INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended July 31, 2011 and 2010

Inca One Metals Corp. (the "Company" or "Inca One") incorporated under the laws of Canada on November 9, 2005, is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. It presently holds, or has the right to acquire a 100% shares of a private Peruvian company which owns a 100% interest in the Las Huaquillas gold-copper project (the "Property") located in the Department of Cajamarca in northern Peru. In addition to the Company's ongoing work program on the Property, it continues to actively evaluate new potential projects. The Company is listed for trading on the TSX Venture Exchange under the symbol "IO".

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the three months ended July 31, 2011 and is prepared as October 25, 2011. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended July 31, 2011 and the notes thereto which were prepared in accordance with IAS 34 - Interim Financial Reporting and on the basis of International Financial Reporting Standards ("IFRS") and interpretations expected to be effective as at the Company's first IFRS annual reporting date on April 30, 2012. The MD&A should also be read in conjunction with the audited financial statements and management's discussion and analysis for the year ended April 30, 2011 which were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") prior to the conversion to IFRS.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

Cautionary Note Regarding Forward-Looking Information

This document may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this document and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the timing and implementation of the proposed transaction with Far West, estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. 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 statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature 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 factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; 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 detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at

www.sedar.com. Although the Company has attempted to identify important factors that could 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. The Company provides 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.

Highlights for the Period

- Effective May 11, 2011, the Company changed its name to Inca One Metals Corp. and its common shares commenced trading on the Exchange under the new trading symbol "IO".

- On May 24, 2011, the Company entered into a loan agreement whereby Inca One will advance up to US$100,000 to a Peruvian company to fund its exploration activities.

- On June 28, 2011, Inca One formed its wholly-owned subsidiary in Peru named Inca One Metals S.A.

- On June 30, 2011, the Company closed a non-brokered private placement of 5,000,000 at $0.40 per unit for gross proceeds of $2,000,000.

- The Company terminated its option agreement with Unity Energy Corp. with regard to the Thorburn Lake property and wrote off $40,545 in resource property costs.

- On October 19, 2011, the Company announced that it proposes to change its name from Inca One Metals Corp. to Inca One Resources Inc. There is no change to the Company's capital structure or trading symbol, "IO". The change of name is subject to acceptance for filing by the TSX Venture Exchange.

Las Huaquillas Project (the "Project")

On March 25, 2011, the Company entered into a definitive letter agreement with Rial Minera SAC ("Rial") and its shareholders (collectively the "Optionors") pursuant to which the Company has been granted an option to acquire all of the issued and outstanding shares of Rial (the "Rial Shares"). Rial is a private Peruvian company that owns a 100% interest in the Las Huaquillas gold-copper project located in the Department of Cajamarca in northern Peru. Pursuant to the agreement, the Company can acquire a 100% of the Rial Shares, of which 95% may be acquired by (a) paying an aggregate of US$5,000,000 to the Optionors; (b) issuing 5,000,000 common shares of the Company to the Optionors; and (c) incurring exploration expenditures of US$10,000,000 over a period of four years.

Upon the Company acquiring 95% of Rial Shares, a 1% net smelter royalty shall be payable to the Optionors on all future production. After completion of the cash and share payments and exploration expenditures, the Company may earn a further 5% of Rial Shares by issuing an additional 3,000,000 common shares to one of the Optionors within 15 days of notice of exercise of the option. In addition, the Company shall issue to one of the Optionors as bonus payments one common share of the Company per each new ounce of gold or gold equivalent that is found or determined to exist on the project, in excess of 560,000 ounces of gold or gold equivalent, to be delivered upon public announcement of such discovery.

A finder's fee of $282,500 and 400,000 common shares are payable to an arm's length party over a period of four years, of which US$25,000 was paid and 10,000 common shares were issued subsequent to July 31, 2011.

As at July 31, 2011, the Company incurred acquisition and other costs of $326,410 on the Property. Subsequent to July 31, 2011, the Company paid to the Optionors US$125,000 and issued 200,000 common shares at a fair value of $74,000 pursuant to the option agreement.

