



AMERIX PRECIOUS METALS CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2011

This Management's Discussion and Analysis is provided for the purpose of reviewing the three month period ended October 31, 2011, and comparing results to the previous period. This Management's Discussion and Analysis should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and corresponding notes for the three month period ended October 31, 2011. The unaudited condensed consolidated interim financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and all monetary amounts are expressed in Canadian dollars unless otherwise indicated. All of the scientific and technical information has been reviewed and approved by Jeffrey Reeder, P. Geo., and Executive Chairman of the Company. Mr. Reeder is a Qualified Person within the meaning of National Instrument 43-101. This report which is dated January 18, 2012 and the Company's other public filings can be found on SEDAR at (www.sedar.com).

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A may contain "forward looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, forward looking statements can be identified by the use of words, such as "estimate", "consider", "expect", "anticipate", "objective" and similar expressions or variations of such words. Forward looking statements are, by their very nature, not a guarantee of the Company's future operational or financial performance and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. No representation or warranty is intended with respect to anticipated future results, that estimates and projections will be sustained or that any project will otherwise prove to be economic.

Readers are cautioned not to place undue reliance on these forward looking statements, which speak only of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties elsewhere in this MD&A, actual events may differ materially from current expectations.

OVERVIEW

Amerix Precious Metals Corporation (the “Company” or “Amerix”) is a junior resource company involved in the acquisition, exploration and development of mineral properties.

The Company does not generate operating revenues. Management anticipates that the Company will experience net losses as a result of ongoing exploration, and general corporate and administrative costs until such time as revenue generating activity is commenced.

The Company presently has interests in two mineral properties located in Brazil. The Company holds the exploration licenses to the Limão Gold Property (“Limão property”), located in the Tapajos gold district, Para State, in Central Brazil, and holds a 2.5% Net Smelter Return Royalty (“NSR”) interest in the southern Ouro Roxo properties.

As of October 31, 2011, the Company had assets of approximately \$2,791,493, and cash and short-term deposits of \$2,751,004. The Company has current liabilities of approximately \$174,973 and no debt. The Company has incurred cumulative historical exploration and evaluation expenditures of approximately \$15,641,774, of which \$2,158,513 relates to the Limão property.

During the three months ended October 31, 2011, the Company’s activities included the following:

Fugro-LASA-Geomag Aviation (“Fugro”) completed approximately 1800 line kilometres of airborne surveying over the entire Limão property, providing Amerix with magnetic and radiometric data and TerraNotes Ltd. Geophysics (“TerraNotes”) of Toronto provided additional interpretive consultation of the airborne data.

The Company made its final installment payment of Brazilian Reals 192,682 (145,000 BRL inflation adjusted) to Matapi Exploração Mineral Ltda. (“Matapi”) as required under the terms of the Limão option agreement with Matapi.

The Company's wholly-owned Brazilian subsidiary, Mineração Vila Porto Rico Ltda. (“MVPR”) was named as a co-defendant by individuals claiming to be members of the Ouro Roxo Cooperativa (the “Cooperativa”). The individuals are claiming that the agreement signed between the Cooperativa and MVPR on October 7, 2004, was not properly assigned by MVPR to a Brazilian National on August 30, 2007. The Company and MVPR consider the claim to be without merit and intend to defend against it. No amount for the claim has been accrued in the Company’s financial statements as at October 31, 2011.

The Company does not presently have sufficient financial resources to complete, by itself, the exploration required to develop its properties to an advanced stage. The exploration and development of the Company’s properties will therefore depend upon the Company’s ability to obtain financing through private placement financing, public financing, the joint venturing of projects, or other means. There is no assurance that the Company will be successful in obtaining the required financing.

MINERAL EXPLORATION ACTIVITIES

The Company's operations consist of the exploration and evaluation of mineral interests in Brazil as well as ongoing corporate head office costs. Exploration and evaluation expenditures on the Company's Limão property for the three months ended October 31, 2011 were \$443,973 compared to \$61,350 for the prior year period. .

