OLIVUT RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OCTOBER 31, 2011

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The effective date of this report is December 9, 2011.

This Management's Discussion and Analysis ("MD&A") contains certain "Forward-Looking Statements." All statements, other than statements of historical fact included herein, including without limitation, statements regarding potential mineralization and resources, exploration and development activities, and future plans of Olivut Resources Ltd. (the "Company" or "Olivut") are forward looking statements that involve various known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from expected results, including changes in future prices of precious minerals, variations in resources and grades, accidents, labour disputes and other risks associated with the exploration and mining industry, delays in obtaining governmental approvals and financing. Other than as required by applicable laws, the Company does not update or revise any such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements.

This MD&A provides a detailed analysis of the business of the Company and compares the results for the three months and the year ended October 31, 2011 with those in the comparative period in 2010. In order to better understand this MD&A, it should be read in conjunction with the financial statements of the Company (the "financial statements") for those periods. The Company prepares and files with various Canadian regulatory authorities its financial statements and MD&A in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's news releases and other regulatory filings can be found on SEDAR at www.sedar.com.

Description of Business

The Company is engaged in the acquisition, exploration and development of properties for the purpose of mining precious and base minerals. The Company has three projects:

- A 100% interest in the HOAM Project located in the Mackenzie Region, Northwest Territories, Canada (the "HOAM Project").

- In May 2009 the Company signed an option agreement with Orosur Mining Inc. ("Orosur" or "OMI") (TSXV:OMI) whereby Olivut may earn a 51% interest in certain diamond prospecting and exploration licenses (the "Rivera Project") located in northern Uruguay, South America. Olivut`s interest may be increased to 80% depending on OMI`s participation in subsequent work programs. Olivut is the operator.

- On July 6, 2011 the Company announced that it had signed an option agreement with Latin American Minerals Inc. ("LAT") (TSXV:LAT) and certain of its Paraguayan subsidiaries to explore the Itapoty Diamond Project located in central Paraguay, South America. Olivut may earn a 50% interest in the Itapoty Diamond Project. Olivut is the operator.

2011 exploration program highlights for these projects include:

HOAM Project, NWT

- three new kimberlite discoveries from four targets drilled
- detailed airborne magnetic survey completed during summer months
- numerous additional priority drill targets identified

Itapoty Diamond Project, Paraguay

- 22 macro diamonds recovered from 14 stream sediment samples
- detailed magnetic survey underway

Rivera Project, Uruguay

- 6 month extension granted for Phase 1 exploration earn-in expenditure
- ground magnetometer survey in progress to prioritize drill targets

Further detail is provided under "*Mineral Property and Exploration and Development Activities".*

Selected Annual Information

	Year Ended October 31		
	2011 $	2010 $	2009 $
Total revenue	50,188	49,929	160,902
Net (loss)	(2,111,702)	(1,355,690)	(2,044,279)
Basic and diluted net loss per share	(0.07)	(0.04)	(0.06)
Total assets	1,468,146	3,503,546	4,635,011

Summary of Quarterly Results

	2011 **4th Quarter**	**2011** **3rd Quarter**	**2011** **2nd Quarter**	**2011** **1st Quarter**
Total revenues	$10,313	$12,185	$12,962	$14,728
Net (loss)	$(391,076)	$(940,671)	$(342,416)	$(437,539)
Basic and diluted net loss per share	$(0.02)	$(0.03)	$(0.01)	$(0.01)

	2010 **4th Quarter**	**2010** **3rd Quarter**	**2010** **2nd Quarter**	**2010** **1st Quarter**
Total revenues	$14,835	$12,127	$11,151	$11,816
Net (loss)	$(432,301)	$(220,745)	$(429,241)	$(273,403)
Basic and diluted net (loss) per share	$(0.01)	$(0.01)	$(0.01)	$(0.01)

Results of Operations

Three months and the year ended October 31, 2011 compared to three months and the year ended October 31, 2010

The Company's net loss for the three months and the year ended October 31, 2011 was $391,076 and $2,111,702 respectively (2010 - $432,301 and $1,355,690 respectively).