About the Project:

The Project is located in the Department of Cajamarca in northern Peru. It is easily accessible by road and is situated at a relatively low elevation of between 1000 to 1800 meters. It consists of 9 mineral concessions and is 3700 hectares in size.

The Company recently reported that environmental and social baseline studies have been initiated on the Project. With these studies, the Company will provide a basis for future impact assessments to ensure best practice on environmental and social management throughout the life of the project and further activities, including compliance with governmental requirements to obtain the drilling authorization. The Company shall provide timely updates on further developments with respect to the Company's social and environmental baseline studies.

Peru, a mineral rich country, is the largest gold producer in South America (6th worldwide), the world's largest producer of silver and the 2nd largest producer of copper worldwide as of 2009. [(1)] "The Cajamarca mining district, located in northern Peru, has one of the largest gold inventories in South America with the economic high-sulphidation Yanacocha Au mine, plus several smaller Au epithermal and porphyry Cu-Au deposits." [(2)]

Several gold targets and two porphyry copper-gold systems have been identified on the Project to date:

a) Gold targets include the 2.2 km long Los Socavones Zone, including the El Huabo and Las Huaquillas showings and the Porvenir-Guabo Alto high-sulphidation epithermal zone.
b) Porphyry Cu-Au: The Cementerio and San Antonio Cu- Au porphyry systems.

Previous exploration on the Project by Cooperacion Minero Peruano - Alemana (1988-1992) and Sulliden Gold Corporation Ltd. (TSX: SUE, "Sulliden") (1996 - 1999) consisted of surface geological, geochemical, and geophysical studies, 26 drill holes and 1200 meters of underground workings.

> In 1998, Sulliden estimated that a 500 meter section of the 2.2 km long **Los Socavones Zone hosts a geological resource of 6.57 million tonnes grading 2.09 g/t Au and 25.2 g/t Ag, equivalent to 443,000 ounces of gold and 5.3 million ounces of silver.** This has been calculated at a cutoff of 1.5 g/t gold, and remains open at depth and along strike. This historic resource, based on 10 drill holes and 20 mineralized intercepts, was estimated by Sulliden to a depth of 200 meters.[(3)]
>
> The historic resource was calculated in 1998 and the Company has not completed the work necessary to have the historical estimate verified by a Qualified Person. The Company is not treating the estimate as a current NI 43-101 defined resource and the historical estimate should not be relied upon. The Project will require considerable future exploration which the Company intends to carry out in due course.

The average true width encountered to date of the Los Socavones gold mineralization is 20+ meters, with some intercepts more than 75 meters in true width. Only a quarter of the length of the Los Socavones Zone has been drill tested in some detail. Table 1 below summarizes some highlighted mineralized intercepts of the Los Socavones Zone. [(3)]

Table 1: Highlighted mineralized intercepts of the Los Socavones Zone. (3)

DDH	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)
LH97-08	0	78.0	78.0	2.71	19.0
LH97-13	181.75	195.25	13.50	2.86	57.0
LH97-07	28.5	70.5	42.0	2.05	24.6
PD-1	100.25	134.65	34.4	2.71	38.63
PD-2	66.15	80.15	14.0	8.41	105.93
PD-4	39.25	59.45	20.2	2.79	42.77

Sulliden drilled exploratory holes in the Cementario and San Antonio copper-gold-porphyry systems (each system is more than 1 kilometer across) based on soil, rock, and IP anomalies. The best hole at Cementario (LH97-04) intersected 99.5 meters of 0.47% Cu and 0.11g/t Au.(2)(3) The Company has filed a technical report relating to the Project prepared in accordance with National Instrument 43-101 on Sedar and it is also available on the Company's website www.incaone.com.

