This "Management's Discussion and Analysis" has been prepared as of January 30, 2012 and should be read in conjunction with the Company's 1) condensed consolidated interim financial statements for the six months ended November 30, 2011. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board; and 2) the audited consolidated financial statements and related notes thereto for the year ended May 31, 2011 (the "Financial Statements"), which have been prepared in accordance with Canadian Generally Accepted Accounting Principles. All amounts in the financial statements and in this discussion and analysis are expressed in Canadian dollars, unless otherwise indicated.

FORWARD LOOKING INFORMATION

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Oroco Resource Corp. ("Oroco" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate," "believe," "estimate," "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward looking statements. This MD&A contains forward looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

THE COMPANY

The Company was incorporated under the British Columbia Business Corporations Act on July 7, 2006. The Company's head office is located at Suite 789, 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2. The Company and its subsidiaries are engaged in the acquisition, exploration and development of mineral properties in Mexico with a primary focus on the accelerated exploration and development of its advanced stage polymetallic Cerro Prieto property in Sonora State, Mexico.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "OCO", and it also trades on the Frankfurt Stock Exchange Open Market under the trading symbol "OR6" and the US OTC exchange under the trading symbol "ORRCF.PK". The Company's website address is: "www.orocoresourcecorp.com".

The Company has three wholly owned subsidiaries: Minera Polimetalicos Mexicanos, S.A. ("Polimetalicos"); Minas de Oroco Resources, S.A. de C.V. ("Minas de Oroco") and Minera Xochipala S.A. de C.A. ("Minera Xochipala"). Minas de Oroco and Minera Xochipala are used to hold the Company's Mexican mining concessions and to conduct business in Mexico. Polimetalicos, 100% owned directly by the Company, is a holding company which holds 98% (49 of 50 shares) of Minas de Oroco (the other 2%, being 1 share, is held by Minera Xochipala). Minera Xochipala is 98% (49 of 50 shares) directly owned by the Company, with 2% (1 share of 50) held by Minas de Oroco.

THE COMPANY cont'd

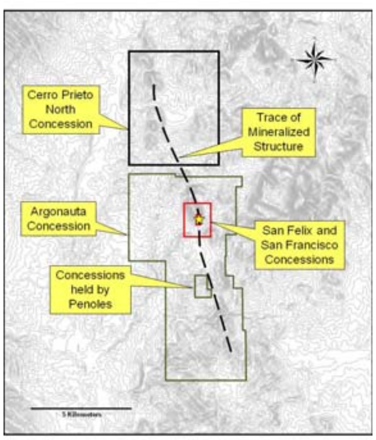
The Company's principal property is the Cerro Prieto Property, for which the Company has received a positive preliminary economic assessment. The Company is in the process of developing the Cerro Prieto Property with the intent of putting an open pit, heap leach gold mine and refinery into production. The recoverability of amounts shown for mineral properties and related deferred exploration expenditures are dependent upon the ability of the Company to obtain necessary financing to complete the development of the mineral properties and upon future profitable production or proceeds from the disposition thereof.

MINERAL PROPERTIES

Cerro Prieto Property, Sonora State, Mexico

The Cerro Prieto Property (see figure below), located in the Cucurpe Mining District, Sonora, Mexico, is comprised of the San Felix (205 ha), San Francisco (10 ha), Cerro Prieto "North" (2,508 ha) and Argonauta 6 (4,120 ha) mineral concessions.

During the past month, three new concessions were added to the property package. The 5.82 ha Elba Concession, located within existing concessions, covers a 250 meter extension of the currently delineated resource. The 20.0 ha Huerto de Oro and 9.79 ha Reyna de Plata concessions are located approximately four kilometers east of the Cerro Prieto Property and cover four small historic mining operations . The title all of these concessions are held by Minas de Oroco.



The Cerro Prieto Property is 52 road kilometers from the regional centre of Magdalena de Kino (population 40,000) and 150 kilometers northeast of the city of Hermosillo. Major electricity transmission lines are less than five kilometers from the project and water is also available within five kilometers. A major highway connects Magdalena de Kino with Hermosillo to the south and the state of Arizona, USA 80 kilometers to the north. The heart of the Cerro Prieto Property and the site of all drilling conducted by the Company in its exploration programs, is the San Francisco and San Felix mineral concessions (the "SF Concessions").

The San Francisco concession contains the past producing Cerro Prieto Mine and polymetallic (Pb-Zn-Au-Ag) deposit. Mineralization is contained within a 25 to 65 meter thick shear zone which cuts all units from Jurassic to Lower Tertiary in age and which extends from surface to below the lowest level of the historic workings (a depth of approximately 335 meters), is open at depth and to the north and south. Within this shear zone are series of veins, secondary veins, stringers zones, brecciation and silicification, which, together, produce a continuous mineralized zone 25 meters to 65 meters thick. This principal structure is a regional structure that can be traced for approximately 10 kilometers north and south of the Cerro Prieto Mine with approximately 17.5 kilometers of strike length potential contained on the Cerro Prieto Property.

MINERAL PROPERTIES cont'd

Cerro Prieto Property Phase One Exploration Program - 2008

SF Concessions

In 2008, the Company conducted a 6,000 meter diamond drill program on the SF Concessions to confirm a historical resource calculated by Morgain Minerals in 1998 and to expand on the resource to depth and along strike. The program was designed to intersect the mineralized structure at 100 meter intervals along strike and down dip. The Phase One program (24 holes, 5,975.1 meters) tested the mineralized structure on the SF Concessions (the "Cerro Prieto Mineralized Zone") over a 900 meter strike length to a maximum depth of 400 meters below surface. The mineralized structure was intersected in all but two holes, which were abandoned due to bad drilling conditions prior to intersecting the zone.

