VVC EXPLORATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Six Months Ended

July 31st, 2012

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<u>**Form 51-102F1**</u>

VVC EXPLORATION CORPORATION (the "Company" or "VVC")

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MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JULY 31, 2012

This Management's Discussion and Analysis ("MD&A") of the Company for the six months ended July 31, 2012 (the "Period") was prepared on September 20, 2012 and should be read in conjunction with the Company's July 31, 2012 unaudited condensed consolidated financial statements and related notes, prepared in accordance with international financial reporting standards ("IFRS"). All financial information disclosed in this report was prepared in accordance with IFRS unless otherwise disclosed. In this report, "GAAP" means Canadian Generally Accepted Accounting Principles.

All amounts herein are expressed in Canadian dollars unless otherwise indicated. The technical information in the MD&A has been approved by Peter Dimmell, P.Geo., a mineral exploration consultant and a director of VVC, who is a qualified person (QP) in both Newfoundland and Labrador and Ontario.

FORWARD LOOKING INFORMATION

This MD&A includes forward-looking statements that are subject to risks and uncertainties and other factors that may cause the actual results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general economic and business conditions, which among other things, affect the price of metals, the foreign exchange rate, the ability of the Company to implement its business strategy, and changes in, or the failure to comply with government laws, regulations and guidelines. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional information relating to the Company can be obtained from its News Releases and other public documents at the SEDAR website <www.sedar.com>.

BUSINESS OVERVIEW

The Company is a venture issuer reporting in Ontario, British Columbia, Alberta and Quebec. The Company's common shares trade on the TSX Venture Exchange under the symbol "VVC" and on the Frankfurt Stock Exchange and the Berlin Stock Exchange under the symbol "V7S".

The Company is in the business of acquisition and exploration of resource properties in the mineral sector. The Company's principal business activity is the exploration and development of gold and base metal mineral properties both nationally and internationally.

<u>*Mexico*</u>

a) Cumeral Property

In April 2010, VVC Exploración de México, S. de R.L. de C.V. ("VVC Mexico") finalized a formal option agreement with 2 Mexican individuals (the "Optionee") relating to a 665-hectare (ha) gold mining project known as Cumeral (the "Cumeral Property") consisting of 3 mining concessions, in the State of Sonora, Mexico. VVC Mexico, through an intermediary, acquired from the Ministry of Mines, 3 additional concessions covering 5,984 ha, for a total property size of 6,649 ha. The recently staked concessions are 100% owned by VVC and are not subject to the Option Agreement. The Cumeral Property is located approximately 140 kilometres south of the City of Tucson, Arizona and 200 kilometres north of the City of Hermosillo. A network of gravel roads and paved highways provide excellent year round access.

The Agreement provides an option to acquire a 100% interest in the Cumeral Property in consideration for US$800,000 plus applicable taxes ("VAT") payable over a period of three years and the issuance of 200,000 common shares of the Company. The Cumeral Property is subject to the reservation of a 2% Net Smelter Return. A finder's fee of US$5,000 and 130,000 shares of the Company were paid to 3rd parties who were instrumental in arranging the transaction.

Located in the under-explored Sierra Madre Occidental along the well mineralized "Sierra La Jojoba" trend, the Cumeral Property is located approximately 15 km northeast of the Mina Lluvia de Oro and Mina La Jojoba deposits which host over 26 million tonnes of measured, indicated and inferred resources grading 0.525 to 0.741 g/T gold (over 500,000 ounces of gold). This area of Sonora is host to numerous other gold deposits and mines, including Fresnillo PLC's & Newmont Mining Company's La Herradura Gold Mine which in 2009 produced over 255,000 ounces of gold and has proven and probable reserves of 193 million tonnes grading 0.65 g/T gold (4.1 million ounces). Other deposits in the area include the San Francisco (780,000 ounces of gold reserves) and La Colorada (605,000 ounces of measured and indicated gold resources).

VVC has spent over US $625,000 on the acquisition and exploration of the Cumeral Property, including the US $150,000 payment which was made on April 15.

