

GALENA CAPITAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2009

Introduction

The following management discussion and analysis and financial review, prepared as of May 29, 2009, should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three month period ended March 31, 2009 and the audited consolidated financial statements and related notes for the year ended December 31, 2008. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis are expressed in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Company Overview

On August 29, 2007 Galena and Minas Vallarta Resources Ltd. ("MV Canada") entered into a letter agreement under which the shareholders of MV Canada would acquire Galena through a reverse takeover transaction ("RTO"). On November 27, 2007 the Company received all required approvals and the transaction was completed. Galena Capital Corporation was retained as the name for the ongoing entity and is the continuation of MV Canada. MV Canada was incorporated on May 14, 2007 pursuant to the provisions of the Business Corporations Act (British Columbia).

On January 15, 2008, the Company entered into a letter agreement with Norma Mines Ltd. ("Norma") whereby Galena agreed, subject to various conditions precedent, to acquire all of the issued and outstanding securities of Norma (the "Acquisition"). The Acquisition was an arm's length transaction within the meaning of the TSX Venture Exchange's policies and was completed on March 20, 2008. Galena issued 4,200,000 common shares to shareholders of Norma in exchange, on a one-for-one basis, for all the outstanding shares of Norma.

The Company is a junior mineral exploration company engaged in the business of acquiring and exploring and evaluating natural resource properties in Mexico and Peru. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties.

The Company initiated a strategy to lower its overhead and exploration expenses during the latter part of 2008 to help meet the challenges arising from turbulence in the financial markets. The Company believes it has sufficient capital for general office and administrative expenses over the next 12 months and has decided to restrict its exploration efforts to projects with potential near-term gold production. The Company is also focussing its attention on potential joint ventures with one or more of its properties. This strategy has been implemented to best position the Company for the future.

EXPLORATION PROJECTS

MEXICO

Maureen Property (formerly "La Suerte")

The Company commissioned Ron Parent, P. Geo of ResourceEye Services Inc. to prepare a report with respect to the property. The author was retained to complete the technical report in a form consistent with NI 43-101. Mr. Parent is a "Qualified Person" for the purposes of NI 43-101. The following information regarding the Maureen Property is derived from Mr. Parent's technical report. The full technical report is filed under the Company's profile on the SEDAR website at www.sedar.com.

Summary

The Maureen Property ("Maureen") is located 20 km SSE of the city of Tepic, Nayarit, Mexico. The property is accessible by road and is comprised of 3 non-contiguous claim blocks totaling 186.2 hectares:

- 1) La Suerte;
- 2) La Suerte Fraction 1; and
- 3) La Suerte Fraction 2.

The property is situated in an active volcanic area with structures showing evidence of hydrothermal alteration. Many historical tunnel workings and sampling programs have targeted the Maureen structure. To retain these property rights, the claim holder must continue to maintain their semester payments, and report annually any activities conducted on the property. Gold and silver are the target commodities being investigated at Maureen.

There are three main gold and silver mineralized hosting structures observed to date on the property:

- 1) La Escondida Vein: exposed by adit near a dry creek bed;
- 2) La Suerte Vein structure: excavated in the workings of the San Francisco Mine;
- 3) Tepehuaje and the Zapote lenses: each approx. 1 meter by 1 meter by 7 meters, located in rhyolite and rhyolitic tuff, respectively.

The local topographic relief is expressed by volcanic mountains of up to 1200 meters above mean sea level (“amsl”). The underlying valleys consist of basalt plains and occasionally low and steeply sloping ridges. Local vegetation along dry ridges and slopes consist of sparse tree cover, low bushes and grasses. Creek bottoms and valley floors are covered by dense brush and jungle-like growth. The climate in April through September is warm and humid and a more temperate climate from October to March. June to October is a heavy rainy season which can impact the accessibility of the secondary roads to the property. Annual average precipitation is around 1000 mm/year.

