$nil)	(\$nil)
Office and general	\$9,725	\$29,320	\$3,650	\$7,345



### **Outlook**

For the immediate future, the Company intends to evaluate direct or indirect acquisitions of assets to complete a Qualifying Transaction. The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

### **Disclosure of Outstanding Share Data**

As of the date of this document, the Company had 12,500,000 issued and outstanding common shares. In addition the Company had 250,000 outstanding stock options issued to an agent exercisable for 250,000 common shares at \$0.10 per common share until February 3, 2014 and 1,250,000 stock options issued to the officers and directors of the Company exercisable for 1,250,000 common shares at \$0.10 per common share until January 27, 2022. Therefore, the Company had 14,000,000 common shares on a fully diluted basis.