Exploration has included geological mapping, prospecting and rock chip sampling (89 samples) over a 120 hectare area in the vicinity of the old pits and shallow shafts (Tularcito area). Four due diligence grab samples returned gold values of 0.03, 3.4, 3.5 and 6.03 g/T and the regional sampling gave values as high as 12.65 g/T, defining five areas of gold/silver mineralization (Areas A to E) associated with alteration (sericite and quartz veining) with associated pyrite and hematite, trending in a northwest-southeast direction. The host units are heavily oxidized quartz sericite to biotite/muscovite schists. The Company also completed 28 air track drill holes totalling 572 metres with 15 holes in Area B and 13 holes in Area C.

Area B, the main area of the artisanal workings, covers an area of 155 by 180 metres. Air track drilling returned values as high as 1.45 g/T gold and 6.74 g/T silver over 14 metres including 4.19 g/T gold over 4 metres. Other values varied from insignificant to 0.42 g/T gold and 14.56 g/T silver over 10 metres. Eight of the holes returned values of 0.1 to 0.4 g/T gold and 1 to 4 g/T silver over widths varying from 4 to 22 metres. Air track drilling on Area C which covered an area of 115 by 200 metres, also gave significant values including 0.44 g/T gold and 0.48 g/T silver over 10 metres, and 0.21 g/T gold and 0.53 g/T silver over widths varying from 6 to 26 metres. Area A which covers an area of 80 by 300 metres, in the northern part of the Property, consists of quartz veins / veinlets carrying chalcopyrite plus minor malachite and azurite. The north copper vein along the contact of a mafic dyke, gave a value of 2.2 g/T gold and 493 g/T silver and 3.73 percent copper from one grab sample. Area D which covers an area of 100 by 270 metres and Area E which covers 140 by 200 metres, located in the southern part of the Cumeral Property, also shows good potential.

In 2011/12, exploration, including geological mapping and rock chip sampling and soil geochemistry was carried out by independent geological consultants, with a National Instrument 43-101 report on the property being finalized by Michel Boily, PhD, P.Geo. The NI 43-101 report will be released when completed. Combined results from the 2010-2012 mapping/rock sampling programs show high gold values (i.e 0.5 to >10 g/t) in hematized and pyritized quartz veins/veinlets associated with mylonitized, gently eastward-dipping, low angle (20º to 40º) faults. Geological mapping in the southern segment of the property has defined at least ten gold-mineralized structures generally confined to areas tested by the air track drilling program of 2010.

A soil geochemical survey carried out to the north of the area covered by the detailed mapping and rock sampling program gave three anomalous areas with values of >50 ppb Au defined within zones characterized by a paucity of outcrops or in unmapped regions (News release June 12/12). The soil geochemistry, in conjunction with gold analyses from rock and soil samples taken from 2010 to 2012, gives a general NNW-SSE trend of elevated values extending for 4 km remaining open to the north and south along trend. Preliminary mapping to the west and north of the mineralized zones suggests a similar tectonic / geologic environment with the potential for significant gold-mineralized areas of similar quartz/pyrite/hematite veins.

Rock and soil samples were sent to the ALS Chemex laboratories in Chihuahua, Zacatecas or Hermosillo, Mexico. All Au analyses were by Fire Assay with a gravimetric finish. All other assays were performed by ICP-AES or AAS methods. Samples with ore grade values (>100 ppm Ag, >10,000 ppm Cu) were re-analyzed by ICP-AES or AAS. Gold values in soil samples (at least 25g) were determined by ICP-MS following digestion in Aqua Regia. A compilation map showing the soil geochemical anomalies and gold mineralization is filed on SEDAR as part of the June 12, 2012 news release and is also shown on the VVC website http://www.vvcexpl.com/news-releases/2012.html.

The Company expects to carry-out systematic exploration in 2012-13, including drilling, in the prospective areas. Based on the geological setting and known deposits in the area, it is believed that the Cumeral Property has the potential to host significant deposits in the 500,000 to 1 million ounce range. Prospecting will be carried out on northwesterly strike extensions of the mineralized zones, including the adjoining concessions along trend to the northwest.

b) La Tuna Property

In March 2010, the Company acquired a 3,533 ha gold project known as La Tuna (the "Property") located in the Municipality of Alamos, Sinaloa State, Mexico, at the junction of the Rio Fuerte and Rio Baboyahui rivers.