Results for all holes have been reported in press releases. Highlights include thick intersections (up to 65.4 meters true thickness) of combined gold, silver, lead and zinc values that may be amenable to open pit extraction as well as thinner intersections of high grade mineralization. The Company also completed a trenching program at 50 meter intervals along the strike of the Cerro Prieto Mineralized Zone. It is significant that, although all trenches did not fully cross the zone due to open stopes or difficult topographic conditions, each section produced assays of potential economic significance and outlined the mineralized zone over a strike length of 1,250 meters.

Using the 2008 drill and trench results the Company obtained a NI 43-101 compliant technical report dated April 14, 2009 (the "Report") from Gary Giroux, P. Eng, and Duncan Bain, P. Geo, which provided the Company with resource estimates with regard to the 600 metres of strike length, to a maximum depth of 350 metres (see the following table). As the areas of the higher grade gold and the higher grade zinc overlap, but are not totally coincident, resource estimates were calculated using first a gold cut-off and, second, using a zinc cut-off. As the zinc cut-off estimates contain many of the same blocks as included in the gold cut-off estimates, the zinc cut-off estimates should not be added to the gold cut-off estimates. In the opinion of Giroux, these resource estimates indicate a potential open pit scenario. (For tables of resources at different cut off grades please refer to the Report filed on Sedar).

Cerro Prieto "North" Concession

The northwest striking structural zone which hosts the Cerro Prieto Mineralized Zone found on the SF Concessions can be traced for approximately 4.8 kilometers across the Cerro Prieto "North" concession.

During 2008, a preliminary surface sampling program was undertaken to sample surface exposures of the proposed extension of the structure hosting the Cerro Prieto Mineralized Zone. Highlights of the sampling are presented in the following table.

Sample	Length (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
FCO 001	1.2	0.342	93.2	0.34	0.28
FCO 002	0.6	2.110	142.0	0.90	0.24
FCO 003	0.9	0.851	31.6	0.30	0.22
FCO 004	grab	0.090	31.0	0.09	0.04
FCO 005	1.2	2.180	134.0	0.44	0.43
FCO 006	1.1	1.960	139.0	0.23	0.26

MINERAL PROPERTIES cont'd
Cerro Prieto Property Phase One Exploration Program – 2008 cont'd
***Cerro Prieto "North" Concession* cont'd**

Sample	Length (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
FCO 007	1.3	0.268	200.0	0.15	0.24
FCO 008	0.4	0.330	143.0	0.26	0.09
FCO 009	0.85	1.240	132.0	0.22	0.08
FCO 010	Grab	0.194	87.8	0.17	0.09
FCO 011	0.4	0.146	107.0	0.24	0.20
FCO 012	0.3	0.084	33.3	0.05	0.07
FCO 013	0.3	0.162	111.0	0.07	0.10
FCO 014	0.8	0.400	47.9	0.32	0.79
FCO 015	1.0	1.700	115.0	2.26	3.17
FCO 016	0.5	0.031	1.1	0.04	0.04
FCO 017	1.0	0.616	28.9	0.71	1.40

Cerro Prieto Property Phase Two Exploration Program – 2009

Surface Sampling

As part of the Phase Two exploration program, 122 samples were taken along 900 meters of outcropping vein structure on the Argonauta 6 concession on strike with the Cerro Prieto Mineralized Zone, starting at the northern boundary of the SF Concessions. The samples returned high grade or anomalous gold values along the entire strike length tested. The samples were selectively taken across areas of veining, brecciation or fault gouge only where they are exposed – no physical trenching was attempted. All samples are channel samples, with the exception of two which are composite grab samples. In the collection of channel samples attempts were made to get equal volumes of each rock type in the sample.

Sampling results are grouped into five geographic areas identified on a map which can be viewed at http://www.orocoresourcecorp.com/projects-Cerro-Prieto-Project-Maps-and-Sections.html).

In summary, the sampling program confirmed the extension of the Cerro Prieto Mineralized Zone over a strike length of 900 meters in addition to the 1,250 meters outlined by Oroco's 2008 Phase One drilling and trenching program. The complex structural regime and the high associated gold assays at the north end of the zone are indications of extensive ground preparation with the potential for associated strong mineralization.

Drilling

Resource Expansion Drilling

Phase Two exploration at the Cerro Prieto Property was completed in December 2009. Two drills completed a total of 8,575.9 meters in 42 holes. The drill program focused on the expansion of the Cerro Prieto Mineralized Zone in the SF Concessions on strike to the north of the 2008 resource area, the infill drilling of that portion of the 2008 resource area (the "Resource Area") considered to have the potential to be the site of initial mining, and a preliminary assessment of the Argonauta 6 concession. Approximately 1,500 meters of strike length of the structure was tested in this phase of exploration.

MINERAL PROPERTIES cont'd
Cerro Prieto Property Phase Two Exploration Program – 2009 cont'd
***Drilling* cont'd**

A total of 16 of the holes were drilled on the SF Concessions directly north of the Resource Area at 100 meter intervals along strike and to depth to attempt to add resources in the oxide zone. Three holes were drilled into the sulphide zone and eight drill holes were completed on the Argonauta 6 concession along the strike of the Cerro Prieto Mineralized Zone to the north of SF Concessions. The remaining 16 holes were infill holes in the upper section of the Resource Area. Results of significant intersections have been reported in press releases issued in 2009 and are available on the Company's website.