(1) *Source: US Geological Survey (2009 Minerals Yearbook - Peru, February 2011)*
(2) *Source: Tectonic, Magmatic and Metallogenic Evolution of The Cajamarca Mining District, Northern Peru. PHD Thesis; Richard Charles Idris Davies. December 2002.*
(3) *Source: Sulliden Annual Report filed August 12, 1998, available on www.sedar.com*

The technical information above has been prepared in accordance with the Canadian regulatory requirements set out in NI 43-101 and reviewed on behalf of the Company by Thomas A. Henricksen, PhD, a Qualified Person under NI 43-101.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's business and the present stage of exploration of its resource property (which is primarily early stage exploration property with no known resources or reserves that have not been explored by modern methods), the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive: The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may

result in the Company not receiving an adequate return on invested capital. The great majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any mineral deposit will be such that its mineral property could be mined at a profit.

Permits and Licenses: 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, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

No Assurance of Profitability: The Company has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, the sale or optioning of a portion of its interest in its mineral property. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its property, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: Exploration, development and mining operations involve various hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on 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 prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Restrictions: The activities of the Company are subject to environmental regulations promulgated by government agencies in different countries from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its mineral property; (ii) the ability to produce minerals from any mineral deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the property held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Share Price Volatility: In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Financing Risks: The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfil its obligations under any applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such property.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of all of its planned exploration and development programs. Future property acquisitions and the development of the Company's property will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing, short or long-term borrowings or other means. There is no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its property. In particular, failure by the Company to raise the funding necessary to maintain in good standing its various option agreements could result in the loss of its rights to such property.

Dilution to the Company's existing shareholders: The Company will require additional equity financing be raised in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Surface Rights and Access: Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdictions.

Title: Although the Company has taken steps to verify the title to the mineral property in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Acquisition of Mineral Concessions under Agreements: The agreement pursuant to which the Company has the right to acquire its property provides that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the property or contribute its share of ongoing expenditures. The Company does not presently have the financial resources required to complete all expenditure obligations under its property acquisition agreement over their full term. Failure by the Company to make such payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such property. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreement in good standing, or to be able to comply with all of its obligations thereunder, with the result that the Company could forfeit its interest in its mineral property.

Summary of Quarterly Information

Selected financial information from continuing operations for the most recent eight quarters (unaudited). The Q1 2012 and four preceding quarter results presented in the table below were prepared in accordance with IFRS. The three quarters ending with Q4 2010 were prepared in accordance with Canadian GAAP:

Quarter ended	Finance Income	Loss	Loss per share
	$	$	$
July 31, 2011	1,089	(389,707)	(0.02)
April 30, 2011	326	(230,578)	(0.02)
January 31, 2011	479	(140,893)	(0.01)
October 31, 2010	182	(71,596)	(0.01)

July 31, 2010	-	(28,179)	-
April 30, 2010	-	(157,567)	(0.03)
January 31, 2010	-	(58,954)	(0.02)
October 31, 2009	-	(14,361)	(0.02)

There are no general trends regarding the Company's quarterly results and the variation seen over the quarters is primarily due to the Company's change of business. Since the sale of substantially all of the Company's assets and business operations in September 2008 ("Asset Sale") and throughout the year ended April 30, 2010, the Company's operations have been restricted to sustaining its listing on the NEX and seeking new business opportunities. Management actively began searching for new business opportunities to reactivate the Company and there was an increase in operating expenses as a result of increased corporate activities related to a property acquisition, financings and management changes. This is reflected in the quarter ended April 30, 2010. In September 2010, the Company completed its property acquisition and its listing was transferred to the Exchange as a Tier 2 mining issuer and as a result, general operating costs increased. This accounted for the variation in the Company's net losses for the quarters ended January 31, 2011, April 30, 2011 and July 31, 2011.

