Management's Discussion and Analysis

For the Year Ended December 31, 2011

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Red Eagle Mining Corporation and its subsidiaries ("Red Eagle" or the "Company") during the year ended December 31, 2011 and to the date of this report. The MD&A supplements, but does not form part of, the consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2011. Consequently, the following discussion of performance and financial condition should be read in conjunction with the consolidated financial statements for the year ended December 31, 2011 and the notes thereto. All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated. The Company has prepared its financial statements in accordance with IFRS as issued by the IASB since inception on January 4, 2010.

Additional information related to Red Eagle is available on SEDAR at **www.sedar.com** and on the Company's website at **www.redeaglemining.com**.

This MD&A contains information up to and including April 26, 2012.

FORWARD-LOOKING INFORMATION

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information, please refer to page 23 of this MD&A.

CORPORATE OVERVIEW

The Company was incorporated under the *Business Corporations Act (British Columbia)* on January 4, 2010. The Company completed its initial public offering ("IPO") on June 24, 2011 and commenced trading its common shares under the symbol "RD" and its share purchase warrants under the symbol RD.WT on the TSX Venture Exchange ("Exchange") as a Tier 2 Mining Company on June 28, 2011. The Company is engaged in exploration and development of mineral properties located in Colombia.

MINERAL PROPERTIES

The Company has two significant mineral properties, Santa Rosa and Pavo Real, both of which are located in Colombia. All direct costs relating to the acquisition of mineral property interests are capitalized into intangible assets on a property by property basis. All mineral property exploration expenditures are expensed as incurred. A breakdown of expenditures on these two properties is provided below in the section "Mineral Properties". Further information on the mineral properties can be found in the consolidated financial statements for the year ended December 31, 2011, in the Company's final long-form prospectus filed with the securities commissions on SEDAR on June 16, 2011 and in the Company's Annual Information Form filed on SEDAR on October 31, 2011.

Pavo Real Project

The Company, though its 70% owned subsidiary Rovira Mining Limited, is earning in to an option agreement on the Pavo Real property in the Department of Tolima , Colombia. The terms of the option agreement require paying certain cash amounts, issuing common shares and incurring certain minimum levels of exploration expenditure. The Company has made all required payments and share issuances to date. The details of the option agreement can be found in the consolidated financial statements for the year ended December 31, 2011. There have been no changes to the terms of the option agreement in the year to December 31, 2011 or to the date of this MD&A.

Santa Rosa Project

On April 15, 2011 the Company signed the final purchase and sale agreement by which the Company can acquire 100% of the Santa Rosa Project, which is comprised of various concession contracts in Colombia, through payment of the following (all US dollars):

Cash payments:	
Paid	$ 3,100,000
Due upon title transfer of concession contract LDM-08061	600,000
Due on or before November 30, 2013	4,500,000
	$ 8,200,000

The Company also has to pay to the original owners the greater of US$2,000,000 or US$15 per gold equivalent ounce multiplied by the quantity of Measured and Indicated gold equivalent ounces (as defined in National Instrument Policy 43-101 and calculated by an independent qualified person) on a predefined 20 hectare area of the project.

MINERAL PROPERTIES (continued)

Cajamarca project (Colombia)

On August 12, 2011 the Company entered into a share purchase agreement ("Cajamarca SPA") and shareholder agreement ("Cajamarca SA") with Miranda Gold Corp. ("Miranda"). Pursuant to the Cajamarca SPA, Miranda assigned 70% of the shares of Miranda Gold Colombia IV Ltd. ("MAD IV") , a wholly-owned subsidiary of Miranda, to the Company. The Colombian branch of MAD IV is the holder of an option to purchase a group of properties in Colombia collectively called the Cajamarca project. Individually the projects are known as Cajamarca, Ibague and Frenso. The activities of MAD IV will be governed by the Cajamarca SA. The terms of the option agreement require paying certain cash amounts, issuing common shares and incurring certain minimum levels of exploration expenditure. The Company has made all required payments and share issuances to date. The details of the option agreement, including required dates of payments and share issuances can be found in the consolidated financial statements for the year ended December 31, 2011.

Subsequent to the acquisition, the Company dropped the Ibague and Fresno projects and the acquisition costs (US $40,000 and 40,000 common shares) relating to that projects were recorded as an impairment charge.