The closest populated town is La Curva (population approximately 200), and is 5-6 kilometers by driving on dirt roads from the property. The closest major city centre, the city of Tepic, is 17-18 kilometers by driving on dirt and paved roads and has a population in excess of 300,000. Rail is accessible at San José Costilla, 1.5 km from La Curva. Air travel is readily available at Tepic and Puerto Vallarta.

A significant amount of infrastructure and support services are accessible to the project. A road infrastructure exists all the way to the property. Water is available at the nearby town of La Curva. Electricity, mail and phone services are also available at La Curva. A rail line, “Ferrocarril del Pacifico”, is accessible at the populated center of San José Costilla, 1.5 km from La Curva. The city of Tepic has an abundance of labour and equipment providers available to provide personnel and services to any future exploration and/or development of this property.

Regional Geology

The most prominent geological features in the area are volcanic calderas whose associated land features and rock distribution dominate the landscape and land forms. The Maureen property is located on the northwest flank of Caldera El Hermitario, a large caldera located approximately 10 kilometers to the southeast. The bedrock on the property is comprised exclusively of extrusive igneous rocks of basic and felsic composition.

The felsic rocks are represented by middle Tertiary - Oligocene rhyolitic tuffs which constitute the host rock for most of the hydrothermal mineral deposits.

The area comprising Maureen lies in an area of relatively low magnetic geophysical relief as would be expected for felsic volcanic rocks of the types present. Higher magnetic anomalies in the southeast, northwest and northeast corner of the geophysical map correspond to andesitic volcanic rocks.

The area has been highly affected by hydrothermal alteration and associated quartz veins and brecciated zones. These hydrothermal activities give rise to the presence of hydrothermal mineral deposits (in this case, low-sulphidation epithermal gold-silver), of which gold and silver are noted to occur in the rhyolitic sequence.

Basalt flows are represented by the presence of stratigraphically younger basalt layers unconformably overlying the rhyolitic volcanics. The basalt essentially formed as valley filling events. The most common rock type present at surface is the felsic volcanic rocks (rhyolite and rhyolitic tuff). There are three north-northwest trending structures spaced between 600 meters and 1.2 kilometers apart, and an additional northeast trending structure in the center of the area. La Suerte structure and the La Escondida structures are roughly parallel to each other and correspond to the two main structures in the north-central part of the project.

These structures have associated hydrothermal alteration that has resulted in the formation of quartz veins and brecciated zones ranging from tens of centimeters to a few meters in thickness. Gold grades in these zones seem to be loosely correlatable to depth of the mineralized system. Most showings give unimpressive first assays from surface, as the grade, at this stage of the investigations, appears to increase with depth from surface to at least 15 meters.

The orientation of the structures at La Suerte and La Escondida are sub-parallel, dipping to the northeast from 45 degrees to vertical. The Maureen property is a typical example of a Low-sulfidation, epithermal gold-silver deposit type. The following is a brief listing of the low-sulfidation epithermal precious metal deposit type characteristics observed at the Maureen property:

- Highly altered quartz veins, stockworks and breccias carrying gold and silver;
- Ore grade material commonly exhibits open-space filling textures and is associated with volcanic-related hydrothermal to geothermal systems;
- Volcanic arc tectonic setting and depositional environment;
- Similar age of mineralization;
- Ore mineralogy is low in sulfide bearing minerals; and,

- Structure or fracture related ore control.

La Suerte and San Francisco zones are open to depth and further sampling will help determine if the grade continues to improve with depth.

The presence of an Opal cap is also observed as part of the geologic model for the project, with an opal prospect located stratigraphically above and to the north of the San Francisco mine.