At the north end of this drilled area, a post-mineralization crosscutting structure has vertically displaced the geological units between 150 and 200 meters. The near surface geology consists of porous coarse felsic pyroclastics that diffused the mineralization as it was deposited. Although the structure continues through this area, the mineralizing fluids ascending the structure were not as constrained as to the south. The company has only drilled four widely space holes testing the structure in the 1.5 kilometer strike length of the exposed structure and will be testing this area in more detail in the future.

Infill Drilling

A total of 16 holes were drilled at the upper section of the Resource Area to close the drill spacing to 50 meters in an area that is considered to have the potential to have a higher than average grade and a low strip ratio. Results of the holes are presented in press releases.

Drilling in Sulphide Zone

Three holes were drilled to test the sulphide zone identified in 2008 by CP011, which intersected 30 metres of 0.15 gram per tonne (g/t) Au, 13.3 g/t Ag, 0.14% Cu, 0.74% Pb and 2.02% Zn, including 8.5 metres of 0.19 g/t Au, 79.6 g/t Ag, 0.78% Cu, 3.71% Pb and 6.13% Zn. .
Although the mineralized zone was intersected in all holes, the grades and thicknesses were less than those obtained in CP011. The program of drilling in the sulphide zone only covered a small portion of the 17.5 kilometer strike length of potential mineralization of this type.

Phase Two Resource Estimates

The Company submitted the data from its 2009 Phase 2 exploration program to an independent geologist to prepare an updated resource calculation. The results of 14,551 meters of drilling in 66 holes now outlines a zone containing potentially economic gold oxide resources over a strike length of 1,000 meters to a depth of approximately 300 meters from the crest of the hill which hosts the mineralization.

The following table shows the estimated oxide gold resource tonnages with their associated grades:

MINERAL PROPERTIES cont'd
***Phase Two Resource Estimates* cont'd**

Category	Tonnes	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
Measured	3,740,000	1.10	15.82	0.19	0.52
Indicated	11,000,000	0.71	11.82	0.38	1.14
Measured and Indicated	14,740,000	0.81	12.83	0.33	0.98
Inferred	281,000	0.66	12.55	0.22	0.74

The following table shows the gross contained metal present within the estimated resources from the oxide gold resource noted in the previous table:

Category	Tonnes	Au (ounces)	Ag (ounces)
Measured	3,740,000	132,028	1,902,286
Indicated	11,000,000	251,805	4,180,304
Measured and Indicated	14,740,000	383,833	6,080,256
Inferred	281,000	5,918	113,383

The current NI 43-101 compliant resource calculation was estimated by Gary Giroux of Giroux Consulting Ltd. using ordinary kriging utilizing a geologic model and all of the data from the two drill programs. The current calculation uses a 0.25 g/t cutoff, which is considered to be the average of cutoffs used for resource calculations for similar deposits in the region.

The current calculation elevates a significant portion of the resource to a higher level of certainty, with 34% classified as Measured, 64% as Indicated, and 2% as Inferred. The previous resource was predominantly classified in the Indicated category with a very small Inferred component. The Measured portion of the resource is the upper portion of the deposit which has been designated as the first area to be considered for mining from both a logistical and an economic perspective.

Grades in this zone are higher than the average of the overall deposit and strip ratios are anticipated to be low due to the resource's setting at the crest of a topographical high.

Metallurgy

The Company retained Kappes Cassidy & Associates ("KCA"), of Reno Nevada, under the direction of the Company's metallurgical consultant, A.H. Winckers & Associates Inc., to conduct column leach tests of four representative composite samples of mineralized material taken from four separate areas of the Cerro Prieto deposit. Test work at KCA was under the supervision of Terence Albert, manager of Laboratory Services and Daniel Kappes, PEng, qualified person for KCA. A summary of the column test recovery results is presented in the following table:

MINERAL PROPERTIES cont'd
Metallurgy cont'd

Zone	Size (mm)	Head Grade (g/t)	Days	Extracted Gold (%)	NaCN (kg/t)	Ca(OH)2 (kg/t)
1	25.0/6.3	0.95	140	80	0.74	2.02
2	25.0/6.3	0.79	140	66	0.91	2.05
3-Upper	6.3	1.50	214	60	3.16	7.50
3-Lower	6.3	0.90	214	79	3.31	7.50

Additional metallurgical testing is being planned to further refine the extraction process.

Zone 1 encompasses the first 550 meters of the mineralized zone, measured horizontally from the south end of the deposit and from surface to a depth of 150 meters. The sample taken from this zone was a composite of mineralized core from four drill holes. Zone 1 hosts the higher grade material in the deposit and, being situated at the top of the deposit, would potentially be the first area mined.

Zone 2 encompasses the area immediately below Zone 1 to a depth of approximately 350 meters. The sample from this zone was a composite of mineralized core from eight drill holes.

Zone 3 – Upper encompasses the 400 meters of strike length immediately to the north of Zone 1 to a depth of 150 meters. The mineralized sample was taken from four drill holes.

Zone 3 – Lower encompasses the area immediately below Zone 3 – Upper to a depth of 300 meters. The mineralized sample was taken from six drill holes.

Column leach tests on the samples from Zone 1 and Zone 2 were initially conducted at minus 25 mm and minus 12.5 mm crush sizes. After 98 days of leaching, gold extraction ranged from 68% for a Zone 1 sample to 47% for a Zone 2 sample, with sodium cyanide consumption ranging from 0.74 kg/t to 0.91 kg/t and hydrated lime additions ranging from 2.02 kg/t to 2.05 kg/t. After 98 days, the minus 25 mm sample was crushed to 6.3 mm and retested. Indicated cumulative results are 80% from the Zone 1 sample and 66% from the Zone 2 sample.