The Company has no active business income. Revenue is entirely interest income, primarily earned on cash deposits, which in the three months and the year ended October 31, 2011 amounted to $10,313 and $50,188 respectively (2010 - $14,835 and $49,929 respectively). Interest income is substantially consistent with the prior periods.

During the three months ended October 31, 2011 administrative and general expenses totaled $142,218 compared to $340,470 in the three months ended October 31, 2010. The decrease in expenses quarter over quarter was primarily due to the president declining her bonus of $110,000 otherwise earned for the year ended October 31, 2011, a decrease of property evaluation expenses of approximately $50,000 as well as a decrease in office and general costs.

During the year ended October 31, 2011 administrative and general expenses totaled $624,297 compared to $831,606 in the year ended October 31, 2010. The decline year-over-year was due largely to the president declining her bonus of $110,000 otherwise earned for the year ended October 31, 2011, a decrease of property evaluation expenses of approximately $35,000 and a reduction in non-cash stock-based compensation expense of $38,357.

Exploration expenses for the three months and year ended October 31, 2011 were $254,402 and $1,527,649 respectively (2010 - $106,398 and $572,941 respectively). The change in exploration expenses period over period is explained below under "*Mineral Property and Exploration and Development Activities*".

Mineral Property and Exploration and Development Activities

The HOAM Project

The Company has a 100% interest in the HOAM project located in the Mackenzie Region, Northwest Territories (the "HOAM Project"), Canada. The interests in exploration properties are subject to a 1.5% Net Smelter Return royalty ("NSR"), 50% of which is held by a director and officer of the Company. The Company has been very successful in identifying kimberlite occurrences in this previously unexplored area of the NWT. Twenty-six kimberlite discoveries (including three in 2011) have been made to date. Although some of these discoveries are microdiamond bearing, the sources of the extremely positive, yet discrete, kimberlite indicator mineral ("KIM") populations (including G10 garnets), recovered from stream sediment and till samples collected throughout this large project area, remain to be found.

An evaluation of regional geophysical data conducted by an independent expert in 2011, resulted in numerous additional moderate to high priority targets being delineated. The objective of this evaluation was to identify potential new areas of kimberlite occurrences that may have been overlooked by initial assessments. As a result of the evaluation, the 2011 exploration season included 7,596 line kilometres of detailed geophysical surveys, geochemical sampling over certain areas and limited drilling. Numerous new drill targets were defined by the airborne survey work. Additional detailed airborne is justified and plans will be undertaken to conduct a program as financing and weather permit. A light weight drill was utilized to drill five shallow holes. Kimberlite was intersected in three of the five holes drilled into four previously untested targets with varied magnetic signatures. Analysis is ongoing to further evaluate many of the high priority target areas in order to provide additional information for prioritization of anomalies for drilling in 2012. Actual exploration costs for the year ended October 31, 2011 on the HOAM Project are $1,185,160, or $917,260 more than the $267,900 spent in the year ended October 31, 2010.

The Rivera Project

In May 2009, the Company signed an option agreement with Orosur Mining Inc. (“Orosur” or “OMI”) (TSXV:OMI) whereby Olivut is operator for the Rivera Project located in northern Uruguay, South America. The Rivera Project is held by Cinco Rios S.A., a wholly owned subsidiary of OMI. The Company has the option to acquire a 51% interest in the Rivera Project by incurring minimum expenditures of $250,000 by August 1, 2010 ($285,527 was incurred by August 1, 2010) and a total of $750,000 by June 30, 2012 ($471,121 was incurred by October 31, 2011).

Olivut`s interest may be increased to 80% depending on OMI`s participation in subsequent work programs. The joint venture earn-in structure was established in order for Olivut to evaluate the potential for kimberlites in this relatively unexplored region without exposing shareholders to high front-end costs.