Mineralization

There are two main mineralized structures on the property, La Suerte vein structure and La Escondida vein structure. A couple of smaller zones of interest have been observed in the mine workings which are called the El Tephauje and El Zapote veins. The La Suerte vein consists of brecciated fault zone material and open spaces with lenticular vein infilling. Minera Ixtlan (2003) reports that the zone has been traced along strike for 600 meters. The zone trends northwest, dipping 40 to 85 degrees to the southeast and is reported to have an average thickness of 1.3 meters. The El Tephauje and El Zapote veins are part of the La Suerte structure which is exposed in the San Francisco Mine workings.

The economic ores are represented by small quantities of free gold, tiny disseminations of black silver sulfurs and disseminated pyrite inside of a waste rock of quartz, partially amorphous white grayish to crystalline, occasionally forming tiny druses with hexagonal glasses. Secondary alteration minerals include limonite, hematite, and pyrolusite.

Mineral Resource and Mineral Reserve Estimates

No mineral resources or reserves are being prepared or known at this time.

Drilling and Geochem

The Company drilled two holes to cut the structures perpendicularly. All holes crossed structures with wider intersections than the superficial showing. Drilling was done by Worldwide Drilling, a USA drilling company out of Torreón, Mexico. Drilling cores are bowed, labeled and stored in an orderly manner. Cores have been cut and sent off to assay through a certified lab in Vancouver. Samples were prepared in Hermosillo, Mexico by a TSX certified lab for sample preparation. The Company has also begun the soil sampling as per Mr. Parent's technical report. The project has moved into a direct exploration program. The Company has approved a tunnel called "La Candelaria" that will intercept the structure 50 meters below the San Francisco Mine. The Candelaria Tunnel will be around 60 meters to the structure intercept. Currently all exploration permits are in place. Other permits, such as explosives, are in their final approval process.

Metallurgical

The Company is having metallurgical testing done locally in Mexico to define possible processing in the future and define recoveries that would be considered in future evaluations. Initial testing has shown that gravimetric processes are viable.

Mercedes Property (formerly "Yecora")

The Company commissioned Luc Rioux, P. Geo of Luc Rioux GeoServices to prepare a report with respect to the property. The author was retained to supervise and propose exploration programs within the NI 43-101 standards. Mr. Rioux is a Qualified Person.

Summary

The Property is located approximately 200 kilometers ESE of Hermosillo, Mexico. The property consists of three claims totaling 360.7 hectares: La Mina del Oro (titulo 207983), Ampliacion Mina del Oro, (titulo 217854) and C.R., (titulo 212937).

The Company's wholly owned subsidiary, Norma Mexico, entered into an arrangement with the owner of the Mercedes property whereby Norma Mexico earns the exclusive exploration and exploitation rights on the property by paying USD \$20,000 (paid) prior to signing and USD \$30,000 (paid) upon signing the contract. As part of the contract, Norma Mexico will earn 70% of any profits arising from the property and the current owner will earn 30%. This ratio will also be utilized for allocating the funding of any extraordinary expenses, as determined by Norma Mexico, which are above and beyond any exploration and exploitation expenses incurred by Norma Mexico. After two years, Norma Mexico has the option to buy out the mineral concessions from the current owner for USD \$1,800,000 less the original USD \$50,000 already paid on signing. The Company is responsible for maintaining the properties in good standing.

Regional Geology

The oldest rocks in the area are igneous in composition (intrusives and extrusives) and of Cretaceous age.

The intrusives are comprised of granitic (granite - granodiorite) stocks. The extrusives are mostly made of folded and altered andesitic tuffs. Above these units there are some pinkish colored rhyolitic tuffs, ignimbrites, breccias and agglomerates of Lower Tertiary Age. Along with the rhyolitic extrusives there are some andesitic flows which exhibit a dark grey to purple color. Overlying these units there is a polymictic conglomerate of Upper Tertiary Age which shows discordance with the underlying rhyolites, andesites and dacites. All the units are overlain by quaternary olivine basalts exhibiting vesicular textures.