The following table summarizes the continuity of the exploration and evaluation expenditures during the period:

	<u>Exploration and Evaluation Expenditures on Mineral Properties</u>		
	<u>Limao</u>	<u>Ouro Roxo</u>	<u>Total</u>
Balance, July 31, 2011	\$ 1,714,540	\$ 13,483,261	\$ 15,197,801
Expenditures during the period	443,973	-	443,973
Balance, October 31, 2011	<u>\$ 2,158,513</u>	<u>\$ 13,483,261</u>	<u>\$ 15,641,774</u>

Brazilian Mineral Properties and Exploration and Evaluation Expenditures

Limão Property

Background

The Limão property is comprised of two exploration concessions held by the Company's wholly-owned Brazilian subsidiary, MVPR. On June 9, 2011, the exploration title rights for the Limão property were published in the Brazilian Official Gazette, Union's Official Journal. The property has been acquired subject to the terms of the Limão option agreement with Matapi signed on July 12, 2007, with subsequent final amendments as at April 29, 2011. The Company's only remaining outstanding obligation under the agreement is to spend US\$500,000 on exploration work on the Limão property during the 12 month period ending on December 20, 2012.

The Limão property is situated along the NW-SE Tocantinzinho Trend located in the Tapajos gold district, Para State, in Central Brazil. This trend hosts notable gold properties such as Eldorado and Brazauro's Tocantinzinho Property and Magellan Mineral's Cuiu-Cuiu property. Between 1987 and 1990, Mineração Pompeia carried out systematic prospecting in the area, which included geochemical and geophysical surveys followed by a small drill program in an area previously mined by locals. Holes drilled under an open pit returned promising results, such as 47 g/t Au over 13 metres and 18.7 g/t Au over 6.8 metres. During 1994 and 1995, Barrick Gold conducted a review of the area and took fifteen samples of the syeno-granite in the pit area that returned values from 1.75 g/t Au to 25 g/t Au. Additional work conducted by Barrick Gold also identified several gold anomalies outside the area of the open pit. It must be noted that the previous exploration is historical and has not been verified.

A technical report dated October 1997 was prepared for the Company by Behre Dolbear & Company Ltd. and Behre Dolbear Chile & Cia. Ltda. (Dolbear) with respect to the Limão Property. The report is available for review at the Company's profile at www.sedar.com.

On May 20, 2011, the Company filed a National Instrument 43-101 (“NI 43-101”) Technical Report for its Limão Gold Property. The report was prepared by Mr. Clinton Davis, P. Geo., who is a “qualified person” under the definition of NI 43-101. Mr. Davis had previously visited the property in late 2009 and took one independent sample from the sulphide rich syeno-granitic intrusive rocks, which returned a high-grade result of 57.4 grams per tonne gold or 1.67 ounces per tonne. The Limão Gold Property is at an early stage of exploration, with no estimate of resources. A copy of the Technical Report can be found on the Company’s website at http://www.amerixcorp.com/reports_and_presentations.php., and at the Company’s profile on SEDAR.

Current Exploration

The Company’s exploration work carried out at the Limão property up to 2010 is summarized in the NI 43-101 report prepared by Mr. Davis (see above), a copy of which is available on the Company’s website and its profile page on SEDAR.

During August and September 2011, Fugro completed approximately 1800 line kilometres of airborne surveying over the entire Limão property providing Amerix with magnetic and radiometric data, and TerraNotes provided additional interpretive consultation of the airborne data. Incoming results from the Company’s 2011 exploration program have outlined anomalous gold targets defined from geochemical surveys that were conducted across several grids established on the Limão Property. New grids, existing grid extensions and infill lines have been completed as a continuation of Amerix’s 2009 and 2010 geochemical surveys, as well as over new, prospective areas identified from the airborne geophysical data.

Previously, the Amerix exploration work at Limão had consisted primarily of geochemical surveying on grid lines over old pits and workings that had been developed by artisanal workers, or “garimpos”, in the near surface, weathered, saprolitic material. From the earlier geochemical survey work, Amerix geologists outlined four areas of anomalous gold at the property:

- Limão Pit Area
- North Grid
- South Grid
- Subbao Grid

The geochemical grids identified from the airborne geophysical data cover an area of approximately 7.7 square kilometres of the approximate 100 square kilometre Limão property. Grids were primarily sampled using a manual auger to take 1 metre deep samples at 20 metre spacing along the grid lines. Secondary, closer spaced grid lines and sampling was done over areas with anomalous geochemical results. Each grid line was mapped and every sample was geologically logged and then prepared for shipping and analysis. All samples were prepared at Acme Labs preparation facility in Itaituba, Brazil and samples were shipped to Acme’s Santiago, Chile Laboratory for fire assay gold analysis. The Company utilizes a QA/QC chain of custody program overseen by its geologists concerning its samples. Over 3,700 samples were taken during the 2011 program covering 4 principal grid areas and the geochemical results are presently being received by the Company in batches.