Based on the initial Phase 1 exploration results, a soil geochemical program was completed over 23 magnetic and geomorphological anomalies. A total of 92 samples were submitted for enzyme leach analysis. A detailed ground magnetic survey is in progress over 17 aeromagnetic and geomorphological targets. These survey results together with recently received soil geochemistry data will be used to prioritize targets for further assessment. Land owner agreements have been finalized to allow drilling to commence once prioritization is complete.

The coincidence of abundant kimberlite indicator minerals, including one micro and one macro diamond and anomalous soil geochemistry in a structural corridor is considered to be encouraging and supports the possibility that kimberlite exists in the project area. No verifiable kimberlites have been discovered to date in the project area which is located on the stable Rio de la Plata craton. This craton is consistent with cratonic regions in southern Africa within which diamondiferous kimberlites are present.

The Itapoty Diamond Project

As described above under the heading “Description of Business”, on July 6, 2011 the Company announced that it had signed an option agreement with Latin American Minerals Inc. (“LAT”) (TSXV:LAT) to explore the Itapoty Diamond Project located in central Paraguay, South America.

This new opportunity complements Olivut’s existing portfolio of diamond exploration properties in Canada and Uruguay, South America. The southern hemisphere location provides a complementary work season to that of the HOAM summer program in Canada. Paraguay’s mineral resources remain largely underexplored.

A sampling program was undertaken in July, 2011. Sixty-five samples were taken with the majority from heavy mineral trap sites in streams. Fourteen stream sediment samples yielded 22 diamonds ranging in size from 0.5mm to 2.4mm. The largest stone weighs 0.07 carats. The majority of the stones are octahedrons, tetrahexahedrons and fragments and are predominantly colourless, transparent and inclusion free. The sampling was conducted over a previously recognized trend of recovered diamonds. Samples were treated in LAT’s laboratory in Paraguay and the results were confirmed by Olivut’s Sr. Technical Advisor, Dr. Malcolm McCallum.

In late September 2011, a detailed ground magnetic survey commenced and is expected to continue for several weeks into December 2011. Additional surveying will be considered upon completion and analysis of this initial survey. A stream sediment/colluvium sampling program will be conducted to constrain the potential source area(s) of the results of the 2011 program and the 37 macro diamonds (1-2mm) and kimberlite indicator minerals recovered from previous LAT sampling programs. The diamond distribution suggests multiple local sources and surface features of most of the diamonds indicate a proximal source. The regional and local structural setting is considered to be favourable for kimberlite pipe emplacement. A drill program will be planned for the first quarter in 2012 to test targets defined by the geophysical and sampling programs.

Olivut has the option to earn 50% of the Itapoty Diamond Project by expending CDN$250,000 by July 5, 2012 ($189,309 was incurred by October 31, 2011) and an additional CDN$750,000 by January 5, 2013. Olivut is the operator of the project.

During the three months and year ended October 31, 2011, the Company incurred $254,402 and $1,527,649 respectively (2010 - $106,398 and $572,941 respectively) on exploration and development expenditures. The principal expenditures year-to-date were for airborne geophysical survey and related costs $480,941 (2010 - $70,051) and diamond drilling related costs $621,244 (2010 - $134,123) on the HOAM project. Cumulative exploration and development expenditures made by the Company as at October 31, 2011 total $13,295,342 (at October 31, 2010 - $11,767,693). This cumulative total represents $12,635,912 spent on the HOAM Project (October 31, 2010 – $11,450,752), $471,121 spent on the Rivera Project (October 31, 2010 - $316,941) and $188,309 (October 31, 2010 - $nil) spent on the Itapoty Project.

Additional information is available at www.sedar.com and the Company's website at www.olivut.com.

Liquidity and Capital Resources

As at October 31, 2011, the Company had a cash and cash equivalents balance of $1,079,727 (October 31, 2010 - $3,227,058) to settle current liabilities of $302,953 (October 31, 2010 - $297,883) and working capital of $849,863 (October 31, 2010 - $2,971,351).