MINERAL PROPERTIES (continued)

Following is the breakdown of mineral property expenditures incurred during the year ended December 31, 2011 and 2010:

For the year ended December 31, 2011

	Pavo Real	Santa Rosa	Cajamarca	Total
Mineral property exploration costs:				
Assays and sampling	$ 99,868	$ 189,226	$ 1,938	**$ 291,032**
Concession fees	19,249	12,004	93,677	**124,930**
Depreciation	28,168	96,189	-	**124,357**
Drilling	200,448	1,461,653	-	**1,662,101**
Field and camp expenses	269,270	936,239	4,872	**1,210,381**
Legal, office and administration	231,777	173,768	36,247	**441,791**
Geological and geochemical	44,803	148,171	13,054	**206,028**
Geophysics	28,916	87,779	-	**116,695**
Salaries and consulting fees	902,294	1,246,014	33,838	**2,182,146**
Travel	83,401	201,985	2,264	**287,651**
Total exploration costs for the year ended December 31, 2011	**$ 1,908,194**	**$ 4,553,028**	**$ 185,890**	**$ 6,647,112**

For the period from inception (January 4, 2010) to December 31, 2010

	Pavo Real	Santa Rosa	Cajamarca	Total
Mineral property exploration costs:				
Assays and sampling	$ 14,639	$ 13,176	$ -	**$ 27,815**
Depreciation	9,677	12,720	-	**22,397**
Field and camp expenses	56,567	78,858	-	**135,425**
Legal, office and administration	42,862	36,429	-	**79,291**
Geophysics	140,461	92,171	-	**232,632**
Salaries and consulting fees	336,232	99,684	-	**435,916**
Travel	59,290	44,022	-	**103,312**
Total exploration costs for the period ended December 31, 2010	**$ 659,728**	**$ 377,060**	**$ -**	**$ 1,036,788**
Cumulative exploration costs as at December 31, 2011	**$ 2,567,922**	**$ 4,930,088**	**$ 185,890**	**$ 7,683,900**

MINERAL PROPERTIES (continued)

1. Santa Rosa

Exploration to date has entailed:

- Detailed structural and geological mapping of over 280 near surface adits within the oxidized saprolite (with a total length of over 6,800 metres) and over 60 historic open cut hydraulic workings;
- Surface mapping;
- Collection and analysis of over 1,800 adit channel samples (averaging about 1 g/t Au in the oxide zone);
- Aerial magnetic and radiometric (potassic alteration) surveys;
- Induced polarization (IP) program over the identified initial drill target area in the south east sector of the property;
- Detailed geochemical sampling (MMI – mobile metal ion) program on a 200m by 50m grid across the potassic alteration areas; and
- Drilling (12,000 metre program).

Surface exploration programs to date have defined what is considered a number of significant intrusive related independent gold systems that have never been drilled. Mineralization is contained within numerous veins, veinlet, and quartz vein stockwork systems structurally-related to East-West and North-West trends. The saprolite/oxide cap layer contains mineralization at an average of 1 g/t Au, which extends to an average depth of 50 metres.

The 12,000 meter drilling program with two diamond core rigs commenced in September on the San Ramon deposit, where high grade veins and shear zones have been traced for over five kilometers along strike and 20-60 metre widths. The drill program was completed in March 2012, with 7,700 metres in 27 core holes completed at December 31, 2011.

The San Ramon system trends east-west, dips 65-70° to the north, is up to 60 metres in width (averaging 19 metres), drill tested to a vertical depth of over 250 metres and is exposed at surface. Wide-spaced drilling intercepts to date average 1.21 g/t Au. To date only 1.8 kilometres of the system has been drill tested with many holes intersecting gold mineralization. The mineralisation extends to surface where channel sampling has also averaged approximately 1 g/t Au. In addition to the disseminated mineralisation there are en echelon high grade veins within the system. The San Ramon system is also open to the east and extends onto the newly granted concession contract LDM-08061. The Company completed airborne magnetic, radiometric and geochemistry surveys over the new area in December 2011, extending the current strike length from 1.8 kilometres to potentially over 5 kilometres and identifying prospective drill targets over the additional about 3 kilometres.

Potassic alteration from the radiometric survey ties in with an anomaly from the magnetic survey in the south-east sector (San Ramon prospect), and also indicates an extensive zone of alteration in the central area of the property where porphyry outcrops were observed. The main magnetic anomaly runs generally north-west, but with some indicative east-west strike zones, as at the San Ramon deposit. It also ties in with the historic workings that have been surveyed to date.

MINERAL PROPERTIES (continued)

2. Pavo Real

Exploration to date has entailed:

- Detailed structural and geological mapping and channel sampling of near surface adits;
- Surface mapping;
- Trenching;
- Collection and analysis of rock and soil samples;
- Aerial magnetic and radiometric (potassic alteration) surveys;
- Petrographic thin section studies; and
- Drilling (5,000 metre program).