Complete results have been received for the South Grid geochemical survey. The South Grid covers 0.6 square kilometres and was established primarily to cover an area of past, small scale, informal mining. Importantly, the 2011 geochemical survey identified a significant soil anomaly at the South Grid. The anomaly is defined by greater than 20 ppb gold traceable for 350 metres along a 290 degree trend that is coincident with the old workings. Company geologists have identified quartz veining occurring along easterly to westerly oriented, sheared contacts within predominantly granitic host rocks as exposed in a shaft and a cut face at the workings. Rock sampling and geologic mapping in the immediate vicinity of these workings and along the coincident gold geochemical anomaly will continue in the early 2012 exploration program. Amerix anticipates that this target will be developed for drill testing in the upcoming 2012 drill campaign. A second gold in soil anomaly occurs in the east section of this grid area. This anomaly extends for approximately 250 metres in an easterly to westerly direction and is open to the east. Additional geochemical and rock sampling will be undertaken to define the extensions of this target. Several other minor anomalies also occur on the South Grid and may be the subject of further detailed survey work.

Additional information on the Company's Limão exploration program and principal grid areas can be found in the Company's News Release 2012 -1, dated January 16, 2012, and on the Company's website at <http://www.amerixcorp.com/news.php>.

Complete results from geochemical analyses for the other three grids are expected later in the first quarter. The Company will provide these results as it prepares for drilling that is anticipated to begin after the rainy season and later in the spring. Amerix is well funded to complete its first drill campaign at the Limão project.

The ability of the Company to retain ownership of the Limão property is contingent on the Company having sufficient finances to complete all obligations under its agreement. Currently the Company has sufficient funds to fulfill these obligations. Additional funds, as required in the future, will need to be raised successfully on the capital markets or through strategic relationships.

Ouro Roxo

The Company holds a 2.5% NSR interest on the Ouro Roxo concessions as per its October 29, 2009 agreement with the Brazilian Consortium that holds the Ouro Roxo mining licenses. As a result of a pre-existing agreement between Matapi and Amerix, the southern Ouro Roxo concessions are subject to a 2.0% underlying NSR payable to Matapi. Amerix has the right to buy-out this underlying 2.0% NSR.

As of the date of this report, the Company has not received any royalty income from the Consortium due to delays in the Consortium achieving commercial production. The Company anticipates that it will begin to receive royalty income during fiscal 2012.

The Company's ability to maintain its interest in the Ouro Roxo royalty is subject to the Company making all required payments to Matapi, including payment of its underlying 2.0% NSR. If the Company is unable to make such payments the Company may lose all of its interest in the Ouro Roxo royalty, including forfeiting all payments made to date. See "Risk Factors".

MVPR was named as a co-defendant by individuals claiming to be members of the Ouro Roxo Cooperativa (the “Cooperativa”). The individuals are claiming that the agreement signed between the Cooperativa and MVPR on October 7, 2004, was not properly assigned by MVPR to a Brazilian National on August 30, 2007. The Company and MVPR consider the claim to be without merit and intend to defend against it. No amount for the claim has been accrued in the Company’s financial statements as at October 31, 2011.

RESULTS OF OPERATIONS

Selected Annual Information:

The following table summarizes selected financial data for the Company for each of the last three fiscal years. The information set forth below should be read in conjunction with the audited Consolidated Financial Statements, prepared in accordance with Canadian generally accepted accounting principles (“CGAPP”), and their related notes. The information for the year ended July 31, 2011 has also been prepared in accordance with IFRS.

	Year Ended July 31st, 2011 (IFRS) \$	Year Ended July 31st, 2011 (CGAAP) \$	Year Ended July 31st, 2010 (CGAAP) \$	Year Ended July 31st, 2009 (CGAAP) \$
Exploration and evaluation expenditures	\$ 770,691	\$ Nil	\$ Nil	\$ Nil
Net Loss	(2,122,615)	(1,369,924)	(767,494)	(973,723)
Net Loss per Share	(0.05)	(0.03)	(0.01)	(0.01)
Working Capital (Deficiency)	2,616,520	3,189,706	(52,162)	(195,909)
Other Assets:				
Mineral properties & Exploration Costs	Nil	15,197,801	14,427,110	13,795,801
Total Assets	2,791,493	18,562,516	14,554,734	14, 017,158
Shareholders’ Equity				
Dollar amount	\$ 2,616,520	\$ 17,822,507	\$ 13,827,948	\$ 12,932,992
Number of Shares Outstanding	63,693,434	63,693,434	121,579,602	96,023,802