Cash equivalents are entirely guaranteed investment certificates issued by a major Canadian chartered bank. All of the Company's financial liabilities have contractual maturities of less than one year and are subject to normal trade terms.

During the three months and year ended October 31, 2011, cash used by operating activities was $736,323 and $2,056,369 respectively, an increase of $540,773 and $930,029 respectively compared to the cash used in the three months and year ended October 31, 2010. The increase year-to-date primarily reflects increased spending on exploration activities.

The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing. It is anticipated that the Company will continue to rely on equity financing to meet its ongoing working capital requirements. On the basis of the Company's current cash position, management of the Company believes that it has sufficient funds to meet its ongoing general and administrative costs until the fiscal year end October 31, 2012, and will be soliciting additional financing during the next year to enable the Company to continue exploration on its projects and to consider new opportunities. Management carefully monitors its cash balances and may postpone material exploration expenses so as to protect the Company's working capital if equity markets do not permit additional financing. As at October 31, 2011, the Company did not have any long-term debt or contractual liability or obligations other than as reported in the financial statements.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

Transactions with Related Parties

During the three months and year ended October 31, 2011 a total of $15,000 and $106,500 respectively (2010 - $5,000 and $29,910 respectively) for exploration consulting expenditures, and $2,400 and $9,600 respectively (2010 - $2,400 and $15,600 respectively) for administrative and general expenses (other than salary and benefits) were accrued or paid to directors and officers of the Company or persons or companies related to or controlled by them. The directors and officers of the Company or persons or companies related to or controlled by them were also reimbursed at cost for expenses incurred on behalf of the Company. Included in accounts payable and accrued liabilities at October 31, 2011 is $Nil (October 31, 2010 - $5,800) relating to the above transactions owing to directors and officers of the Company or persons or companies related to or controlled by them.

The above transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties and is intended to reflect market rates between un-related parties. Amounts owing to the related parties are unsecured, non-interest bearing with no fixed terms of repayment.

Critical Accounting Estimates and Changes in Accounting Policies

The Company's critical accounting policies are disclosed in full in Note 3 of the audited financial statements for the year ended October 31, 2011.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011, as the date International Financial Reporting Standards ("IFRS") will replace current Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises. Since the Company's year-end is October 31, it must develop a changeover plan in preparation for conversion from GAAP to IFRS beginning November 1, 2011 (the "Changeover Date"). The Company will also be required to provide comparative financial information prepared under IFRS beginning November 1, 2010 (the "Transition Date"). As a result, the Company will report under IFRS starting with the interim period ending January 31, 2012, with restatement for comparative purposes of amounts reported under GAAP.

IFRS Project Update

The Company's IFRS conversion plan consists of three phases: Scoping and Diagnostic; Detailed Evaluation; and Implementation and Review. The Scoping and Diagnostic phase included the completion of a high-level impact assessment to identify key areas that may be affected by the conversion and the development of a detailed implementation plan. The Detailed Evaluation phase included a detailed analysis of the IFRS GAAP differences and accounting policy choices under IFRS, and the initial assessment of the nonfinancial reporting related impacts. The Scoping phase has been completed.

The Diagnostic and Detailed Evaluation and Implementation and Review phases are in progress and will be completed in the first quarter of 2012.

Based on the work completed to date, the transition to IFRS did not result in significant impacts to the Company's business activities or its covenants, capital requirements or compensation arrangements. The transition did not result in significant changes to key controls during or after the transition to IFRS. Changes to financial reporting processes and data systems were required as a result of changes in accounting policies, and internal control and disclosure control documentation is being updated accordingly. The initial training of finance personnel is ongoing.

The International Accounting Standards Board responsible for the development and publication of IFRS has a significant number of projects underway, many of which could impact the differences between GAAP and IFRS applicable to the Company. Changes in IFRS could result in additional adjustments and/or changes to the adjustments currently being recognized in the IFRS opening balance sheet. Accordingly, the Company continues to monitor and evaluate changes in IFRS, and to update the conversion plan as required.