The local geology of the Property is mostly underlain by aphanitic to locally porphyritic textured andesites which show a grey to pistachio green color on weathered and/or fresh surfaces. The dominant alteration is propylitic (chlorite and epidote). The contact of this unit with the quartz-feldspar porphyry (QFP) is strongly brecciated. The intrusive (QFP) is light grey in color and weak to moderately silicified. It is often crosscut by andesitic dikes. The dominant alteration within this unit is phyllic in composition (quartz and sericite), especially at the contacts with the andesites. Overlying the above mentioned units is a volcanic complex of Upper Tertiary Age which is divided into 2 separate units: the lower volcanics mostly comprised of andesites and dacites and the upper volcanics mostly comprised of ignimbrites, breccias and agglomerates.

The contact between the QFP and the andesites has a general trend oriented ENE (N050°) with a dip towards the SSE. This contact is in turn crosscut by shear zones and faults that are oriented NW-SE and exhibit a variable dip or plunge sometimes to the NE and at other times towards the SW. The contact between the Oxide Zone and the Sulphide Zone is trending NE-SW with a dip towards the SE (somewhat parallel to QFP/andesites contact).

Hydrothermal Alteration

Alteration patterns exhibit a zonation from the centre of the ore body as being of phyllic type (quartz and sericite), grading into an argillitic type (kaolin and sericite) at the contacts or limits of the ore body and then into a propylitic (chlorite-epidote) type as one moves further away from the orebody and well within the andesites. There is some tourmaline alteration near the extreme NE corner of the ore body but it doesn't seem to have any implication or association with the deposition of gold. As far as the iron oxides are concerned they are mostly altered into limonite and hematite. Where this latter type of alteration is strong there seems to be less gold, whereas if it is weak to moderate there are better chances of finding gold.

Mineralization

The Mercedes deposit is mostly comprised of a brecciated and sheared porphyritic intrusive (QFP) in contact with andesitic flows and tuffs. The mineralization can be classified as being of hydrothermal type, comprised of quartz stringers and veinlets and also of crystallized open space filling type. There seems to be a close relation between the quartz and the deposition of gold, especially within the silicified zones. There also seems to be more gold within the oxidized zone than the sulphide zone where in both cases the main sulphides that are present are fine grained disseminated pyrite with minor amounts of arsenopyrite. The oxidized zone is believed to be approximately 50 meters thick, whereas the ore body is approximately 35 meters thick, 85 meters wide and has been defined to date to be some 80 meters long. The main control on the mineralization is structural, through faults (thrust faults, normal faults and reverse faults) and shear zones. To the SW of the Mercedes ore body there is a fault showing a general trend of N325° with a 75° dip to the NE. This fault marks the contact between the QFP and the andesites. 110 meters NE of that previously mentioned fault, there is another fault oriented N310° and dipping 75° to the SW. On the northwestern edge of the deposit the contact between the QFP and the andesites has been determined to be N030°. The most northeastern portion of the orebody is comprised of numerous intersections of faults showing variable orientations which have provoked an intense shearing pattern which enabled the hydrothermal fluids to circulate and thus carry the precious metals within the deposit.

Prior Work

Prior to current drilling, the last work that was performed on this property was done by Compania Minera Fernanda S.A. de C.V in 1996. The Company has drilled 1,018 meters of reverse circulation drilling in 15 drill holes. This work has roughly outlined the minimal size of the orebody as being 35 meters thick, 85 meters wide and has been defined to date to be some 80 meters long. A preliminary resource estimate was conducted by Sr. Leopoldo A. Diaz Encinas in his report titled "Reporte Tecnico, Evaluacion Preliminar Geologica-Metalurgica, Proyecto Yécora" dated November 23, 1996. This evaluation was not prepared in compliance with the current standards and definitions for estimating resources as required by NI-43-101.

Current Work

A NI 43-101 report was completed in December 2008 by QP Luc Rioux. Some re-sampling is being done to complete the evaluation of this project. Phase 1 diamond drilling was completed and was composed of 10 holes and a total of 1133 meters. Drilling was done by World Wide Drilling of Torreon, Mexico. The Company will evaluate the next step to take after all the information has been processed.