Pursuant to the agreement, VVC's Mexican subsidiary acquired a 100% interest in the Property in consideration of a payment of US$40,000 plus applicable taxes and 300,000 common shares of the Company. The Property is subject to a 2% NSR Royalty (the "NSR") derived from mineral production, with a buy-back option.

The Property has gold potential in paleo placers, present day placers derived from the paleo placers and vein type deposits such as the La Perdida deposit. The river placer deposit and the paleo-placer zones are located mainly along the Rio Baboyahui near the river junction extending to the Rio Fuerte, an area of approximately 500 by 500 meters. The paleo-placer zone carries gold associated with magnetite (from black sand) which may allow definition of the paleo-channels by magnetic surveys. Limited historical sampling in the period from 1987-91 in a "drift" in the paleo-placer mineralization gave a grade of 1 to 3 g/m^3 Au in one of these paleo channels. Historical data (non 43-101 compliant) from 1994 indicates that the area contains 3.7 million m^3 at 2 g/m^3, equivalent to approximately 200,000 ounces of gold. It should be noted that the "paleo placer" was sampled as a placer deposit and since it is a hard rock deposit it should be sampled by weight using channel, chip or core samples not bulk samples of cubic metres, which has little relevance in a hard rock deposit. Accordingly, the results noted above should be treated with caution.

The La Perdida deposit is located in the north-west part of the property. The structure which hosts the deposit, trends north-west and dips 25 degrees to the south-east. Historical results from 4 grab samples taken in 1991 gave values from 3.29 g/t to 16.23 g/t Au, with three of the samples grading more than 10 g/t Au. The samples were taken from the portal (12.49 g/t), from the ore zone within the deposit (3.29 and 16.23 g/t) and from development muck (11.24 g/t).

Canada

c) Timmins area properties (Ontario)

In fiscal 2008, the Company staked 9 claim units in Timmins Township in the Abitibi Greenstone Belt of Northern Ontario, approximately 50 km east-southeast of Timmins, The Property,is deemed to be a prime base metals exploration target. It covers a northwest trending zone of strong airborne electromagnetic responses within a complex magnetic system. An initial program comprising line cutting and detailed geophysical surveys including magnetic, VLF and HLEM electromagnetic surveys was completed with 2 drill targets identified. The encouraging results on the Timmins Township property justifies further exploration, however no further work was carried out since the Company is focused on opportunities considered more economically viable in Mexico.

Due to the lack of follow-up exploration on the Timmins Township Property, it was written down to a minimal value although the Company still retains title to the Property. No work is currently contemplated on this property as the Company is focussing its efforts on its Mexican properties.

SELECTED ANNUAL INFORMATION

Set forth below is a summary of the financial data derived from the Company's consolidated financial statements for the past 3 years (CAD$).

	2010 (GAAP)	2011 (IFRS)	2012 (IFRS)
Revenue	$ -	$ -	$ -
Net loss for the year	(2,716,253)	(3,192,393)	(973,306)
Total assets	3,804,122	902,029	1,058,338
Mineral exploration properties written off	12,418	1,733,327	-
Stock-based compensation	196,915	143,869	204,610

RESULTS OF OPERATIONS – THREE MONTHS

During the three months ended July 31, 2012, the Company had an operating loss of $226,392 compare to a loss of $179,164 for the same period in 2011. The operating expenses for both periods were similar with 2012 have $243,143 in operating expenses and $212,373 in 2011. The major difference between both periods was interest expense of $19,578 in 2012 relating to $625,570 of promissory notes owed to a related party.

The Company had a foreign exchange gain of $16,751 in 2012 and nil in 2011 and a gain on the sale of investments of $33,209 in 2011 and nil in 2012. These gains modestly reduced the Company's operating costs.

RESULTS OF OPERATIONS – SIX MONTHS

Operating loss for the six months ended July 31, 2012 was $586,753 as compared to a loss of $310,232 for the six months end July 31, 2011. The major expense categories were consistent from July 2011 to July 2012. The only noticeable changes were in non-cash fair value of extended warrants, non-cash stock based compensation and interest expense.

During the period, the Company received approval to extend the expiry date of 9,521,430 warrants at a value of $0.12 from April 11, 2012 to April 11, 2014. The extended warrants were re-priced at $0.12 until April 11, 2013 and $0.18 until April 11, 2014. The extended warrants were re-valued using the Black-Scholes pricing model with the following assumptions; dividend yield - 0%, volatility - 93.12%, risk-free interest rate - 1.2% and expected life - 2 years. The estimated fair value of $176,371 was charged to the consolidated statement of loss. The Company did not have any re-valuation in the comparative period.