The Company has identified several areas where potential differences between GAAP and IFRS could result in changes to the amounts reported by the Company in its financial statements. While the quantification of these potential changes has not yet been finalized, the areas where the changes are most anticipated include:

a) *Asset Retirement Obligations*

Under IFRS, a liability must be recognized at the time when the entity becomes legally or constructively obliged to rehabilitate a disturbance resulting from mining activities, while under GAAP, a liability is only recognized when the entity is legally bound. Discount rates used should reflect the risks specific to the decommissioning provision. Unlike IFRS, under GAAP discount rates for asset retirement obligations are based on the entity's credit-adjusted risk-free rate. IFRS requires re-measurement of the liability at each reporting date whereas GAAP requires re-measurement of the liability in the event of changes in the amount or timing of cash flows required to settle the obligation. Over and above this, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires the re-measurement of the provision for reclamation and rehabilitation if there is a change in the current market-based discount rate. However under the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110 *Asset Retirement Obligations,* the provision for reclamation and rehabilitation is not adjusted for changes in the discount rate. To date the Company's exploration activities have not resulted in any disturbance requiring rehabilitation and no asset retirement obligations have been recorded.

b) *Property, Plant and Equipment*

The IRFS Interpretation Committee ("IFRIC") Interpretation 1, *Changes in Decommissioning, Restoration and Similar Liabilities,* contains guidance on accounting for changes in decommissioning, restoration and similar liabilities due to timing in the revision of estimated outflows and revisions to the risk-free discount rate. Where changes occur, these changes are required to be capitalized as part of the cost of the underlying assets and depreciated prospectively over the remaining life of the asset to which they relate.

IFRS requires identifying and measuring the cost of significant individual components of assets which have different useful lives than the core asset. Significant components are then separately depreciated based on their individual useful lives.

The Company does not expect to record an adjustment to the opening IFRS balance sheet at November 1, 2010 for property, plant and equipment.

c) *Share-based Payments*

While there is convergence between IFRS and GAAP in that share-based payments are recognized as an expense, there are a number of measurement differences. Under GAAP, the Company records forfeitures on unvested stock options as they occur. Unlike GAAP, IFRS requires that the rate of forfeiture be estimated every reporting period and an adjustment be made to stock based compensation expense. GAAP also allows the vesting of employee stock options to be recognized to operations on a straight-line basis whereas IFRS requires the use of a graded vesting model.

The Company estimated a 0% forfeiture rate and, as a result, no adjustments were recognized. The Company does not expect to record an adjustment to the opening IFRS balance sheet at November 1, 2010 for share-based payments.

d) *Income Taxes*

IFRS requires a deferred tax asset or liability to be recognized for exchange gains and losses related to nonmonetary assets and liabilities that are re-measured into the functional currency using the historical exchange rates. Under GAAP, a deferred tax asset or liability is not recognized for a temporary difference arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of non-monetary assets and liabilities of integrated foreign operations.

Furthermore, GAAP requires that the current and long-term portions of future income tax assets, and future income tax liabilities, be shown separately on the financial statements, whereas IFRS does not.

In particular, IFRS does not provide guidance for the treatment of flow-through shares, which is covered by GAAP under CICA Handbook Section 3465 and the Emerging Issues Committee Abstract 46. In the absence of such guidance, IFRS 8.10 allows an entity to develop an acceptable accounting policy, through use of judgment, which results in information that is relevant and reliable to financial statement users. IFRS further allows management to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework. Accordingly, the Company has considered US Securities Exchange Commission published guidance on accounting for flow-through shares under FAS 109 whereby the proceeds from the offering would be allocated between the flow-through shares issued in a given transaction and the sale of the tax benefits of those shares. The Company expects to record an adjustment to the opening IFRS balance sheet at November 1, 2010 related to the renunciation of flow-through dollars spent and the tax benefits that flow to shareholders who participated in the flow-through share program prior to the Transition Date. Updated information will be disclosed in the MD&A in future quarters as it becomes available.