Summary of Quarterly Results:

	Revenues	Net Income (Loss)	Loss/Share Basic and Diluted
January 31, 2010 ⁽¹⁾	Nil	(135,389)	(0.00)
April 30, 2010 ⁽¹⁾	Nil	(505,991)	(0.02)
July 31, 2010 ⁽¹⁾	Nil	(11,141)	(0.00)
October 31, 2010 ⁽²⁾	Nil	(197,907)	(0.01)
January 31, 2011 ⁽²⁾	Nil	(625,405)	(0.01)
April 30, 2011 ⁽²⁾	Nil	(548,533)	(0.01)
July 31, 2011 ⁽²⁾	Nil	(751,130)	(0.02)
October 31, 2011 ⁽²⁾	Nil	(573,186)	(0.01)

(1) – prepared in accordance with CGAAP

(2) – prepared in accordance with IFRS

Three Months ended October 31, 2011:

Canadian Dollars	Three months ended October 31,	
	2011	2010
Operating expenses		
Exploration and evaluation expenditures	\$ 443,973	\$ 61,350
Management fees	67,500	45,000
Professional fees	20,370	19,382
Office and general	6,216	11,761
Investor relations	1,250	12,618
Rent	9,000	10,500
Transfer agent & filing fees	5,158	5,950
Travel and promotion	14,412	12,811
Loss on foreign exchange	12,366	18,535
Total operating expenses	580,254	197,907
Interest income	7,068	-
Net loss for the period	573,186	197,907
Financing activities (net)	-	3,720
Working capital (deficiency)	2,616,520	(246,349)

Three Months ended October 31, 2011

The Company's loss is reported under IFRS for the first time this quarter. The most significant impact on loss relates to the accounting for mineral properties and exploration costs. Pursuant to IFRS 6 *Exploration for, and Evaluation of, Mineral Resources*, the Company has elected to change its accounting policy to retrospectively expense all pre-feasibility exploration and evaluation costs

The effects of this transitional change are as follows: (i) decreases in mineral properties and exploration costs of \$14,427,110 and future tax liability of \$547,000 and an increase in deficit of \$13,880,110 as at August 1 and October 31, 2010 and July 31, 2011; (ii) decrease mineral properties and exploration costs of \$61,350 and increase in net loss by the same amount as October 31, 2010; decreases in mineral properties and exploration costs of \$709,341 and future tax liability of \$18,000 and an increase in deficit of \$691,341.

The Company incurred operating expenses of \$580,254 for the three months ended October 31, 2011, compared to \$197,907 for the prior year period. Exploration and evaluation expenditures on the Limão project amounted to \$443,973 (2010 - \$61,350) as the Company was actively exploring the project and completed approximately 1800 line kilometres of airborne surveying, providing Amerix with magnetic and radiometric data. Management fees of \$67,500 (2010 - \$45,000) are higher than the prior period due to the hiring of a new President and CEO at the end of January 2011. Investor relations of \$1,250 (2010 - \$12,618) was lower during the current quarter compared to the prior year period as the Company no longer engages capital market advisory consultants. Travel and promotion expense of \$14,412 (2010 - \$12,811) relates to marketing activities during the period. Foreign exchange loss of \$12,366 (2010 - \$18,535) was due to the strengthening of the Brazilian Real relative to the Canadian dollar during the period. All other cash and non-cash expenses were comparable with those experienced in the prior financial period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of funding to meet future exploration expenditures and cover administrative costs is to raise equity financing through private placements or the exercise of warrants and stock options.

As at October 31, 2011, the Company had cash and cash equivalents of \$2,751,004, total current assets of \$2,791,493 and total current liabilities of \$174,973, resulting in working capital of \$3,189,706 (July 31, 2011 - \$3,189,706).

As at the date of this report, the Company has 63,693,434 common shares outstanding together with 5,191,660 stock options and 14,178,759 warrants. Included in the warrants are 1,183,000 compensation options, and 403,997 broker warrants which if exercised would result in the issue of 403,997 common shares and 201,999 common share purchase warrants. The Company's fully diluted position is 83,265,852 common shares. As at the date of this report none of the outstanding stock options, compensation options, broker warrants, and common share purchase warrants are "in the money".