Stock-based compensation increased by $35,936 from $47,601 in 2011 to $83,537 in 2012. The increase is a result of the number of stock options that vested during the period from a prior period grant. No stock options were granted during both periods.

Interest expense was $27,610 during the period and nil during the same period last year. The interest expense is a result of $625,570 of related party loans made to the Company via promissory notes that bare interest at rates ranging from 12% to 15% per annum.

During the period ended July 31, 2012, due to limited funds, the Company did not earn any investment income compared to July 31, 2011 when the Company earned $81,456 in investment income. The Company has a very prudent investment policy and although it had limited funds in 2012, the Company continues to maintain that policy and expects to earn further income on any funds in raises in the future.

During the period, the Company disposed of an automobile which was no longer required and had a loss on disposition of $3,832.

In an effort to reduce its operating costs, the Company did not renew one of its rental agreements. Rent expense was therefore lower by $11,770 in 2012 over 2011. Rent expense was $20,498 in 2012 compared to $8,728 in 2011.

SUMMARY OF QUARTERLY RESULTS

Set forth below is a summary of the financial data derived from the Company's consolidated financial statements of the 8 most recently completed quarters.

	Jul 31/12	Apr 30/12	Jan 31/12	Oct 31/11	Jul 31/11	Apr 30/11	Jan 31/11	Oct 31/10
Operating Costs	243,143	356,529	249,314	236,185	212,373	179,315	328,157	187,266
Loss on disposition of asset	-	3,832	-	-	-	-	-	-
Mineral exploration properties written off	-	-	-	-	-	-	1,733,327	-
Foreign exchange	(16,751	-	-	-	-	-	5,431	-
Write-down of investment	-	-	-	-	-	-	675,000	-
Write-down of accounts receivables	-	-	213,163	-	-	-	-	-
Gain (loss) on sale of investments	-	-	36,575	-	33,209	48,247	144,418	21,704
Net (loss)	(226,392)	(360,361)	(426,889)	(236,185)	(179,164)	(131,068)	(2,597,497	(165,562)

MATERIAL EVENTS OVER THE EIGHT MOST RECENT QUARTERS

Over the last eight quarters, the Company experienced a number of extraordinary losses that resulted in the Company's losses being magnified. These extraordinary items included the investment loss in Q4 2011 relating to the write down of its investments.

In an effort to focus its energy on high potential exploration projects, the Company wrote off many of its exploration properties in Q4 2011 and is now in a position to dedicate its financial and operational resources to the Cumeral and La Tuna properties in Mexico.

In Q4 2012, the Company wrote off $213,163 of IVA taxes receivable because the Company is experiencing some challenges collecting it from the Mexican Government.

In Q1 2012 the Company received approval to extend the expiry date of 9,521,430 warrants at a value of $0.12 from April 11, 2012 to April 11, 2014. The extended warrants were re-priced at $0.12 until April 11, 2013 and $0.18 until April 11, 2014. The extended warrants were re-valued using the Black-Scholes pricing model with the following assumptions; dividend yield - 0%, volatility - 93.12%, risk-free interest rate - 1.2% and expected life - 2 years. The estimated fair value of $176,371 was charged to the consolidated statement of loss. The Company did not have any re-valuation in the comparative period.

LIQUIDITY AND SOLVENCY

As at July 31, 2012, the Company had a working capital deficiency of $734,648 compared to a working capital deficiency of $241,369 at January 31, 2012. The Company continues to experience losses and as a result these losses have added pressure on the Company's ability to finance its operations and exploration activity. In order to finance the period's activity, the Company obtained $357,835 (4,363,841 Mexican Pesos) of financing via a promissory note from a company related to the Company. This promissory note is due four months from the date of issuance, unless the Company obtains sufficient financing earlier to repay the principal and interest balance. The promissory note charge's interest an annual rate of 15% and is secured by promissory notes issued by the borrower in favour of the lender.

The promissory notes due to a related party at July 31, 2012 and January 31, 2012 were $625,570 (7,628,902) and $267,735 (3,250,000 Mexican Pesos) respectively.