e) *Exploration Expenditures*

IFRS 6 applies to exploration and evaluation expenditures incurred by an entity in connection with the exploration and evaluation of mineral resources. An entity may choose to defer on the balance sheet nearly all exploration and evaluation expenditures or as in the Company's case, recognize all such expenditures in operations as incurred. IFRS currently allows an entity to retain its existing accounting policies related to the exploration and evaluation of mineral properties, subject to some restrictions.

The Company does not expect to record an adjustment to the opening IFRS balance sheet at November 1, 2010 for exploration expenditures.

f) *First-Time Adoption of IFRS*

IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1. Prior to reporting the first IFRS compliant financial statements for the quarter ending January 31, 2012, the Company may decide to apply certain exemptions contained in IFRS 1.

IFRS 1 encourages, but does not require a first time adopter to apply IFRS 2 – Share-based Payment ("IFRS 2") to equity instruments that were granted on or before November 7, 2002, or were granted after November 7, 2002 but vested before the Company's IFRS Transition Date. Accordingly, an entity may elect not to retrospectively apply IFRS 2 to these equity instruments. The Company expects not to retrospectively apply IFRS 2 to these equity instruments.

The remaining optional exemptions are not expected to be significant to the Company's adoption of IFRS.

Based on the analysis of information to date and due to the simplicity of the Company's accounting policies and computer systems and the size of its business, management does not expect any difficulty in completing all necessary changes in accordance with these new standards by the required Changeover Date.

Outstanding Share Data

As of December 9, 2011, an unlimited number of common shares with no par value are authorized of which 31,650,637 shares are issued and outstanding.

All previously outstanding warrants expired unexercised on May 14, 2011.

Under the terms of the Company's Stock Option Plan, as at December 9, 2011 a total of 3,000,000 options to purchase common shares at exercise prices ranging from $0.165 to $1.70 per common share and expiring between January 17, 2012 and March 10, 2016 are outstanding.

Commitments and Contingencies

Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Management Contracts

The Company is party to a management contract. Minimum contract commitments remaining under the agreement are approximately $660,000, including $220,000 due within one year. Upon the occurrence of certain events such as a change of control, the contract requires payment of up to $1,000,000. As the likelihood of these events taking place is not determinable, the contingent payment has not been reflected in the financial statements for the year ended October 31, 2011.

Operating Lease

The Company is committed to an operating lease for equipment rental, which expires on May 2, 2014. Minimum lease payments for successive fiscal years ending October 31 are as follows:

Year	$ Amount
2012	2,880
2013	2,880
2014	1,440
	7,200

The Company is not involved in any outstanding litigation.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of capital stock, stock options and contributed surplus. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. Accordingly, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for its administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if reasonably available. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended October 31, 2011 and 2010. The Company is not subject to externally imposed capital requirements.

Risks and Uncertainties

Financial Risk Factors

The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to amounts receivable and a loan receivable. The Company has no significant credit risk arising from operations. The loan receivable is described in Note 6 to the financial statements for the year ended October 31, 2011 and is secured by all assets of the borrower. Management believes that the credit risk with respect to these financial instruments is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than one year and are subject to normal trade terms. Further discussion relating to liquidity risk is described above under *"Liquidity and Capital Resources".*

In the absence of cash flow from operations the Company must rely on its shareholders or capital markets to fund operations. Although the Company has been successful in the past in obtaining financing, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional financing could result in delay or the indefinite postponement of further exploration and the development of the Company's properties, as well as the loss of prospecting permits and mineral claims and even the risk of the Company continuing as a going concern.