COMMITMENTS AND CONTINGENCIES

As at the date of this report the Company has the following contractual obligations:

Contractual Obligations	Total	2012	2013	2014
Long term debt	-	-	-	-
Capital lease obligations	-	-	-	-
Operating obligations (Cdn 000's)	81	18	36	27
Purchase obligations	-	-	-	-
Other Long Term Obligations				
Limão exploration expenditures (US 000's)	500	500	-	-
Vila Porto Rico	-	-	-	-

Operating Obligations

The Company signed a lease agreement for a new office space effective May 1, 2011. The term of the lease is for a period of three years, expiring on April 30, 2014. The annual lease payments are approximately \$36,000.

Limão exploration expenditures

The obligations for the Limão property represent exploration expenditure commitments as property payment obligations. Matapi retains a two per cent NSR in respect of the Limão Property and will receive an additional 127,750 common shares of Amerix if a technical report in compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators evidencing the existence of at least 1,000,000 ounces of gold is delivered in respect of the Limão Property.

The Company has also agreed to spend US\$500,000 on exploration work on the Limão property during the 12 month period ending on December 20, 2012.

Ouro Roxo

Should an independent study confirm that the Ouro Roxo property contains a minable reserve (in the probable category or better) of at least 2,000,000 ounces of gold the Company will be required to issue 322,083 common shares to Matapi.

Other

The Company plans to continue to explore the Limão property during fiscal 2012. Long term obligations will depend upon the results of these exploration programs.

The Company currently does not anticipate that it will require additional financing in order to meet its financial obligations for fiscal 2012.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

For the three months ended October 31, 2011 the Company had the following related party transactions:

<u>Related party</u>	<u>Three Months ended October 31,</u>	
	<u>2011</u>	<u>2010</u>
Single Jack Investments ⁽¹⁾	\$ 7,500	\$ 22,500
Steve Brunelle ⁽²⁾	\$ 37,500	-
Dan Hamilton ⁽³⁾	\$ 22,500	\$ 22,500
Ad Hoc Consultores ⁽⁴⁾	\$ 22,500	\$ 23,600

⁽¹⁾ Single Jack Investments (“Single Jack”) is a private company controlled by Mr. Jeffrey Reeder. Mr. Reeder resigned as the Chief Executive Officer (“CEO”) of Amerix effective January 25, 2011, and was appointed Executive Chairman of the Company effective January 25, 2011. Payments made to Single Jack up to January 25, 2011 are on account of Mr. Reeder’s services as CEO of Amerix. Payments made to Mr. Reeder from January 25, 2011 are on account of his services as Executive Chairman of Amerix.

⁽²⁾ Mr. Steve Brunelle was appointed the President and CEO of Amerix effective January 25, 2011. Payments made to Mr. Brunelle since January 25, 2011 are on account of Mr. Brunelle’s services as CEO of Amerix.

⁽³⁾ Mr. Hamilton is the Chief Financial Officer of the Company. Payments made to Mr. Hamilton are on account of Mr. Hamilton’s services as Chief Financial Officer.

⁽⁴⁾ Ad Hoc Consultores (“Ad Hoc”) is a private company in Brazil controlled by Mr. Luciano Borges. Mr. Borges is a Director of the Company and the President and General Manager of the Company’s Brazilian subsidiary, MVPR. Payments made to Ad Hoc are on account of Mr. Borges’ services as President and General Manager of MVPR.

The transactions above are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

There were no share options granted to directors, key management and other related parties during the three month periods ended October 31, 2011 and 2010.

SHARE CAPITAL

Common shares

The following table shows the continuity of common shares issued and outstanding during the period:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, July 31 2011 and January 18, 2012	<u>63,693,434</u>	<u>\$22,373,248</u>

Warrants

The following table shows the continuity of common share purchase warrants, compensation options and unit purchase options (broker warrants) during the period:

	<u>Common share Purchase Warrants</u>	<u>Broker Warrants and Compensation Options</u>	<u>Total Warrants</u>	<u>Average Exercise Price</u>
Balance, July 31, 2011 and January 18, 2012	<u>12,591,762</u>	<u>1,586,997</u>	<u>14,178,759</u>	<u>\$0.31</u>