Permitting

Environmental permitting is in place. This permitting is for exploration work, drilling, trenching and access roads.

Infrastructure

Yécora is a town of about 3,000 people located 16 kilometers ESE of the Property. The topography of the area is very hilly and thus making it difficult to do exploration work (especially diamond drilling). Water needed for the drilling would have to be hauled to the drilling sites.

Judith Project

Summary

The Judith Property is located approximately 30 kilometers northeast of the city of Chihuahua, Chihuahua, Mexico. The Judith Property is comprised of 6 contiguous claims totaling 597.45 hectares:

La Judith;
San Francisco;
Denis;
El Dorado;
J.K. London; and
La Gitana

Luc Rioux, QP has completed a NI 43-101 report on the project in December 2008. The evaluation of the project will include the considerations and recommendations in this report.

In January 2009, the Company's wholly owned subsidiary, Norma Mexico, entered into an arrangement with the owners of the Judith property whereby Norma Mexico earns the exclusive exploration and exploitation rights on the property by paying a total of USD \$100,000 (paid) at or before signing. As part of the contract, Norma Mexico will earn 80% of any profits arising from the property and the current owners will earn 20%. This ratio will also be utilized for allocating the funding of any extraordinary expenses, as determined by Norma Mexico, which are above and beyond any exploration and exploitation expenses incurred by Norma Mexico. Norma Mexico must also spend USD \$1,000,000 in exploration expenses within two years of signing and has the option to purchase the current owners' mining concessions after five years for USD \$1,500,000 less the original USD \$100,000 already paid upon signing. The Company is responsible for maintaining the properties in good standing.

During the period, the Company entered into a letter agreement dated March 10, 2009 with QRS Capital Corp. ("QRS"). Under the terms of the agreement, it is proposed that Galena will earn the exclusive and irrevocable right and then option to QRS to acquire, subject to a 3.0% net smelter return royalty, seventy percent of all rights and interests (the "Option") to explore and exploit six contiguous mineral claims (the "Judith Project") lying within the Chihuahua area, Municipality of Aldama, Chihuahua State, Mexico. To exercise the option, QRS is required to pay Galena \$50,000 on the closing date (the "Closing Date") and \$1,000,000 on the date that is twelve months from the Closing Date. QRS is also required to issue Galena 250,000 common shares on the Closing Date and 250,000 common shares on the date that is twelve months from the Closing Date. Additionally, QRS is required to incur \$250,000 in exploration expenditures prior to the date that is twelve months from the Closing Date, \$500,000 prior to the date that is twenty-four months from the Closing Date and \$1,000,000 prior to the date that is thirty-six months from the Closing Date. The Closing Date is subject to a number of conditions including due diligence, financing and conditional approval by the TSX Venture Exchange. QRS and the Company have a director in common, however the director is not a control person of either party nor are they an associate of the Company and therefore the transaction does not constitute a related party transaction.

The Judith Property is located in the central portion of the Sierra El Cuervo which is the northwest extension of the Sierra San Ignacio. Historical work on site, confirmed by the 2008 sampling program and drilling program, indicated that the La Judith zone is potentially open to depth, and that grade may continue to improve with depth. The main objective of the drilling campaign was to confirm the occurrence of the mineralized structures at a vertical depth of 200 metres below surface, which was accomplished by crosscutting numerous quartz veins at that depth. While there are historical workings and many samples have been taken to confirm the grade of the structure, the continuity of the vein remains to be tested.

In order to verify the grade and extent of the various mineralized structures, Luc Rioux QP has recommended a two phase program of \$550,000 (phase 1) and \$1,300,000 (phase 2 dependent upon results from Phase 1). Implementation of Phase 1 and/or Phase 2 will be dependent on the Company's treasury.