Column leach tests on the samples from Zone 3 – Upper and Zone 3 – Lower used a 6.3 mm crush size. Results to date show recoveries of 79% from the Zone 3 – Lower sample and 60% for the Zone 3 – Upper sample.

Environmental Study

The Company retained Clifton Associates Ltd. to conduct an initial environmental base line study on that portion of the Cerro Prieto Properties which may be relevant to a possible open pit mining operation. The dry season phase of the preliminary base line study has been completed and the results indicate that there are no apparent factors which would restrict a potential mining operation.

The Company retained Consultores En Planeacion Estrategica y Mejora Continua S.C. in August 2011 to conduct the wet season study and to prepare an environmental impact statement, risk assessment and change of land use study as required for its application for the appropriate mine operating permits.

MINERAL PROPERTIES cont'd

Preliminary Economic Assessment

The Company retained Moose Mountain Technical Services ("Moose Mountain"), an independent engineering firm, to prepare a preliminary economic assessment based on the results of the 2008 Phase One and 2009 Phase Two exploration programs.

The Company also retained Sonoran Resources, LLC ("Sonoran") of Somerton, Arizona to complete capital and operational cost estimates for potential mining operations of the Cerro Prieto deposit based on a 2,100 tonne per day operating output. The Company chose Sonoran to prepare these estimates because they had just completed the successful planning, construction and commissioning of SilverCrest Mines Inc.'s Santa Helena mine located approximately 60 kilometers from Cerro Prieto. The Santa Elena mine has a production rate of 2,500 tonnes per day and has very similar characteristics, with respect to logistics, ore type and extraction techniques, to those of the Cerro Prieto deposit.

The Company provided the updated resource calculation, the metallurgical data and the costing estimates to Moose Mountain for preparation of the Preliminary Economic Assessment. The PEA focuses on extracting the higher grade portion of the oxide zone of the deposit in the initial years of mining operations and demonstrates robust economics using a $1,000 (US) per ounce gold price and an $18 per ounce silver price.

Summary of Estimates:

Base Case ($US1,000/oz. Au and $US18/oz. Ag):

Net Cash Flow:	$US 45.75 million
Net Present Value (NPV) 5% Discount Rate:	$US37.45 million
Internal Rate of Return:	92%
Payback Period:	0.84 years
Mine Life:	8 years
Processing Rate (Minimum):	545,000 tonnes/year
Capital Costs:	$US22.2 million
Cash Costs per Au ounce:	$US430

A Summary of Returns using different gold and silver prices is as follows:

Case	Gold ($US/oz)	Silver ($US/oz)	Undiscounted Cash Flow (millions USD)	NPV at 5% (millions USD)	IRR %	Payback (years)
Base case	$1,000	$18.00	$45.75	$37.45	92	0.84
Base case + 20%	$1,200	$21.60	$70.44	$58.25	129	0.66
Spot price	$1,350	$29.00	$89.54	$74.32	157	0.57

MINERAL PROPERTIES cont'd
***Preliminary Economic Assessment* cont'd**

The study was based on measured and indicated resources, using the resource estimate prepared by G. Giroux, P.Eng., that is detailed in a report dated June 10, 2010 and titled (in part) "A Resource Estimation on the Cerro Prieto Project." Economic pit optimization was run using a $1,000 per ounce gold price and an $18 per ounce silver price.

The PEA was conducted by a group of experienced independent consultants under the direction of Qualified Person Jim Gray, P.Eng., of Moose Mountain Technical Services. Additional consultants with input into the PEA include Art Winckers, P.Eng., of A. H. Winckers and Associates Inc. (metallurgy); Jenna Hardy, P.Geo., Principal of Nimbus Management Ltd. (environmental); Rafael Sanchez, of Sonoran Resources LLC (capital and operating costs); and Ken Thorsen, P.Eng., an Oroco director who was responsible for oversight.

Per the PEA, a total of 4,723,000 million tonnes of leach feed could be mined over an eight year period which would consist of three types of material that will differ in methods of processing. The High Grade and Medium Grade ore will be crushed to minus 6.25 mm and will be heap-leached using cyanide. Recoveries from preliminary metallurgical tests are estimated at 77% for gold and 5% for silver. The overall strip ratio for this mining scenario is 3.35:1

1. High Grade Heap Leach Ore – Totaling 2,119,000 tonnes, this ore will be mined and processed during the initial four years of mine life and grades 2.08 g/t gold and 26.83 g/t silver.
2. Medium Grade Heap Leach Ore – Totaling 1,791,000 tonnes, this will be mined and stockpiled in the first four years, and is currently scheduled to be processed during the final half of the proposed production period, unless pre-empted by the availability of newly identified higher grade ore.
3. Dump Leach Ore – Totaling 813,000 tonnes, this lower grade ore will be leached without crushing. Current estimates indicate that 40% of the gold and 5% of the silver is recoverable utilizing this extraction method.

Gold equivalent production for the four years of initial operations totals 112,000 ounces. Cash costs for this initial four year period are $US400 per ounce.