In addition to the financing received from the promissory notes, the Company closed a private placement of 2,950,120 units at a price of $0.05 per unit amounting for gross proceeds of $147,506. Each unit comprises one common share and one share-purchase warrant to purchase an additional share at $0.12 per share until August 31, 2013 and thereafter, $0.18 per share until August 31, 2014. A commission or finders fee is payable up to a maximum of 6% to any arms length parties instrumental in raising the funds.

At July 31, 2012, the Company had current assets of $77,393 (January 31, 2012 - $106,724). This amount is not sufficient to cover the Company's operating expenses and exploration commitments. The Company needs to obtain additional financing to continue its exploration projects and cover its operating expenses. To obtain financing, the Company may need to issue common shares. Although the Company has been successful in the past in raising funds, there can be no assurance that any funding required by the Company in the future will be made available to it and, if such funding is available, that it will be offered on reasonable terms (see subsequent event note).

The Company has property commitments of $250,000 for the remainder of fiscal 2013 mainly for option payments. In addition to these commitments, the Company has annual operating expenses of approximately $700,000. Although the Company raised funds in April 2012 and subsequently in May 2012, the existing funds are not sufficient to finance operations for fiscal 2013 and the Company is currently investigating opportunities to obtain additional financing. Positive exploration results, as documented earlier on the Cumeral and La Tuna properties, indicate that the Company should be in a good position to raise these funds.

During the period, the Company received approval to extend the expiry date of 9,521,430 warrants at a value of $0.12 from April 11, 2012 to April 11, 2014. The extended warrants were re-priced at $0.12 until April 11, 2013 and $0.18 until April 11, 2014. The extended warrants, provides the Company with an opportunity to obtain some financing over an extended period should the value of the Company's stock increase beyond the exercise price of the warrants.

OFF-STATEMENTS OF FINANCIAL POSITION ARRANGEMENTS

There are no Off-Statements of financial position arrangements.

RELATED PARTY TRANSACTIONS

During fiscal 2012, the Company obtained financing of $267,735 (3,250,000 Mexican Pesos) via promissory notes from a company in which the President and CEO of the Company is an officer, a director and a minority shareholder. These promissory notes are due by December 31, 2014, unless the Company obtains sufficient financing earlier to repay the principal and interest balances. The promissory notes charge interest an annual rate of 12% and are secured by promissory notes issued by the borrower in favour of the lender.

During the period, the Company obtained an additional $357,835 (4,363,841 Mexican Pesos) of financing via a promissory note from the same company. This promissory note is due four months from the date of issuance, unless the Company obtains sufficient financing earlier to repay the principal and interest balance. The promissory note charge's interest an annual rate of 15% and is secured by promissory notes issued by the borrower in favour of the lender.

The promissory notes due to a related party at July 31, 2012 and January 31, 2012 were $625,570 (7,628,902) and $267,735 (3,250,000 Mexican Pesos) respectively.

Included in accounts payable and accrued liabilities is $27,610 of interest payable relating to the promissory notes, due to a company in which the President and CEO of the Company is an officer, a director and a minority shareholder

Compensation to key management personnel were as follows:

	Three Months Ended July 31, **2012**	2011	Six Months Ended July 31, **2012**	2011
Compensation	**$ 54,038**	$ 58,500	**$ 115,500**	$ 81,000
Share-based payments (1)	**17,542**	7,409	**52,765**	566
Total	**$ 71,580**	$ 65,909	**$ 168,265**	$ 81,566

OUTSTANDING SHARE DATA

a) Outstanding Common Shares

	Number of shares
Balance, July 31, 2012	66,251,081
Balance, September 20, 2012	71,052,581

b) Warrants and Stock Options

The continuity of the outstanding share purchase warrants is as follows:

Expiry Date	**Exercise Price**	**Balance January 31, 2012**	**Warrants Issued**	**Warrants Exercised**	**Expired/ Cancelled**	**Balance July 31, 2012**
February 27, 2012	$0.50	1,440,000	-	-	(1,440,000)	-
April 11, 2012	$0.12	9,521,430	-	-	(9,521,430)	-
April 11, 2014	$0.12 - $0.18	-	9,521,430	-	-	9,521,430
August 31, 2014	$0.12 - $0.18	-	2,950,120	-	-	2,950,120
	$0.12 - $0.18	**10,961,430**	**12,471,550**	**-**	**(10,961,430)**	**12,471,550**

There were 9,401,121 warrants outstanding at September 20, 2012.