Quarterly results can also vary significantly depending on whether the Company has abandoned any properties or granted any stock options and these are the factors that account for material variations in the Company's recent quarterly net losses, none of which are predictable. The write-off of resource properties can have a material effect on quarterly results as and when they occur (as, for example in the quarter ended April 30, 2011). The other major factor which can cause a material variation in net loss on a quarterly basis is the grant of stock options due to the resulting share-based payments charges which can be significant when they arise. This can be seen in the quarters ended April 30, 2010, October 31, 2010 and July 31, 2011. The variation in finance income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

Results of Operations

Three months ended July 31, 2011 compared with three months ended July 31, 2010

During the three months ended July 31, 2011, the Company reported a net loss of $389,707 compared to a net loss of $28,179 during the three months ended July 31, 2010, representing an increase in loss of $361,528. The increase in loss was primarily attributable to increases in general and administrative expenses of $360,892 and finance and other costs of $1,725 offset by an increase in interest income of $1,089.

General and administrative expenses increased by $360,892 from $27,921 during the three months ended July 31, 2010 to $388,813 during the three months ended July 31, 2011. The increase resulted from increases in depreciation of $208, consulting and management fees of $35,690, office, rent and administration of $19,882, professional fees of $7,876, share-based payments of $221,244, transfer agent and shareholder information of $3,307 and travel, advertising and promotion of $73,231 offset by a decrease in regulatory fees of $546.

The overall increase in general and administrative expenses was attributable to increased corporate activity as a result of the Company's change of business and related transactions and management changes. During the three months ended July 31, 2010, the Company's operations were restricted to sustaining the NEX listing and seeking new business opportunities to reactivate the Company, hence, minimal operating expenses were incurred.

During the three months ended July 31, 2011, the Company incurred travel, advertising and promotion of $74,181, consisting of travel and accommodation related to various trips to Peru, expenses related to a distribution of investment materials and other marketing efforts carried out during the period.

During the three months ended July 31, 2011, the Company recorded share-based compensation of $221,244 for stock options granted to directors, officers, employees and consultants of the Company to purchase 376,000 shares at $0.50 per share for a period of ten years expiring May 13, 2021 and 820,000 shares at $0.43 per share for a period of ten years expiring July 11, 2021. The Company did not incur share-based compensation costs during the three months ended July 31, 2010.

Liquidity and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. The Company has financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placements and the exercise of share purchase warrants issued from the private placements, and from loans from related parties. The Company's main source of liquidity consisted of cash and cash equivalents. As at July 31, 2011, the Company had cash and cash equivalents of $1,830,811 representing an increase of $1,129,958 compared with cash and cash equivalents of $700,853 at April 30, 2011. The increase in cash resulted mainly from net inflows of cash of $1,851,518 from private placements and $95,557 from exercise of warrants offset by net outflows of cash of $545,659 for operations, $120,000 for loans repayment, $150,548 for exploration and evaluation assets expenditures and $910 for purchase of equipment.

The Company reported working capital of $2,162,695 at July 31, 2011 as compared to working capital of $554,697 as at April 30, 2011, representing an increase in working capital by $1,607,998.

Current assets excluding cash at July 31, 2011 consisted of receivables and advances of $266,695, prepaid expenses and deposits of $123,730 as compared to receivables and advances of $44,302 and prepaid expenses and deposits of $1,200 at April 31, 2011.

During the three months ended July 31, 2011, the Company completed a private placement of 5,000,000 units at $0.40 per unit for gross proceeds of $2,000,000. The Company paid $136,790 and issued 87,750 common shares at a fair value of $35,100 as finders' fees and incurred $11,692 regulatory expenses on this private placement.

During the year ended April 30, 2011, the Company obtained an aggregate loan of $120,000, of which $60,000 was payable to a company controlled by an officer of the Company. The loan was repaid in full during the three months ended July 31, 2011.

During the year ended April 30, 2011, the Company completed a non-brokered private placement of 805,001 units at $0.09 per unit for gross proceeds of $72,450. The Company paid a finder's fee consisting 80,500 common shares at a deemed price of $0.09 per share for a gross consideration of $7,245 and legal fees of $11,902 totaling $19,147.

During the year ended April 30, 2011, 6,064,412 warrants at a price of $0.125 per unit were exercised for gross proceeds of $758,052.