OPERATING COSTS calculated by Sonoran Resources LLC are as follows:

Operating cost allocations:		$US/Tonne Leach Feed
Mining ($1.37/t; 3.35:1 strip ratio)	5.96	
Processing	3.55	
Crushing	1.20	
General and Administration	1.00	
Total Operating Costs per tonne of Leach Feed:		11.71

MINERAL PROPERTIES cont'd
***Preliminary Economic Assessment* cont'd**

CAPITAL COSTS calculated by Sonoran Resources LLC are as follows:

Capital Cost Allocations:		$US (Million)
Fixed Investments	14.92	
Engineering, Procurement, Construction	1.79	
Contingency (20% of Fixed Investments)	2.98	
Working Capital	2.51	
Total Capital Costs:		22.20

The technical report demonstrating the supporting information for the PEA was completed and filed on SEDAR by January 28th, 2011. It was also posted on the Oroco web site. Included in the report are the following recommendations:

1. Further metallurgical tests to quantify the recovery of metals from the low grade uncrushed ore.
2. Further metallurgical tests intended to identify methods by which the recovery rate of the silver from the ore may be increased.
3. Further exploration to the immediate south of the current resource with the intention of adding near term resources.
4. Further exploration directly north of the deposit to more positively define the size and grade of resources that currently show a prohibitive strip ratio if mined on an open pit basis, but may be possible to extract by an adit from the pit highwall proposed in the current PEA.
5. Further exploration along the cumulative 15 kilometer strike extensions to the north and south of the structure that hosts the Cerro Prieto deposit, including at Cerro Prieto North (five kilometers north of the proposed open pit) where the company has defined mineralization on surface of similar tenure to the Cerro Prieto mineralization.
6. Further environmental field work to conclude studies required for permitting.

The PEA is preliminary in nature and while this assessment has not included Inferred Mineral Resources the engineering parameters of the project are at scoping level. As such they are considered too speculative to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that all or any part of the mineral resource will be converted into mineral reserves.

Since the receipt of the PEA report, the Company has engaged Sonoran to conduct preconstruction activities. A formal contract to complete all engineering, procurement, and construction management has been finalized with Sonoran.

MINERAL PROPERTIES cont'd

South Extension Sampling Program

On March 7, 2011 the Company announced that it had extended the mineralized zone over 500 meters to the south from the current resource area which was the subject of the previously described preliminary economic assessment.

The Company conducted a surface sampling program from Line 150N (the southern edge of the resource area) along approximately 500 meters of strike extension to line 350S. The samples were taken only where the mineralized zone was exposed and no attempt was made to extend those exposures.

The samples from 150 N to 000 were previously stated in a press release of November 28, 2008 reporting surface sampling from 000 to 1250 N.

Line 000 to 250S are contained within the Elba concession, a 5.82 ha concession to which the Company holds a right to purchase (along with the 20 ha Huerto De Oro and 9.79 ha Reyna de Plata concessions which lie to the east of the Cerro Prieto Project).

The results of the sampling program have formed the basis for a drill program commenced in December, 2011 to potentially increase the size of the Cerro Prieto deposit.

Pre-Production Program and Activities

Engineering, Procurement and Construction Management ("EPCM")

After receipt of positive results from the Preliminary Economic Assessment, the Company began to introduce the components necessary to advance the Cerro Prieto Project to production.

A preliminary agreement was signed early in 2011 with Sonoran Resources which contracted Sonoran to prepare the project for production. On August 30, 2011 the Company announced the signing of the final Engineering, Procurement and Construction Management ("EPCM") agreement with Sonoran. Under the terms of the agreement Sonoran will provide all services with respect to construction of the mine through to "first pour." In consideration for these services, the Company will pay Sonoran a monthly fee of US$ 260,900 to a maximum aggregate of US$3,130,800. In addition, subject to the approval of the TSX Venture Exchange and the successful completion of a series of construction milestones, the EPCM requires the Company to issue to Sonoran an aggregate total of 1,000,000 common shares of the Company and 500,000 options to purchase common shares of the Company at a price of $0.30 per share for a period of three years from the date of the EPCM agreement.

Surface Rights

On June 17, 2011, the Company entered into a lease agreement (the "Lease Agreement") for a seven year lease of a 1,050 hectare parcel of surface rights over the Cerro Prieto Project, with the option for two consecutive five year extensions. Pursuant to the Lease Agreement, the Company paid the leasor the aggregate lease rate of US$2,000,000 for the initial seven year term in advance by installments.

MINERAL PROPERTIES cont'd

Financing Agreement

On June 15, 2011 the Company signed an indicative term sheet (the "Term Sheet") with a New York-based, private institutional investor (the "NY Investor") with regard to a US$18 million gold prepayment agreement (the "Prepayment Agreement"). The US$18 million, after deduction of a 3% procurement fee and reimbursement of associated expenses incurred by the NY Investor, expected to be in the range of US$200,000 (the "Prepayment Funds"), will be used for the construction and initial operation of an open pit, heap leach gold mine and refinery at the Company's Cerro Prieto Project. Pursuant to the indicative terms, the release of the Prepayment Funds will be conditional on the Company raising the balance of the capital necessary to construct the mine and pay for its initial operation. Repayment will be secured by a first priority charge on the Company's assets and will be made by the delivery to the NY Investor of 21,000 ounces of gold, subject to pricing adjustments, over a 24 month period commencing as of the thirteenth month after closing. The Company will also grant to the NY Investor 350 gold warrants per month for 24 months beginning 24 months after closing (8,400 ounces total) at an exercise price of $1,550 per ounce, with each warrant exercisable from the 2nd business day after the first delivery of the respective calendar month to the 15th business day of that month.

By a loan agreement dated June 15, 2011 (the "Loan Agreement"), the Company borrowed US$750,000 (the "Bridge Loan") from a wholly owned subsidiary of the NY Investor for the purpose of paying the first lease payment required pursuant to the Lease Agreement. The Bridge Loan is for a term of 180 days unless otherwise repaid earlier from the Prepayment Funds, and is secured by a general security agreement on the assets of the Company and a pledge of its shares in its subsidiaries. The Company paid an origination fee of US$45,000 to the lender, but the Bridge Loan bears no interest during its term.