Stock options

The following table shows the continuity of stock options during the period:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2011 and October 31, 2011	<u>5,191,660</u>	<u>\$0.34</u>
Options granted during the period	500,000	\$0.11
Options expired during the period	(116,666)	\$0.81
Balance, January 18, 2012	<u>5,574,994</u>	<u>\$0.31</u>

As at January 18, 2012, the following stock options were outstanding:

Number of options	Exercise Price	Expiry Date
183,333	\$0.90	January 22 2013
666,663	\$0.375	February 8, 2013
1,999,998	\$0.30	March 7, 2015
1,000,000	\$0.375	January 25, 2016
1,225,000	\$0.22	July 19, 2016
500,000	\$0.11	January 17, 2017

Fully diluted

A summary of common shares, common share options, compensation options, Unit-purchase options and common share purchase warrants at January 18, 2012, is tabled below:

Common shares issued	63,693,434
Common share options	5,574,994
Compensation options	1,183,000
Unit purchase options – Shares	403,997
- Warrants	201,999
Warrants	<u>12,591,762</u>
Fully diluted common shares	<u>83,595,186</u>

PROPOSED TRANSACTION

The Company has not entered into any significant transaction, nor is it currently reviewing any such transaction, that has not been discussed within this MD&A.

SUBSEQUENT EVENTS

There are no material subsequent events to report as at the date of this report.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. the inputs used in accounting for valuation of warrants and options which are included in the unaudited condensed consolidated interim balance sheet;
- ii. the nil provision for decommissioning and restoration provisions which is included in the unaudited condensed consolidated interim balance sheet; and
- iii. the nil provision for income taxes which is included in the unaudited condensed consolidated interim statements of loss and comprehensive loss and composition of deferred income tax assets and liabilities included in the unaudited condensed consolidated interim balance sheet.

CHANGES IN ACCOUNTING POLICIES

The significant accounting policies are outlined in the October 31, 2011 condensed consolidated interim financial statements.

International Financial Reporting Standards

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is August 1, 2010. The three months ended October 31, 2011 is the Company's first reporting period under IFRS.

The Company's IFRS conversion team identified three phases to our conversion: initial diagnostic phase, impact analysis, evaluation and solution development phase and implementation and review phase. Post-implementation will continue in future periods, as outlined below.

The following outlines the Company's transition project, IFRS transitional impacts and the on-going impact of IFRS on the financial results. Note 17 to the interim financial statements provides more detail on the key Canadian GAAP to IFRS difference, the accounting policy decisions and IFRS 1, First-Time Adoption of International Financial Reporting Standards, optional exemptions for significant or potentially significant areas that have had an impact on the financial statements on transition to IFRS or may have an impact in future periods.

Transitional Financial Impact

The tables below outline:

- a) Adjustments to the Corporation's equity on adoption of IFRS on August 1, 2010, and at October 31, 2010 and July 31, 2011 for comparative purposes.
- b) Adjustments to statement of income for the three months ended October 2010 and for the year ended July 31, 2011.

The following tables should be read in conjunction with the more detailed footnotes in the condensed consolidated interim financial statement notes.

Reconciliation of equity:

	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
	August 1, 2010			October 31, 2010			July 31, 2011		
Assets									
Currents assets									
Cash and cash equivalents	81,870	-	81,870	27,848	-	27,848	3,313,923	-	3,313,923
Other receivables	12,865	-	12,865	12,005	-	12,005	31,000	-	31,000
Prepaid expenses	32,889	-	32,889	37,301	-	37,301	19,792	-	19,792
	127,624	-	127,624	77,154	-	77,154	3,346,715	-	3,364,715
Mineral properties and exploration costs									
	14,427,110	(14,427,110)	-	14,488,460	(14,488,460)	-	15,197,801	(15,197,801)	-
	14,554,734	(14,427,110)	127,624	14,565,614	14,488,460	77,154	18,562,516	(15,197,801)	3,364,715
Equity and Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	179,786	-	179,786	323,503	-	323,503	175,009	-	175,009
Non-current liabilities									
Future tax liability	547,000	(547,000)	-	547,000	(547,000)	-	565,000	(565,000)	-
	726,786	(547,000)	179,786	870,503	(547,000)	323,503	740,009	(565,000)	175,009
Equity									
Share capital	19,394,916	-	19,394,916	19,399,721	-	19,399,721	22,373,248	-	22,373,248
Reserves	4,792,106	-	4,792,106	4,791,021	-	4,791,021	7,178,257	-	7,178,257
Deficit	(10,359,074)	(13,880,110)	(24,239,184)	(10,495,631)	(13,941,460)	(24,437,091)	(11,728,998)	(14,632,801)	(26,361,799)
	13,827,948	(13,880,110)	(52,162)	13,695,111	(13,941,460)	(246,349)	17,822,507	(14,632,801)	3,189,706
	14,554,734	(14,427,110)	127,624	14,565,614	(14,488,460)	77,154	18,562,516	(15,197,801)	3,364,715