Highlights of the results to date include:

- 540 rock chip samples averaging 4.1 g/t Au;
- The La Cruzada adit showed a continuous zone of mineralization of 2.23 g/t Au over 27.3 metres;
- A hydrothermal breccia returned trenching results of 4.05 g/t Au over 10.5 metres;
- A 41metre long trench in the Quebrada La Virgen area returned 1.42g/t Au over its entire length;
- Strong radiometric potassic alteration zones show coincidence with mapped structural geology (principally the sandstone horizon), historic workings and the sampling of exposures; and
- Strong soil geochemical anomalies averaging over 1 g/t Au in broad regions indicate potential for large drill targets that may be related to hydrothermal breccias.

Mapping to date is coincident with historic workings, high potassic alteration, anomalous aerial magnetics, surface geochemistry, and significant channel and rock chip sampling, and has identified numerous initial drill targets. A diamond drill program commenced in late 2011, and at year end had completed the first hole totaling 746 metres in length. The eight hole program is scheduled to be completed in May 2012. The drill program is prioritized to investigate the potential of the different types of structure and mineralization identified to date.

OUTLOOK

Diamond drilling is planned to continue at both Santa Rosa and Pavo Real in 2012. The 2012 work program for the San Ramon deposit at Santa Rosa includes 4,000 metres of delineation drilling, extending the strike, an extensive saprolite/oxide specialized drill program and a preliminary metallurgical test work program in order to prepare an initial 43-101 resource report during 2012. A second drill program will commence at Pavo Real in May 2012 targeting mineralization at the Mina Vieja brownfield copper/gold project located within the Pavo Real project.

RESULTS OF OPERATIONS

Selected Information

	For the three months ended December 31, 2011		For the three months ended December 31, 2010	
Operating expenses	$	3,654,458	$	847,662
Interest and miscellaneous income		26,176		57
Net loss		3,628,285		849,413
Basic and diluted loss per share		0.10		0.05

THREE MONTHS ENDED DECEMBER 31, 2011 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2010

The Company incurred a net loss of $3,628,285 for the three months ended December 31, 2011 representing an increase of $2,778,872 when compared with $849,413 for the three months ended December 31, 2010.

This increase was primarily the result of:

- Mineral property exploration costs, which have increased by $2,424,458. The activity level has been steadily increasing as the two main projects commenced drilling at Santa Rosa in September 2011 and Pavo Real in October 2011. Consequently exploration expenditure in Q4, 2011 increased significantly compared to the prior period and year. See earlier section on mineral properties for a breakdown of the mineral property expenditures and narrative discussion on the progress of the projects.
- Increase in office and general administration of $146,617 due to an increase in head office activities.
- Increase in salaries and benefits of $75,142 due to an increase in employees.
- Impairment charge of $63,037 in Q4, 2011 (prior year $nil) relating to the decisions to drop the Ibague and Fresno projects, as described in note 8 to the consolidated financial statements

RESULTS OF OPERATIONS (continued)

	For the three months ended December 31, 2011	For the three months ended September 30, 2011
Operating expenses	$ 3,654,458	$ 2,174,884
Interest and miscellaneous income	26,176	20,408
Net loss	3,628,285	2,154,177
Basic and diluted loss per share	0.10	0.06

THREE MONTHS ENDED DECEMBER 31, 2011 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2011

The Company incurred a net loss of $3,628,285 for the three months ended December 31, 2011 representing an increase of $1,474,108 when compared with $2,154,177 for the three months ended September 30, 2011.

This increase was primarily the result of:

- Mineral property exploration costs, which have increased by $1,365,204. The activity level has been steadily increasing as the two main projects commenced drilling at Santa Rosa in September 2011 and Pavo Real in October 2011. Consequently exploration expenditure in Q4, 2011 increased significantly compared to Q3. See earlier section on mineral properties for a breakdown of the mineral property expenditures and narrative discussion on the progress of the projects.
- The impairment of the Fresno and Ibague properties resulted in a Q4, 2011 charge of $63,037, an increase of $52,933 compared to Q3, 2011.