On August 29, 2011, the NY Investor exercised its option under the Loan Agreement to advance a further bridge loan of US$1,721,440, being sufficient funds to pay the second installment of US$1,400,000 due under the Lease Agreement, the associated 16% value added tax and the lender's 6% origination fee. In accordance with the terms of the Loan Agreement, upon the New York Investor advancing the further US$1,721,440, the Bridge Loan and the further bridge loan became due upon demand from the New York Investor.

Current Activities

The following on site activities have been completed or are underway:

1) Metallurgical samples have been taken and have been submitted to McClelland Laboratories Inc. of Sparkes, Nevada to enhance the metallurgical tests previously completed;
2) A proposal has been accepted from CFE (government electricity company) to construct a power line to the project;

MINERAL PROPERTIES cont'd
***Current Activities* cont'd**

3) A weather station has been constructed;
4) An airborne photogrammetric survey has been completed;
5) Surveying of surface drill hole collars has been completed;
6) Plans for a powder magazine have been submitted;
7) Receipt of the Environmental Impact Statement / Manifestacion de Impacto Ambiental (MIA) and approval for the Change of Land Use from forestry to mining use upon payment of the environmental compensation fee, which jointly provide the Company the principal permits necessary to build and operate an open pit, heap leach gold and silver mining operation for a period of 10 years, with a right to renew upon application;
8) Acquired a right of way for road and utilities access across the ranch to the west of the Cerro Prieto Project connecting the project to the nearest public road;
9) Deconstruction of corrals and other infrastructure that will be effected by mine construction has been completed;
10) Construction of perimeter fencing is complete;
11) Acid generation tests have been completed (a report is pending);
12) Electromagnetic surveys to locate a near surface aquifer have been completed and a permit has been requested; and
13) A plan for condemnation and geotechnical drilling has been submitted and approved;
14) A new access road to the mine site has been completed with the exception of one culvert;
15) A diamond drill program to extend the resource to the south has commenced. A total of eight holes have been completed of the 15 hole planned program. Final assays for the holes drilled to date are expected shortly;
16) A program of near surface infill drilling in the heart of the deposit will begin soon. The programmed holes will raise the confidence level in the grade of resources to be mined in the first year of the perceived mine plan.

Xochipala Property, Guerrero State, Mexico

The Company's title to the Celia Generosa and Celia Gene concessions (the "Xochipala Property") is subject to the successful registration with the Public Registry of Mines ("PRM") of Minera Xochipala's interest. The Company received notice from the PRM on October 14, 2009 advising that it was rejecting the Minera Xochipala's application for registration of its interest in the Xochipala Property on the grounds that such registration would adversely affect the rights of the third party lien holders. The Company and its Mexican legal counsel are of the opinion that the PRM position is wrong and not supported by Mexican law. The Company appealed PRM's initial decision to the Federal Court of Fiscal and Administrative Justice, which handed down its decision on July 14, 2011. While nullifying on technical grounds PRM's rejection of the Company's application for registration, the court agreed with what was assumed to be the basis for PRM's decision. As a result of the Federal Court's decision, PRM is required to reconsider the Company's application. The Company and its Mexican legal counsel are of the opinion that

MINERAL PROPERTIES cont'd
Xochipala Property, Guerrero State, Mexico cont'd

the Federal Court's position on the assumed basis for PRM's rejection of the Company's application is wrong at law and the Company has filed an appeal of that portion of the Federal Court decision. The Company is exploring other avenues of resolving the issue, including making submissions directly to PRM for their consideration when it reconsiders the Company's application for registration of its interest in the Xochipala Property.

The Company has no plans to conduct any further exploration on the Xochipala Property until it has successfully registered its interest. The Company has decided to place this property into abeyance pending the final outcome of its application for registered title. Accordingly, the Company has written off $224,303 attributed to the costs of the Xochipala property. Similarly, the Company will write off expenses and fees associated with its efforts to obtain registration of its interest.

Salvador Property, Guerrero State, Mexico

The Salvador Property is a 100 hectare mining concession 100% owned by Minera Xochipala which lies approximately 25 kilometers to the west of the Xochipala Property and approximately 30 kilometers west of Chilpancingo, Guerrero. The Salvador property also hosts skarn mineralization associated with felsic intrusions similar to mineralization in the known ore deposits in the area.

The Company has no immediate plans to conduct exploration on it, but may in the future consider conducting an exploration program on the property or forming a joint venturing with another company in order to conduct exploration. The Company decided to write off costs of $113,010 attributed to the Salvador property at May 31, 2009.

RESULTS OF OPERATIONS

For the six months ended November 30, 2011, the Company recorded a loss of $968,523 (2010 - $433,012) or $0.02 per share (2010 - $0.01). The Company has no income producing assets and has not reported any revenue from operations. The Company is considered to be in the development stage.

The Company is focused on the development of its Cerro Prieto Property. The Company intends to continue its efforts on Cerro Prieto.

For the six months ended November 30, 2011, the Company incurred mine development costs of $3,564,591 (2010 pre-development costs - $295,265) on the Cerro Prieto Property as the Company continued its metallurgical, environmental and engineering studies on the property and began development of the property toward construction of an open pit, heap leach gold mine and refinery. In the previous quarter, due to the transition of the Cerro Prieto Property from its exploration phase to a development phase, the accumulated deferred exploration expenditures have been transferred to Property, Plant and Equipment.

For the six months ended November 30, 2011, the Company expensed stock – based compensation of $21,444 (2010 - $43,151), with $21,444 (2010 - $28,018) being charged to consulting fees, $Nil (2010 - $12,049) being charged to management fees, and $Nil (2010 - $3,084) being charged to office expense.