The regional topographic relief is expressed by hilly terrain ranging between 1,380 amsl in the SE corner and 1,650 amsl in the NW corner of the El Dorado claim. The average elevation within the property limits is approximately 1,450 amsl. Local vegetation is sparse and mostly consists of low bushes and grasses. The greasewood, cacti, and thorny plants are typical of the Chihuahua desert and comprise most of the sparse vegetation.

There is no water available within the property limits. Water, for drilling purposes, has to be trucked in from a nearby well. Electricity, mail and phone services are available in Aldama and Chihuahua. The city of Aldama and the city of Chihuahua both have an available work force and equipment providers, and are also potentially available to provide personnel and services to any future exploration and/or development of this property.

A thick section of evaporates, black shales and limestones accumulated in a subsiding trough during Cretaceous time. Laramide compressional deformation affected the sediments in the trough and resulted in the folding and thrust faulting of the sediments.

Following the Laramide deformation, the area was uplifted and subject to erosion and related karst type dissolution along with the onset of local volcanic activity. Part of the eroded material accumulated in the basins. Middle tertiary igneous activity continued, thus giving rise to numerous intrusives and extrusives throughout the area located to the east of the Sierra Madre Occidental.

The Sierra El Cuervo is also located southeast of the Sierra de Peñón Blanca and is mostly underlain by rocks pertaining to the Lower Volcanic Complex, which host several small uranium deposits. The underlying rocks in The El Cuervo Range are comprised mostly of limestones of the Aurora Formation (Lower Cretaceous) and the southern portion of the range is mostly underlain by the sandstones and lutites of the Rara Formation (Permian). All of these sedimentary rocks have been intruded at various stratigraphic levels by intrusions varying in composition from Cretaceous granodiorites and more recently by Tertiary granite batholiths. The latter ones also gave way to the effusion of rhyolitic flows and tuffs which abound on the Judith Property. To the east of the El Cuervo Range, the plain is mostly covered by Quaternary alluviums.

The Sierra de El Cuervo, oriented NNW-SSE is comprised of volcanic rocks belonging to the Upper Volcanic Complex, acid intrusives from the Lower Tertiary, limestones from the Lower Cretaceous, and finally Palaeozoic rocks of the Rara Formation comprised of slates and sheared slates strongly deformed and folded. The Rara Formation units are the most abundant rocks within the Judith Property limits.

Mineralization

The Judith Property mineralized zones are of 2 types: 1) tension quartz veins (open space filling) of minimal extension and 2) quartz stockworks. The first type accounts for most of the exploration and mineral extraction that was performed on the property. These are characterized by quartz veins associated with fault structures. Mineralization in these types of veins is comprised of Argentite (Ag₂S), Galena (PbS) and copper oxides and/or carbonates.

Six mine workings located in the southernmost portion of the La Judith claim are on average 50 metres deep and are associated with the vein type mineralization. Five more mine workings are located in the northern portion of the La Judith claim. These workings are shallower than the ones found in the southern portion of the claim, averaging a depth of approximately 20 metres.

In the northern portion of the claim the veins are mostly associated with rhyolitic dikes, whereas the veins located in the south portion of the claim are associated with andesitic layers-beds-dikes or sills.

The stockwork type of mineralization is widely spread throughout the Judith Property but mostly concentrated on the topographic highs. The mineralized outcrops consist of lenses and stockworks of quartz veins/veinlets. The gangue mineral are comprised of quartz (60%), barite (30%) and fluorite (5%). With the gangue minerals one can observe the occurrence of oxides (manganese, copper, iron) and sulphides (lead, silver and iron). The quartz lenses and stockworks located on the high grounds are embedded within the slates of the Rara Formation and closely related to layers of andesites and/or rhyolitic dikes.

The mineralization observed on the Judith Property can be subdivided into 3 types:

1. Silicified slates and massive barite veins
2. Silicified lutites
3. Massive sulphide veins

Several silver anomalies have been outlined on the Judith Property. These anomalous areas are associated with: faults, quartz veins, rhyolitic dikes and beds/dikes of andesitic composition.