RESULTS OF OPERATIONS (continued)

	For the year ended December 31, 2011	For the period from inception January 4, 2010 to December 31, 2010
Operating expenses	$ 10,148,868	$ 1,655,691
Interest and miscellaneous income	67,264	57
Net loss	10,081,715	1,650,691
Basic and diluted loss per share	0.31	0.13

YEAR ENDED DECEMBER 31, 2011 COMPARED TO THE PERIOD FROM INCEPTION JANUARY 4, 2010 TO DECEMBER 31, 2010

The Company incurred a net loss of $10,081,715 for the year ended December 31, 2011 representing an increase of $8,431,024 when compared with $1,650,691 for the period from inception January 4, 2010 to December 31, 2010. The reasons for the increase are comparable to the reason noted for the three month comparison above, due to a steady increase in activities in the quarters from inception through to December 31, 2011. The Company incorporated at the start of 2010 and had a low level of activity until the acquisition of Pavo Real. The increases were primarily the result of:

- Mineral property exploration costs, which have increased by $5,610,324. In June 2010 the Company only owned the Pavo Real property and has since acquired Santa Rosa. The activity level has been steadily increasing as the two main projects commenced drilling at Santa Rosa in September 2011 and Pavo Real in October 2011. See mineral property section for a breakdown of the mineral property expenditures.
- Increase in investor relations expense due to the increased investor relations activities since the Initial Public Offering ("IPO"), including the grant of stock options to an investor relations company.
- Impairment charge of $73,141 (prior year $nil) relating to the decisions to drop the Ibague and Fresno projects, as described in note 8 to the consolidated financial statements.
- Increase in office and administration of $1,094,481 due to an increase in employees and related overheads, and the expense incurred on issuance of share options to directors and employees.
- Increase in filing fees of $107,876 due to the cost of becoming a public company and the ongoing related regulatory requirements
- Decrease of $104,064 in evaluation of projects due to the Company's focus changing from evaluation and acquisition of mineral properties (specifically Santa Rosa and Pavo Real) in 2010 to exploration of these mineral properties in 2011.
- Increase in professional fees of $299,440 due to legal and audit fees connected with being a public company and the growth of the Company.
- Increase in salaries and benefits expense due an increase in employees and the share option based payments expense relating to the options granted on June 28, 2011.
- Share option based payments charge of $2,117,043 due to issuance of options. No options were issued prior to that date. This expense is recorded in the underlying categories that the optionees receive their regular compensation. Note 10d to the consolidated financial statements provides further information regarding the measurement and classification of the expense.

SUMMARY OF QUARTERLY RESULTS

Following is a summary of quarterly results since inception on January 4, 2010. These results are taken from the interim and annual financial statements of Red Eagle Mining Corporation, which are prepared in accordance with IFRS as issued by the IASB. The results are presented in Canadian dollars, which is the functional currency of the parent company. The two Colombian branches both have a functional currency of the Colombian peso.

	For the three months ended March 31, 2011	For the three months ended June 30, 2011	For the three months ended September 30, 2011	For the three months ended December 31, 2011
Interest income	$ 385	$ 20,295	$ 20,408	$ 26,176
Net loss	1,002,919	3,296,334	2,154,177	3,628,285
Basic and diluted loss per share	0.04	0.13	0.06	0.10

	For the period from inception January 4, 2010 to March 31, 2010	For the three months ended June 30, 2010	For the three months ended September 30, 2010	For the three months ended December 31, 2010
Interest income	$ -	$ -	$ -	$ 57
Net loss	84,837	284,211	432,230	849,413
Basic and diluted loss per share	0.02	0.04	0.03	0.05

The analysis provided in the "results of operations" section above provides information regarding the movements during the year ended December 31, 2011 and period ended December 31, 2010. Due to the nature of operations there is no seasonality in the business. The Company incorporated on January 4, 2010 and has steadily grown in its level of operations since that date. The significant net loss in the three months ended June 30, 2011 is due to the share based payment charge that was incurred upon issuance of options. Other than that quarter, each quarter since incorporation has reflected a steady increase in expenditures and net loss.

LIQUIDITY

As at		**December 31, 2011**		**December 31, 2010**
Working capital	$	9,138,634	$	5,833,959
Total assets		14,055,651		6,582,216
Total liabilities		930,037		157,032
Share capital		20,829,110		7,967,847
Deficit		(10,871,529)		(1,430,327)

As at December 31, 2011, the Company had working capital of $9,138,634 (December 31, 2010: $5,833,959), including cash and cash equivalents of $5,161,767 (December 31, 2010: $1,537,583) and other financial assets of $4,400,000 (December 31, 2010: $4,400,000). On June 24, 2001 the Company completed its initial public offering ("IPO") raising gross proceeds of $14,371,375 ($13,154,855 net of share issue costs and listing expenses).