Market Risk

a) Interest Rate Risk

The Company has cash and cash equivalent balances and no interest bearing debt at October 31, 2011. The Company's current policy is to invest cash in investment-grade short-term guaranteed investment certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company considers interest rate risk to be minimal as investments are short-term, the Company does not carry interest bearing debt and it is expected that future financings, if any, would be secured from equity placements rather than debt obligations.

b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes that the foreign exchange risk from currency conversions is negligible.

As discussed in "Mineral Property and Exploration and Development Activities", the Company acts as operator of exploration programs in Uruguay and Paraguay. At October 31, 2011 the Company has spent $471,121 on the Rivera Project in Uruguay and has the option to spend an additional $278,879 by June 30, 2012, all in Canadian dollars. At October 31, 2011 the Company has spent $188,309 on the Itapoty Diamond Project in Paraguay and has the option to spend an additional $811,691 by January 5, 2013, all in Canadian dollars. Management believes that the Company will not be subject to any material foreign currency risk related to these options.

c) Price Risk

The Company is exposed to price risk with respect to commodity prices. Although the Company has no influence on commodity prices, it closely monitors commodity prices to determine appropriate courses of action.

Fair Value

The fair value hierarchy consists of the following: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. as derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Company has designated its cash equivalents as held-for-trading, measured at fair value. Amounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying amounts for cash equivalents, amounts receivable and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited terms of these instruments. The fair value of the loan receivable approximates carrying value as the interest rate approximates the current rate for similar instruments.

The Company's financial instruments that are carried at fair value consist of cash equivalents that do not have quoted market prices. They have been classified as level 2 within the fair value hierarchy. At October 31, 2011, there are no cash equivalents.

Sensitivity to Financial Risks

The Company considers interest rate risk to be minimal as investments are short-term, the loan receivable has a fixed interest rate and the Company does not carry interest bearing debt. It is expected that future financings, if any, would be secured from equity placements rather than debt obligations. Based on cash and cash equivalents held by the Company as at October 31, 2011, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately $10,000.

The Company does not hold any balances in foreign currencies to give rise to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.

There were no changes in the year ended October 31, 2011 that occurred that were attributed to financial risk.

Exploration

The Company's exploration projects are subject to conditions beyond its control that can affect the carrying costs and development costs for varying lengths of time. Such conditions include environmental hazards, unusual or unexpected geological formations or pressures and periodic interruptions due to inclement or hazardous weather conditions, geopolitical, economic, regulatory conditions as well as dependence on key employees. Such risks could result in damage to, or destruction of, mineral properties or facilities, personal injury, environmental damage, delays in exploration programs, monetary losses and possible legal liability. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. Success in establishing marketable mineral reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land holdings, the availability of suitable employees, contractors, consultants and equipment and other factors.

If mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal recovery process to extract the minerals from the ore and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment of resources or reserves.

Whether a resource deposit will ultimately be commercially viable depends on a number of factors, including the particular attributes of the deposit such as the deposit's size, financing costs and the prevailing prices for the applicable resource. Also of key importance are government regulations, including those relating to prices, taxes, royalties, land tenure, land use, land treaties and environmental protection.

The Company's continued existence is dependent upon the preservation of its interest in the underlying exploration properties, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to raise financing, if necessary and/or available, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's or its potential joint venture partners' ("Optionors") title. Property title may be subject to unregistered prior agreements, native land claims and non-compliance with regulatory requirements.

Licenses and Permits, Laws and Regulations

The Company's exploration activities may require permits from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, exploration, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company relies on the expertise and commitment of its management team, their advisors, and contractors to ensure compliance with current laws and fosters a climate of open communication and cooperation with regulatory bodies. The Company believes that it or its Optionors hold all necessary licenses and permits under applicable laws and regulations and believes it is presently complying in all material respects with the terms of such licenses and permits.

There can be no guarantee that the Company or its Optionors will be able to maintain or obtain all necessary licenses and permits that may be required to explore and develop the properties under exploration, commence construction or operation of mining facilities or to maintain continued operations.