As at the date of this MD&A, the other source of funds currently potentially available to the Company are through the exercise of the following outstanding exercisable options and share purchase warrants (See Summary of Outstanding

Share Data – (a) options, (b) warrants). However, there can be no assurance that these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the Exchange does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company has not entered into any long-term lease commitments. However, the Company is subject to mineral property commitments as outlined in Note 6 to the unaudited condensed interim consolidated financial statements for the three months ended July 31, 2011.

The Company has prepared a budget for its cash flows and management expects that it has sufficient liquidity to meet its obligations for the next twelve months. The Company will be required to raise additional capital in order to make option payments, incur expenditures to maintain its option to acquire an interest in the Las Huaquillas project and to fund working capital requirements in the long term. Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company's overall success will be affected by its current or future business activities. The Company is in the process of acquiring and exploring its interests in a resource property and has not yet determined whether this property contain mineral deposits that are economically recoverable. The recoverability of expenditures incurred to earn an interest in this resource property are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the property, obtaining necessary financing to explore and develop the property, and upon future profitable production or proceeds from disposition of its resource property. See *"Risk Factors*".

Transaction with Related Parties

The Company has entered into certain transactions with related parties during the three months ended July 31, 2011. All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

A description of the related party transactions is as follows:

Name and Relationship to Company	Purpose of Transaction	Three months ended July 31, 2011 $	Three months Ended July 31, 2010 $
Ekelly Investments Ltd., a company controlled by a director and officer of the Company	Management fees	18,000	3,750
James L. Harris Law Corporation, a company controlled by an officer of the Company	Legal fees and share issue costs	13,682	13,890
Remstar Resources Ltd., a company with a common officer	Office, rent and administration (1)	8,100	2,700
Ultra Lithium Inc., a company with a common director and a common officer	Rent (2)	1,800	600

JLHLC Holding Inc., a company controlled by an officer of the Company	Interest on loan [3]	493	-

[1] The Company entered into a month-to-month arrangement for the rental of office premises and the provision of accounting, financial reporting and administrative services with Remstar Resources Ltd., a public company related by a common officer.

[2] The Company entered into a month-to-month arrangement for the rental of office premises with Ultra Lithium Inc., a public company related by a common director and a common officer.

[3] The Company received a short-term loan from JLHLC Holdings Inc., a company controlled by James Harris, pursuant to a loan agreement dated August 16, 2010. The loan has a term of one year maturing August 31, 2011 and bears interest at 12% per annum. The loan was fully repaid during the three months ended July 31, 2011.

Included in prepaid expenses were rent deposits of $1,200 (April 30, 2011 - $1,200) paid to companies having an officer in common.

Included in accounts payable and accrued liabilities was a legal fee of $2,800 (April 30, 2011 - $7,627) payable to a company controlled by an officer of the Company.

Included in accounts payable and accrued liabilities was a management fee of $9,363 (April 30, 2011 - $6,003) payable to a company controlled by an officer of the Company.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments and the estimated useful life and recoverability of equipment. Actual results may differ from those estimates and judgments.

Changes in Accounting Policies including Initial Adoption

Adoption of IFRS

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" and IFRS 1, "First time adoption of International Financial Reporting Standards ("IFRS")" using accounting policies consistent with IFRS as issued by the

International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The Company adopted IFRS on May 1, 2011, with the conversion date of May 1, 2010 representing the Company's opening IFRS balance sheet. As required by IFRS 1, First-time Adoption of IFRS, the Company will apply the IFRS in effect as at April 30, 2012 on a full retrospective basis, except where permitted or required under an IFRS 1 exemption.

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended April 30, 2011 prepared in accordance with Canadian GAAP. The basis of presentation of these condensed interim consolidated financial statements is different to that of the Company's most recent annual financial statements due to the first time adoption of IFRS.

The impact of the conversion from Canadian GAAP to IFRS is explained in note 12 to the Company's condensed interim consolidated financial statements for the three months ended July 31, 2011. Note 12 includes reconciliations of the Company's condensed interim consolidated statements of financial position and consolidated statements of loss and comprehensive loss for comparative periods prepared in accordance with Canadian GAAP and as previously reported to those prepared and reported in these unaudited condensed interim consolidated financial statements in accordance with IFRS. The adoption of IFRS had no impact on the Company's statements of loss and comprehensive loss and statements of cash flows.

Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"): Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Financial Statements and IFRS 13 Fair Value Measurement. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

a) Amendments to IFRS 7, Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments are effective for annual periods beginning on or after July 1, 2011.

b) IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized costs or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

c) IFRS 10, Financial Statements

IFRS 10 Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on May 1, 2013 2013 and is currently evaluating the impact on its consolidated financial statements.

d) IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

Financial Instruments and Other Instruments

The Company manages its exposure to financial risks, including foreign exchange risk and interest rate risk, based on a framework to protect itself against adverse rate movements. All transactions undertaken are to support the Company's ongoing business and the Company does not acquire or issue derivative financial instruments for trading or speculative purposes. The Company's Board of Directors oversees management's risk management practices.
As at July 31, 2011, the Company's financial instruments consist of cash and cash equivalents, receivables and advances, and accounts payable and accrued liabilities.

Cash and cash equivalents are designated as held-for-trading and carried at their fair values. Amounts receivable are classified as loans and receivables and carried at their amortized cost. Accounts payable and accrued liabilities are classified as other liabilities and carried at their amortized cost.

The fair values of these financial instruments approximate their carrying values due to their short-term nature and/or the existence of market related interest rate on the instruments.

The Company categorizes all of its financial instruments which are measured at fair value as Level 1 inputs.

The risk exposure is summarized as follows:

a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and receivables and advances. Cash and cash equivalents consisting of Guaranteed Investment Certificates ("GICs") have been invested with Schedule 1 banks or equivalents, with its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Receivables and advances consist of harmonized sales tax recoverable, loans and advances receivable and interest receivable.

b) Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at July 31, 2011, the Company had cash and cash equivalents of $1,830,811 to settle current liabilities of $46,276 which consist of accounts payable that are considered short term and settled within 30 days. The Company believes that it has sufficient capital and additional financing will be available to meet its requirements for the next twelve months.

c) Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. A change of 100 basis points in the interest rates would not be material to the financial statements.

(ii) Foreign Currency Risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company holds cash in Canadian, United States and Peruvian currencies in line with forecasted expenditures.

(ii) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its resource property described in Note 6 of the condensed interim consolidated financial statements from which production is not expected in the near future.

CAPITAL MANAGEMENT

In the management of capital, the Company includes the components of shareholders' equity, as well as cash.

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; to pursue the development of a business interest; and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or improve its liquidity, the Company will have to issue new shares, issue new debt, or, acquire or dispose of assets all in the effort to optimize liquidity by raising or conserving cash.

The Company is dependent on the capital markets as its sole source of operating capital. Its capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the three months ended July 31, 2011.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer have concluded that there have been no changes in the Company's internal control over financial reporting during the three months ended July 31, 2011 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. As of July 31, 2011, the Company's internal control over financial reporting was effective.

Summary of Outstanding Share Data

As at the date of this MD&A, the Company had 22,521,124 common shares issued and the following options and warrants outstanding:

(a) Stock options:

Number of options	Exercise price	Expiry date	Exercisable
311,000 (1)	$0.135	February 18, 2015	311,000
600,000 (1)	$0.125	April 7, 2015	600,000
124,000	$0.220	September 23, 2020	124,000
376,000	$0.500	May 13, 2021	141,000
820,000	$0.430	July 11, 2021	401,250
2,231,000			1,577,250

(1) Of these options, 120,000 and 140,000 are held in escrow respectively.

(b) Warrants:

Number of warrants	Exercise price	Expiry date
125,000	$2.000	January 12, 2012
916,666	$1.500	May 9, 2012
343,686	$1.000	December 12, 2012
2,500,000	$0.750	June 30, 2013
3,885,352		

Additional Disclosures

Additional disclosures pertaining to the Company's news releases and other information are available on the SEDAR website at www.sedar.com.