The Company expects to obtain financing in the future primarily through further equity financings. At present, Red Eagle has no operations that generate cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits, raise required funding through future equity issuances, asset sales or a combination thereof. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

The Company relies on equity financings and the exercise of options and warrants to fund its exploration activities and its corporate and overhead expenses. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities.

The Company's operations to date have been financed by issuing common shares. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favourable. To date, the Company has not used debt or other means of financing to further its exploration programs, and the Company has no plans to use debt financing at the present time.

Based on the cash position on hand as at the date of this MD&A, management believes the Company is sufficiently capitalized to fund the ongoing operational needs for 2012.

OUTSTANDING SHARE DATA

Common shares

On January 6, 2011, the Company issued 1,666,666 units at a price of $0.75 per unit for gross proceeds of $1,250,000 to a strategic investor. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company for $1.25 per share until June 28, 2013. For accounting purposes, the Company calculated the fair value of the 833,333 warrants issued, using the Black-Scholes option pricing model with the following assumption: risk free interest rate of 1.74%, expected annual volatility of 100%, expected life of 2 years and expected dividend yield of 0%, which totalled $250,000, and recorded these values as reserves. The value attributed to the warrants was based on their fair value with the residual balance of $1,000,000 being allocated to common shares. The Company also reserved 50,000 common shares for issuance as finders' fees. These 50,000 shares were issued on September 27, 2011 and have been recorded as a share issue cost at a value of $0.75 per share, representing the value on the date of issuance.

On June 24, 2011 the Company issued 100,000 common shares to Miranda in accordance with the terms of the Pavo Option (see note 8). The fair value of the shares issued has been estimated as $110,000.

On June 24, 2011 the Company completed its initial public offering ("IPO") and issued 11,497,100 units at $1.25 per until for gross proceeds of $14,371,375. Each unit consists of one common and one half of one purchase warrant. Each whole purchase warrant entitles the holder to purchase one common share for $1.50 for a period of up to two years subsequent to the date of the IPO. For accounting purposes, the Company calculated the fair value of the 5,748,550 warrants issued by reference to the closing price on the day the warrants were listed, July 5, 2011. The closing price on that day was $0.25 for a full warrant and a total of $1,437,138 has been recorded in warrant reserve. The value attributed to the warrants was based on their fair value with the residual balance of $12,934,237 being allocated to common shares. Pursuant to an Agency Agreement between the Company and Raymond James Ltd. (the "Agent"), the Agent received a cash commission equal to 6% of the gross proceeds, and 3% Agent's warrants to acquire common shares at $1.25 per share exercisable for a period of 18 months from the date the common shares of the Company commence trading on the TSX-V. These warrants were valued using the Black-Scholes option valuation model with a 46% volatility, 1.5 year expected life and risk free interest rate of 1.45%, giving a value of $0.29 per warrant, and a total value of $100,025. Total costs relating to the IPO were $1,316,545 of which $1,216,520 were cash costs and $100,025 related to the fair value of the agents' warrants. The Company has recorded an amount of $82,671 within professional fees as a listing expense and $1,133,849 within equity as share issue costs.

On November 18, 2011 and December 16, 2011 the Company issued 30,000 and 40,000 common shares respectively in accordance with the terms of the Cajamarca Option (see note 8). The fair value of these shares has been estimated at $28,200 and $27,200 respectively.

Warrants

The Company had the following warrants outstanding as at December 31, 2011 and on the date of this MD&A:

Expiry Date	Warrants Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
December 28, 2012	344,913	$	1.25	0.99
June 28, 2013	5,748,550		1.50	1.49
June 28, 2013	833,333		1.25	1.49
February 12, 2015	4,500,000		0.25	3.12
	11,426,796	**$**	**0.98**	**2.12**

Options

The Company had the following stock options outstanding as at December 31, 2011 and on the date of this MD&A:

Expiry Date	Options Outstanding	Options Exercisable		Exercise Price	Weighted Average Remaining Contractual Life (in Years)
June 28, 2016	2,620,000	2,397,500	$	1.25	4.50
July 28, 2016	200,000	100,000		1.25	4.58
December 6, 2016	310,000	77,500		1.00	4.94
	3,130,000	**2,575,000**	**$**	**1.23**	**4.54**

TRANSACTIONS WITH RELATED PARTIES

The following is a listing of all subsidiaries, including country of incorporation and percentage of equity ownership held.