During the six months ended November 30, 2011, the Company financed operations through the issue of shares and subscriptions in the amount of $2,383,000 (2010 - $400,000).

General and administrative expenses incurred during the six months ended November 30, 2011 of $390,955 was greater than for the same quarter in the previous year of $ 222,502, due to increased consulting, investor relations and travel expenses incurred during the current quarter.

SELECTED QUARTERLY RESULTS

Quarter	Nov 30, 2011 IFRS	Aug 31, 2011 IFRS	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010 IFRS	Aug. 31, 2010 IFRS	May 31, 2010	Feb. 28, 2010
Admin. expense	390,955	474,249	385,400	235,226	222,502	209,811	262,076	685,397
Other income	(52,193)	(51,126)	(7,340)	2,794	(645)	(54)	(665)	(2,775)
Net loss for the period	443,148	525,375	392,740	232,432	223,147	209,865	262,741	688,172
Net loss per share	0.01	0.01	0.01	0.00	0.01	0.01	0.01	0.02
Total assets	13,202,608	12,202,642	9,091,432	7,878,547	7,507,519	7,242,981	7,409,211	6,911,210
Total Liabilities	2,999,471	2,756,223	264,216	640,916	269,143	307,278	308,474	219,096

Significant variation in the administrative expense for the quarter ending November 30, 2011 is mainly due to increased investor relations fees incurred during the quarter associated with financing activities related to the development of the Cerro Prieto Property. The Company also incurred higher travel expenses during the quarter as a result of increased marketing activity.

Significant variation in the total liabilities for the quarter ended August 31, 2011 were due to the bridge loans received by the Company during the quarter, the proceeds of which were to make lease payments required for the seven-year lease of a 1,000 hectare parcel of surface rights over the Cerro Prieto Project per the lease agreement.

Significant variation in the total assets for the quarters ending November 30, 2011, August 31, 2011 and May 31, 2011 are due to the proceeds from the November 2011, July 2011 and March 2011 private placements respectively and, for the quarter ending May 31, 2011, from the exercise of share purchase warrants from previous private placements. The Company also incurred and capitalized significant expenditures on the Cerro Prieto Properties during those quarters.

Significant variation in the administrative expense for the quarter ending February 28, 2010 is mainly due to the inclusion of $457,706 of stock based compensation resulting from the granting of options to directors, officers, management, and consultants.

SELECTED QUARTERLY RESULTS cont'd

Significant variation in total liabilities for the quarter ending February 28, 2011 is mainly due to increased consulting expense related to the Company's increased engineering studies on the property and accrued management consulting fees.

LIQUIDITY AND CAPITAL RESOURCES

As of November 30, 2011, the Company had working capital of $(1,527,102) as compared to the year ended May 31, 2011 when the Company had a working capital position of $659,134. Cash in the bank was $1,068,133 at November 30, 2011.

On November 23, 2011, the Company completed a private placement of 4,772,000 units at a price of $0.25 per unit to raise gross proceeds of $1,193,000. Each unit consists of one common share and one half of one non-transferable common share purchase warrant with each whole warrant exercisable into one additional common share for a period of eighteen months at a price of $0.40 per share.

The Company is not in commercial production on any of its mineral properties and, accordingly, it does not generate cash from operations. In order to fund further development and exploration work, the Company is dependent upon raising financing through offerings of new equity and debt, or a combination thereof. The Company has signed an indicative term sheet with regard to the US$18 million gold prepayment (see "Mineral Properties, *Financing Agreement*" above), but will be required to raise additional financing for the construction of the Cerro Prieto mine and refinery, any further exploration work and general and administrative costs.

OUTLOOK

The Company has as its main asset a property with regard to which the Company has received a favourable preliminary economic assessment and which it is currently developing with the intent of constructing an open pit, heap leach gold mine and refinery. As such, the outlook for the Company is strongly tied to its ability to raise the financing necessary to construct the mine and attain profitable operations thereafter.

OFF BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements that would potentially affect current or future operations, or the financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

During the six month period ended November 30, 2011, the Company entered into transactions with related parties as follows:

(a) paid or accrued consulting and directors fees totalling $50,500 to a company controlled by Craig Dalziel, President and CEO of the Company, and to Mr. Dalziel directly for Mr. Dalziel's services as President, CEO and director of the Company;

(b) paid or accrued professional and consulting fees totalling $58,500 to David Rose, Corporate Secretary of the Company, for legal and management consulting services provided to the Company;

(c) paid or accrued consulting and directors fees totalling $14,787 to a company controlled by Ken Thorsen, Chairman of the Board of Directors, and to Ken Thorsen directly, for Mr. Thorsen's services as a geological consultant and director;

(d) paid or accrued consulting and directors fees totalling $20,500 to a company controlled by Steve Vanry, Chief Financial Officer of the Company, and to Mr. Vanry directly, for his services as Chief Financial Officer and director;

(e) paid or accrued directors fees totalling $3,000 to Stephen Leahy;

(f) paid or accrued directors fees totalling $2,500 to Robert Friesen.

(g) paid or accrued consulting fees totalling $30,000 to Richard Scammell, Vice President of the Company for consulting services provided to the Company.

As at November 30, 2011 $182,899 (November 30, 2010 - $166,515) was owing to officers and directors for directors, management, legal and accounting fees. These charges were measured by the exchange amount, which is the amount agreed upon by the related parties. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms. The above transactions were incurred in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the transacting parties.

CONTRACTUAL OBLIGATIONS

Pursuant to a lease agreement dated May 25, 2007, as amended September 15, 2008, the Company has a commitment relating to its head office lease which expires in August, 2013.