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at July 31, 2012 and September 20, 2012 are as follows:

	Options Outstanding				Options Exercisable
Exercise Range	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price
$0.15 - $0.20	2,050,000	$ 0.20	5.21	1,325,000	$ 0.20
$0.28 - $0.29	1,600,000	$ 0.28	1.03	1,600,000	$ 0.28
$0.30 - $0.30	586,000	$ 0.30	2.28	586,000	$ 0.30
$0.36 - $0.36	260,000	$ 0.36	1.94	260,000	$ 0.36
	4,496,000	$ 0.25	3.80	3,771,000	$ 0.26

No stock options were granted during the period.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The fair value of financial assets and liabilities together with the carrying amounts in the consolidated balance sheets are as follows:

The Company has classified financial assets as follows:

	July 31, 2012	January 31, 2012
Fair value through profit or loss, measured at fair value:		
Cash and cash equivalents	**$ 44,402**	$ 92,925
Loans and receivable, measured at amortized cost:		
Accounts receivable	**$ 32,991**	$ 13,799
Other liabilities, measured at amortized cost:		
Accounts payable and accrued liabilites	**$ 186,471**	$ 80,358
Due to related party	**$ 625,570**	$ 267,735

The fair value of the Company's financial assets and liabilities approximates their respective carrying values as at the balance sheet dates because of the short term maturity of these instruments. The fair value of the financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

At July 31, 2012 and January 31, 2012, cash and cash equivalents was measured using level 1 inputs.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The Company invests its excess cash on a daily basis in highly liquid and highly rated financial instruments. A change in the credit worthiness of the companies invested in could have an impact on the value of the Company's daily investments. Management believes this risk of loss is remote.

Liquidity Risk
The Company has no income and relies on equity financing to support its exploration programs. Management prepares budgets and ensures funds are available prior to commencement of any such program. As at July 31, 2012, the Company does not have sufficient capital to fund its operations over the next twelve months. As at July 31, 2012, the Company had a cash and cash equivalents balance of $44,402 and $92,925 on January 31, 2012 to settle current liabilities of $186,471 at July 31, 2012 and $348,093 at January 31, 2012.

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Commodity price risk is remote since the Company is not a producing entity.

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis
The Company does engage in significant transactions and activities in currencies other than its reported currency. The Company's exploration activities are primarily in Mexico; accordingly, the resulting assets and liabilities are exposed to foreign exchange fluctuations.

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities that are denominated in Mexican Pesos. Sensitivity of closing balances to a plus or minus 10% change in foreign exchange rates, with all other variables held constant, would affect net income by approximately $266.

SUBSEQUENT EVENTS

On September 20, 2012, the Company closed a second tranche of a planned private placement financing. The Company issued 4,801,500 units at a price of $0.05 per unit amounting for gross proceeds of $240,075. Each unit comprises one common share and one share-purchase warrant to purchase an additional share at $0.12 per share until August 31, 2013 and thereafter, $0.18 per share until August 31, 2014. A commission or finders fee is payable up to a maximum of 6% to any arms length parties instrumental in raising the funds.

Combined with the first tranche, the Company raised an aggregate $387,581 by issuing 7,751,620 units at a price of $0.05 per unit.

OTHER MD&A REQUIREMENTS

Risks

The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative.

The recoverability of amounts shown as mining interests, and property plant and equipment, is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying assets, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

OUTLOOK

The Company's primary focus is the exploration of its mineral properties in Mexico, with emphasis on the Cumeral Property, in Sonora State, where an Air trac drilling program has given positive results which require further follow up by drilling. In addition, additional unexplored, recently acquired properties to the northwest along trend also appear to hold good potential for gold / silver mineralization. The Company believes that further exploration is warranted and is optimistic that further positive results are likely.

The Company will also carry-out exploration on the 100% owned La Tuna Property in Sinaloa State which shows good potential for gold / silver mineralization in a number of geological settings and in addition will be actively looking for new precious and base metal projects in Mexico to complement the existing properties.

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