Name	Country of incorporation	Principal activities	% of ordinary shares held & voting rights
Principal subsidiaries			
Red Eagle Mining de Colombia Limited	Canada	Exploration company	100%
Rovira Mining Limited	Canada	Exploration company	70%
Miranda Gold Colombia IV Ltd.	Canada	Exploration company	70%

The aggregate value of Management compensation is as follows:

	Year ended December 31, 2011	Period from inception January 4, 2010 to December 31, 2010
Short-term employee benefits	$ 431,634	$ 153,208
Share option based payments	1,272,540	-
	$ 1,704,174	**$ 153,208**

The following table provides the total amount of transactions which have been entered into by the Group with related parties during the year ended December 31, 2011 and the period from inception January 4, 2010 to December 31, 2010, and the balances with related parties at December 31, 2011 and December 31, 2010

		Purchases from	Amounts due to
Consulting fees from a partnership in which the former CFO of the Company is a partner;	2011	$ 63,620	$ -
	2010	$ 31,200	$ -
Office, rent and related costs from a company controlled by certain directors in common to the Company;	2011	$ 450,000	$ -
	2010	$ 24,000	$ -
Legal fees to a partnership in which one of the directors of the Company is a partner	2011	$ 148,109	$ 24,202
	2010	$ 20,000	$ 20,000
Consulting fees to a company which is controlled by one of the directors of the Company	2011	$ 150,000	$ -
	2010	$ -	$ -

The Group's CEO is a director common to both the Group and Miranda Gold Corp., which entered into Share Purchase Agreements and Shareholders' Agreement on both the Pavo Real project and the Cajamarca project as described in Note 8 of the consolidated financial statements for the year ended December 31, 2011

CHANGES IN ACCOUNTING POLICIES

There have been no changes in significant accounting policies since the inception of the Company on January 4, 2010. Note 3 to the consolidated financial statements discloses the recent accounting policy adoptions, none of which had an impact on the Company's accounting or disclosure for the year ended December 31, 2011.

FINANCIAL INSTRUMENTS

Please refer to note 6 of the Company's consolidated financial statements for the year ended December 31, 2011 for disclosure regarding the Company's financial instruments. There has been no change in designation of financial instruments or nature of risks in the year ended December 31, 2011. The Company's financial instruments consist of cash and cash equivalents, Guaranteed Investment Certificates ("GICs") with a major Canadian financial institution and that are presented as other financial assets, amounts receivable and accounts payable. The Company does not hold any complex financial instruments or derivatives. The cash is held to fund ongoing exploration work and head office costs and the GICs are held to earn interest until they are needed to fund exploration work and head office costs. Amounts receivable and accounts payable relate to regular working capital requirements.

Credit risk

The Company is exposed to credit risk with respect to its cash, cash equivalents and other financial assets. Other financial assets are short term investments that have been placed on deposit with major Canadian financial institutions. All cash and cash equivalents are on deposit with major Canadian or Colombian financial institutions.

The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions.

Concentration of credit risk with respect to the Company's cash, cash equivalents and short term investments is mitigated since the amounts are held at several major Canadian financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	December 31, 2011	December 31, 2010
Held at major Canadian financial institutions:		
Cash and cash equivalents	**$ 4,827,746**	$ 1,424,502
Short-term investments	**4,400,000**	4,400,000
	$ 9,227,746	$ 5,824,502
Held at major Colombian financial institutions:		
Cash and cash equivalents	**334,021**	113,081
Total cash and short-term investments	**$ 9,561,767**	$ 5,937,583

The credit risk associated with cash, cash equivalents and short term investments is minimized by ensuring the majority of these Canadian financial assets are held with major Canadian financial institutions with strong investment-grade ratings by a primary rating agency. The amounts held in Colombia are with a major Colombian financial institution.

Interest rate risk

The Group has cash balances, investment-grade short-term deposit certificates issued by its banking institution and no interest-bearing debt. Interest income is not material to the Group. The Group is not exposed to significant interest rate risk.

FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Group is exposed to currency risk to the extent that monetary assets and liabilities held by the Group are not denominated in Canadian dollars. The Group has not entered into any foreign currency contracts to mitigate this risk. Certain of the Group's cash and cash equivalents, and accounts payable and accrued liabilities are held in Colombian Peso ("COP"); therefore, COP amounts are subject to fluctuation against the Canadian dollar (CAD).

The Group had the following balances in foreign currency as at December 31, 2011:

		COP		CAD Equivalent
Cash	$	631,754,500	$	334,021
Amounts receivable		31,008,229		16,395
Accounts payable and accrued liabilities		(1,459,137,980)		(771,476)
	$	(796,375,251)	$	(421,060)

Assuming that all other variables remain constant, a 10% appreciation or depreciation of the COP against the CAD would have a negligible impact on net loss since translation of the COP functional currency to the presentation currency results in translation differences being recorded within other comprehensive income.