Reconciliation of loss and comprehensive loss for the three month period ended October 31, 2010 and year ended July 31, 2011:

	Three month period ended October 31, 2010			Year ended July 31, 2011		
	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
Interest income	-	-	-	3,012	-	3,012
Expenses						
Exploration and evaluation expenditures	-	61,350	61,350	-	770,691	770,691
Share based payments	-	-	-	743,025	-	743,025
Management fees	45,000	-	45,000	225,000	-	225,000
Professional fees	19,382	-	19,382	115,183	-	115,183
Investor relations	12,618	-	12,618	91,119	-	91,119
Office and general	11,761	-	11,761	55,999	-	55,999
Transfer agent and filing fees	5,950	-	5,950	54,890	-	54,890
Rent	10,500	-	10,500	28,250	-	28,250
Travel and promotion	12,811	-	12,811	27,978	-	27,978
Loss (gain) on foreign exchange	18,535	-	18,535	13,492	-	13,492
	136,557	61,350	197,907	1,354,936	770,691	2,125,627
Net loss before the following	136,557	61,350	197,907	1,351,924	770,691	2,122,615
Future income tax expense	-	-	-	18,000	(18,000)	-
Net loss and comprehensive loss for the period	136,557	61,350	197,907	1,369,924	752,691	2,122,615

Business Activities and Key Performance Measures

The Company has assessed the impact of the IFRS transition project on our financial covenants and key ratios. The transition did not significantly impact the Company's covenants and key ratios.

Information Technology and Systems

The IFRS transition project did not have a significant impact on our information systems for the convergence periods. The Company does not expect significant changes in the post-convergence periods.

Post-Implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. The Company notes that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that have been selected. In particular, there may be additional new or revised IFRSs or IFRICs in relation to consolidation, joint ventures, financial instruments, hedge accounting, discontinued operations, leases, employee benefits, revenue recognition and stripping costs in the production phase of a surface mine. The International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact the Company's financial statements. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC interpretations will be evaluated as they are drafted and published

FINANCIAL RISK FACTORS

Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk including interest rate, foreign exchange rate, and commodity price risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, cash equivalents and other receivables. Cash and cash equivalents are held with reputable financial institutions which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents is minimal.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2011, the Company had working capital of \$2,616,520 (July 31, 2011 - \$3,189,706 and August 1, 2010 - deficiency of \$(52,162)). All of the Company's financial liabilities have contractual maturities of less than 60 days and are subject to normal trade terms.

Market Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has minimal cash balances, and cash equivalents which consists of a guaranteed investment certificate.

Commodity Price Risk

The Company is exposed to commodity price risk. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to precious metals to determine the appropriate course of action to be taken by the Company.

Foreign Currency Risk

The Company's reporting and functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars, US dollars and Brazilian Reals. The Company funds major exploration expenses in Brazil. Accordingly, it maintains Brazilian Real bank accounts in Brazil. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Sensitivity Analysis

The Company has, for accounting purposes, designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- (i) The Company is exposed to interest rate risk on fluctuations in interest rate on its cash equivalents. As at October 31, 2011, sensitivity to a plus or minus 1% change in the interest rate would affect net loss and comprehensive loss by approximately \$6,250 with all other variables held constant.
- (ii) The Company is exposed to foreign currency risk on fluctuations related to cash, other receivables, and accounts payable and accrued liabilities that are denominated in US dollars and Brazilian Reals. As at October 31, 2011, sensitivity to a plus or minus 5% change in the foreign exchange rate would affect net loss and comprehensive loss by approximately \$1,500 with all other variables held constant.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious metals. Precious metal prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious metals may be produced in the future, a profitable market will exist for them. A decline in the market price of precious metals will also require the Company to reduce its mineral resources, which could have a

material and adverse effect on the Company's value. As of October 31, 2011, the Company was not a precious metals producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company is not involved in any hedging program, nor is it a party to any financial instruments that may have an impact on its financial position.