On June 15, 2011 the Company signed an indicative term sheet with a New York-based, private institutional investor (the "NY Investor") with regard to a US$18 million gold prepayment agreement (the "Gold Prepayment"). Proceeds from the prepayment agreement, after deduction of a 3% procurement fee and reimbursement of associated expenses, to a maximum expected to be in the range of US$200,000, incurred by the NY Investor, will be used to develop the Cerro Prieto Project. Pursuant to the indicative terms, repayment will be made by the delivery to the NY Investor of 21,000 ounces of gold, subject to pricing adjustments, over the 24 month period commencing as of the thirteenth month after closing. The Company will also grant 350 gold warrants per month for 24 months beginning 24 months after closing (8,400 ounces total) at an exercise price of $1,550 per ounce, with each warrant exercisable 2 business days after the first delivery of the respective calendar month, but no later than the 15th business day of the month.

On June 17, 2011, the Company entered into a lease agreement (the "Lease Agreement") for a seven-year lease of a 1,000 hectare parcel of surface rights over the Cerro Prieto Project, with the option for two consecutive five year extensions. Pursuant to the Lease Agreement, the Company paid the lessor the aggregate lease rate of US$2,000,000 in advance for the initial seven year term in two instalments: US$600,000 at the time of signing and the remaining US$1,400,000 on September 9, 2011.

By an agreement dated August 18, 2011 ("the EPCM Agreement"), the Company retained Sonoran Resources, LLP and its wholly owned Mexican subsidiary ("Sonoran"), to provide equipment procurement and construction management services for the construction of an open pit, heap leach gold mine and refinery at the Company's Cerro Prieto property. Under the terms of the EPCM Agreement, Sonoran will provide all necessary engineering, procurement and construction management services related to the construction of the mine and refinery through to "first-pour". In consideration, the Company will pay Sonoran a flat monthly fee of US$260,900, to a maximum aggregate of US$3,130,800 and, with the approval of the TSX-Venture Exchange and subject to the successful completion of a series of milestones, up to an aggregate total of 1,000,000 common shares of the Company and 500,000 options to purchase common shares of the Company at a price of $0.30 per share for a period of 3 years from the date of the EPCM Agreement.

The Company has no material capital lease agreements and no material long term obligations other than those described above or in the description of mineral properties.

PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the board of directors. All current transactions are fully disclosed in the audited Financial Statements.

RISKS AND UNCERTAINTIES

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in resource properties and the attainment of profitable operations is dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.

b) The only source of future funds for further acquisitions and exploration programs, or if such exploration programs are successful, the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another interested party carry out further exploration or development.

c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.

d) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

e) The prices of metals greatly affect the value of and the potential value of its properties. This, in turn greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.

RISKS AND UNCERTAINTIES cont'd

The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.

f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.

g) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by such undetected defects.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on any forward looking statement. The development and exploration activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

CRITICAL ACCOUNTING ESTIMATES

Preparing financial statements in accordance with GAAP requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property interests and the determination of fair value for stock based transactions, estimated useful lives of assets and the future tax rates to determine future income taxes and realization of future income tax assets. Where estimates have been used, financial results as determined by actual events could differ from those estimates.

All of the expenditures incurred to date on the Cerro Prieto property have been capitalized. It is management's opinion that the estimated cash flows expected to result from the future use of the property and its eventual disposition will exceed its carrying amount.

IFRS CHANGEOVER

The Company has prepared its November 30, 2011 interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), including IFRS 1 first-

IFRS CHANGEOVER cont'd

time adoption of international financial reporting standards and IAS 34, interim financial reporting.

The Company's IFRS accounting policies are disclosed in Note 2 to the interim consolidated financial statements. Reconciliation between the Company's financial statements as previously reported under Canadian GAAP ("CGAAP") and current reporting under IFRS is detailed in Note 15 of the interim consolidated financial statements.

The following is an overview of the impact to the Company's financial results due to the transition to IFRS.

Share Based Payments

The most significant change to the June 1, 2010, November 31, 2010 and May 31, 2011 balance sheets on transition to IFRS was the change in method employed to charge to fair value of incentive stock options with vesting provisions to operations. Previously under CGAAP, the Company allocated the fair value on a straight-line basis. Under IFRS a "graded vesting" method is required, which has the effect of accelerating the allocation of the fair value of options to operations.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments are classified into one of five categories: held-for-trading financial instruments, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT cont'd

changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading; receivables are classified as loans and receivables; and accounts payable and accrued liabilities are classified as other liabilities.

The Company provides disclosure that enables users to evaluate (a) the significance of financial instruments for the entity's financial position and performances; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

The Company also discloses financial instruments and non-financial derivatives classified from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Credit Risk

The Company is exposed to credit risk with respect to its cash and cash equivalents. However, the risk is minimized as they are held at a major Canadian Chartered Bank.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

The Company's property interests in Mexico make it subject to foreign currency fluctuations which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign functional currencies. The Company does not invest in derivatives to mitigate these risks.

As at November 30, 2011, the Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values because of their current nature.

OTHER MD&A DISCLOSURE REQUIREMENTS

Disclosure by Venture Issuer without significant revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the Financial Statements to which this MD&A relates. An analysis of the material

OTHER MD&A DISCLOSURE REQUIREMENTS cont'd

components of the acquisition and deferred exploration costs of the Company's mineral properties is disclosed in the annual Financial Statements to which this MD&A relates.

Share Capital

As at January 30, 2012, the Company had 63,134,355 common shares, 3,945,000 incentive stock options, and 7,481,667 share purchase warrants outstanding.

Information Available on SEDAR

Additional information relating to the Company is available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors,

January 30, 2012

"*Craig Dalziel*"

President