The Company also has transactional currency exposures. Such exposures arise from purchases in currencies other than the respective functional currencies, typically the US dollar. The Company manages this risk by matching receipts and payments in the same currency and monitoring.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk.

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 anticipates that there is sufficient capital and liquidity to meet liabilities when due.

The Company maintained sufficient cash and cash equivalents and short-term investments at December 31, 2011 in the amount of $5,161,767 and $4,400,000, respectively, in order to meet short-term business requirements. At December 31, 2011, the Company had accounts payable of $930,037, which will be repaid within three months.

CAPITAL COMMITMENTS AND OFF BALANCE SHEET ARRANGEMENTS

The Company's capital commitments mostly relate to the mineral property purchase agreements and option agreements. See table below and Note 8 to the consolidated financial statements. In addition there are also operating leases on offices in Colombia as set out below. There are no other capital commitments, nor are there any off balance sheet arrangements.

	Payments Due by Period				
Contractual Obligations	***Total***	***Less than 1 year***	***1 – 3 years***	***4 – 5 years***	***After 5 years***
Santa Rosa	$5,100,000	$600,000	$4,500,000	$-	$-
Pavo Real	$310,000	$60,000	$150,000	$100,000	$-
Cajamarca	$180,000	$30,000	$90,000	$60,000	$-
Mina Vieja	$535,000	$135,000	$400,000	$-	$-
Operating lease commitments	$52,500	$52,500	$-	$-	$-
Total Contractual Obligations	$6,177,500	$877,500	$5,140,000	$160,000	$-

SUBSEQUENT EVENTS

On March 20, 2012 the Company signed an Option Agreement pursuant to which the Company has an option to acquire 100% of the Mina Vieja brownfield copper/gold project within the Company's Pavo Real project. Option payments of USD $535,000 are payable over thirty months from the date of title transfer. The Company may exercise the option to acquire 100% of the project within 90 days of publication of the initial 43-101 resource report for cash consideration of $11 per ounce of gold equivalent ounces included in a measured resource in the report.

RISKS AND UNCERTAINITES

Exploration, Development and Operations

Exploration and development of mineral deposits involves a high degree of risk which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing properties. Any potential determination as to whether a mineral deposit will be commercially viable can be affected by such factors as: deposit size, grade, unusual or unexpected geological formations and metallurgy; proximity to infrastructure; metal prices which are highly cyclical; environmental factors; unforeseen technical difficulties; work interruptions; and government regulations, including regulations relating to permitting, prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted.

The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, 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 any such deposit will be commercially viable or that the funds required for development can be obtained on a timely basis.

Mining operations generally involve a high degree of risk. The Company's operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of gold and copper, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, the mine and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although appropriate precautions to mitigate these risks are taken, operations are subject to hazards such as equipment failure or failure of structures which may result in environmental pollution and consequent liability. Even though the Company intends to obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect 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.

Metal Price Volatility

The Company's business is strongly affected by the world market price of gold. If the world market price of gold were to drop and the prices realized by the Company on gold sales were to decrease significantly and remain at such a level for any substantial period, the Company's profitability and cash flow would be negatively affected.

Gold prices can be subject to volatile price movements, which can be material and can occur over short periods of time and are affected by numerous factors, all of which are beyond the Company's control. Industry factors that may affect the price of gold include: industrial and jewellery demand; the level of demand for gold as an investment; central bank lending, sales and purchases of gold; speculative trading; and costs of and levels of global gold production by producers of gold. Gold prices may also be affected by macroeconomic factors, including: expectations of the future rate of inflation; the strength of, and confidence in, the U.S. dollar, the currency in which the price of gold is generally quoted, and other currencies; interest rates; and global or regional, political or economic uncertainties.

Depending on the market price of gold, the Company may determine that it is not economically feasible to continue some or all of its operations or the development of some or all of the its projects, as applicable, which could have an adverse impact on the Company's financial performance and results of operations. In such a circumstance, the Company may also curtail or suspend some or all of its exploration activities.