ENVIRONMENTAL

The Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future and anticipates that such obligations will only arise when full-scale development commences. As the Company's projects are still in the exploration and development stage and no significant environmental impact has occurred to date, the Company does not currently consider that expenditures required to meet any ongoing environmental obligations at the projects are material to its results or to the financial condition of the Company at this time. However, these costs may become material in the future and will be reported in the Company's filings at that time.

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present all material respects the financial condition, results of the operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company's certifying officers are responsible

for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company, including its audited annual consolidated financial statements, its unaudited quarterly financial statements and related management discussion and analysis for each period therein is available on SEDAR at www.sedar.com.

RISK FACTORS

Investment in a natural resource company involves a significant degree of risk. The degree of risk increases substantially where the Company's properties are in the exploration, as opposed to the development or production stage. All of the Company's properties are in the exploration stage. There are a number of risks inherent to the Company's business. These may be summarized as follows:

Financing: The Company does not presently have sufficient financial resources to complete, by itself, the exploration required to develop its properties to an advanced stage. The exploration and development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Company will be successful in obtaining the required financing.

Limited Operating History and Lack of Cash Flow: The Company has a limited business history. The Company has no history of earnings or cash flow from its present operations. The only present source of funds available to the Company is through the sale of equity or debt securities or borrowing. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct further exploration that may be necessary to determine whether or not a commercially mineable deposit exists on any property it has or it acquires and the Company may not realize a return on its investment. While the Company may generate additional working capital through equity offerings, borrowing, sale or the joint venture development of its properties and/or a combination thereof, there is no assurance that any such funds will be available. Failure to obtain such additional capital, if needed, would have a material adverse effect on the Company.

The Company has neither declared nor paid dividends during the past five years and does not anticipate doing so in the foreseeable future.

Limited Business of the Company: Other than the Company's option to acquire the Limão Property in Brazil and its interest in the Ouro Roxo NSR, the Company has no material non-cash assets. There is no assurance the Company will be able to finance the acquisition of properties or the exploration or development thereof.

Exploration and Development: All of the resource properties in which the Company has an interest or the right to acquire an interest are in the exploration stage and without a known body of commercial ore. Development of any resource property held or acquired by the Company will only follow obtaining satisfactory exploration results. Exploration for and the development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company's exploration activities will result in any discovery of commercial ore.

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract reserves and to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. Few properties that are explored are ultimately developed into producing mines.

Loss of Brazilian Properties: The Company has future expenditure obligations in order to complete the purchase of its Limão exploration property and there is the risk the property vendor may seek to repossess the property if the required expenditures are not made as scheduled.

Environmental and Government Legislation: Existing and possible future environmental legislation, regulations, and actions could cause significant expense, capital expenditures, restrictions, and/or delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any mining properties is subject to various reporting requirements and to obtaining certain governmental approvals and there is no assurance that such approvals, including environmental approvals, will be obtained without delay, or at all.

Any exploration program executed by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining project is affected both by production costs and by markets for the project's metals, which in turn may be influenced by factors including the supply and demand for such metals, the rate of inflation, the inventories of larger producers, the political environment and changes in international investment patterns.

Environmental Factors: All phases of the Company's future operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business.

Conflicts of Interest: Certain of the directors and officers of the Company are also directors, officers or shareholders of other companies that are engaged in the business of acquiring, exploring and developing natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any material interest which they may have in any project or opportunity of the Company, and to abstain from voting on such matter.

Operating Hazards and Risks: Future operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. The nature of the risks associated with the Company's business are such that liabilities might exceed insurance policy limits, the liabilities and hazards might not be insurable, or the Company may elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

The Company may become subject to liability for personal injury, property, or environmental damage, and other hazards of mineral exploration against which it cannot insure or against which it may elect not to insure due to high premium costs or other reasons. Payment of such liabilities could have a material adverse effect on the financial position of the Company.

Permits and Licenses: Upon acquisition of a property interest, the operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Fluctuating Prices: The Company's future revenues, if any, are expected to be in large part derived from the extraction and sale of precious metals. The price of those commodities fluctuates widely and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of precious metals, and therefore the economic viability of any of the Company's exploration projects, cannot be predicted accurately.