RISKS AND UNCERTAINITES (continued)

Risks with Title to Mineral Properties

Title to the properties comprising the Santa Rosa Project and the Pavo Real Project is subject to the terms of the applicable Option Agreements which require the Company to make certain payments in order to retain its interest in the properties. The Company may fail to, or may choose not to, make such payments, in which case it will forfeit its interests in such properties. Any failure by the Company to obtain or retain title to properties which comprise its projects could have material adverse effect on the Company and the value of the Common Shares. The Company does not maintain insurance against title. Title on mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mining properties. The Company has diligently investigated and continues to diligently investigate and validate title to its mineral claims; however, this should not be construed as a guarantee of title. The Company is continuously in the process of establishing the certainty of the title of mineral concessions which it holds either directly or through its equity interest in its subsidiaries or will be seeking to consolidate those titles through a government-sanctioned process. The Company cannot give any assurance that title to properties it acquired individually or through historical share acquisitions will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mining properties.

Permitting Approvals

The operations of the Company and the exploration agreements into which it has entered require approvals, licenses and permits from various regulatory authorities, governmental and otherwise (including project specific governmental decrees) that are by no means guaranteed. The Company believes that it holds or will obtain all necessary approvals, licenses and permits under applicable laws and regulations in respect of its main projects and, to the extent that they have already been granted, believes it is presently complying in all material respects with the terms of such approvals, licenses and permits. However, such approvals, licenses and permits are subject to change in various circumstances and further project-specific governmental decrees and/or legislative enactments may be required. There can be no guarantee that the Company will be able to obtain or maintain all necessary approvals, licenses and permits that may be required and/or that all project-specific governmental decrees and/or required legislative enactments will be forthcoming to explore and develop the properties on which it has exploration rights, commence construction or operation of mining facilities or to maintain continued operations that economically justify the costs involved.

Repatriation of Earnings Risk

There are currently no restrictions on the repatriation from Colombia of earnings to foreign entities. However, there can be no assurance that restrictions on repatriations of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for the purpose of payments to foreign suppliers, repayment of foreign debt, payments of dividends to foreign stockholders and other foreign expenses.

RISKS AND UNCERTAINITES (continued)

Changes in Legislation

The mining industry in Colombia is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Company will be unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of mining companies, including environmental laws and regulations which are evolving in Colombia, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs, affect the Company's ability to expand or transfer existing operations or require the Company to abandon or delay the development of new properties.

Economic and Political Factors in Colombia

Although Colombia has a long-standing tradition respecting the rule of law, which has been bolstered in recent years by the present and former government's policies and programs, no assurances can be given that the Company's plans and operations will not be adversely affected by future developments in Colombia. The Company's property interests and proposed exploration activities in Colombia are subject to political, economic and other uncertainties, including the risk of expropriation, nationalization, renegotiation or nullification of existing contracts, mining licenses and permits or other agreements, changes in laws or taxation policies, currency exchange restrictions, and changing political conditions and international monetary fluctuations. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important facilities such as mines, could have a significant effect on the Company. Colombia is home to South America's largest and longest running insurgency. While the situation has improved dramatically in recent years, there can be no guarantee that the situation will not again deteriorate. Any increase in kidnapping, gang warfare, homicide and/or terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

Additionally, the perception that matters have not improved in Colombia may hinder the Company's ability to access capital in a timely or cost effective manner. Any changes in regulations or shifts in political attitudes are beyond the Company's control and may adversely affect the Company's business.

Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income and/or mining taxes, expropriation of property, environmental legislation and mine and/or site safety. Presidential elections for the 2010-2014 term were held in Colombia on May 30, 2010 (first round) and June 20, 2010 (second round, since no one candidate reached 50% of the vote in the first round). The elected president, Mr. Juan Manuel Santos, took office on August 7, 2010 and it is anticipated that the current government will not materially change polices regarding resource development and investment policies in a way that could adversely affect the Company's business.

Financing Risks

Additional funding may be required to complete the proposed or future exploration and other programs on the properties. There is no assurance that any such funds will be available. Failure to obtain additional financing, if required, on a timely basis, could cause the Company to reduce or delay its proposed operations.

The majority of sources of funds currently available to the Company for its acquisition and development projects are in large portion derived from the issuance of equity. While the Company has been successful in the past in obtaining equity financing to undertake its currently planned exploration and development programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

RISKS AND UNCERTAINITES (continued)

Joint Ventures

The Company is party to the Pavo Real and Cajamarca Shareholder Agreements and may enter into other joint ventures in the future. Any failure of a joint venture partner to meet its obligations to the Company or third parties, or any disputes with respect to the parties' respective rights and obligations could have a material adverse effect on such joint ventures. In addition, the Company may be unable to exert influence over strategic decisions made in respect of properties that are the subject of such joint ventures and could suffer dilution of its interest in the properties if it is not able to meet its funding obligations under the terms of the joint venture.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

FORWARD-LOOKING INFORMATION

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of metals; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.