Drilling and Recent Work

The Company conducted a core drilling campaign during the month of November 2008. A total of 781.3 metres of core were recovered from this work. The first 100 metres were drilled with HQ core, then the core size was reduced to NQ to the end of the hole. At the time of the visit the core had been logged but not sampled.

Holes were drilled to test the north to north-northeast structure labeled la Judith, near the mine workings. The author looked at the core from those holes and could confirm the occurrence of quartz veining and/or flooding along with pyrite and galena mineralization.

PERU

Tablachaca Project

Summary

The Tablachaca river property is located in Ancash in the province of Pallasca. The average elevation of the property is approximately 1,500 amsl. The terrain on which the concessions are located is characterized by severe reliefs with deeply incised valleys and very steep slopes.

The property totals 1,105 hectares of mining concessions and comprises the claims: Golden 2008-1, Golden 2008-2, Golden 2008-3, Golden 2008-4, Golden 2008-5 and Golden 2008-6.

Peruvian Law does not vest surface rights with mineral rights and any proposed development requires the developer to purchase the surface rights or make an appropriate agreement with the surface rights owners to have access to the property.

Regional Geology

The concessions are situated on the Eastern flank of the Cordillera Occidental of the Andes. The regional geology consists of rocks of the Upper Jurassic and the Lower Cretaceous age and it consists of black shales of the Chicama Formation, quartzites interbedded with anthracite of the Chimu Formation and limestones, sandstones and shales of the Santa and Carhuaz Formations. These sediments are intruded by intrusive rocks and are unconformably overlain by lower to middle tertiary andesitic to dacitic volcanics of the Callipuy Group.

The property is underlain by river gravel deposits which overlie sediments of the Chicama and the Chimu Formations. The thickness of the material alluvial has been surveyed by Georadar Method that shows two different layers; the upper one consists of gravel poor cemented 7 meters in thickness while the lower one consists of 15 meters in thickness and it is interpreted as consolidated gravel. Along the Tablachaca river several terraces occur.

Mineralization

A placer gold deposit occurs in the Tablachaca River along the entire property and it extends beyond the limits of the concessions. The gold mineralization comes from the hydrothermal gold scattered along the Pallasca – Cabana area.

Proposed Work

In order to define the grades and volume of the gravel of Tablachaca, two phases have been planned. The first Phase consists of 24 pits with a backhoe excavator in concession Golden 2008-1. The purpose of the first phase is to determine if the Tablachaca River contains recoverable economic gold and appreciable volume. If the results are disappointing, the Tablachaca Project will be discarded, otherwise a programmed second phase pitting will take place which will allow the Company to calculate reserves. On successful completion of the Phase 2 pilot program and the evaluation of the results, a medium scale industrial plant will be put into operation during Phase 3. All three phases are dependent on the Company's treasury which may or may not require the programs to be put on hold until such time as the Company has sufficient capital to progress this property.

Selected Quarterly Financial Information and First Quarter Discussion

The following selected quarterly consolidated financial information is derived from the financial statements of the Company and has been prepared in accordance with Canadian GAAP. Prior to November 27, 2007, when the Company became a reporting issuer on the TSX Venture Exchange, the Company was private and the quarterly information could not be obtained.

	Mar 31, 2009 \$	Dec 31, 2008 \$	Sep 30, 2008 \$
Revenues	Nil	Nil	Nil
General Exploration and Administrative Expenses	297,922	720,371	945,099
Net and comprehensive loss	254,601	5,139,535	2,628,242
Basic and Diluted Comprehensive Loss per Common share	0.01	0.20	0.10

	Jun 30, 2008 \$	Mar 31, 2008 \$	Dec 31, 2007 \$
Revenues	Nil	Nil	Nil
General Exploration and Administrative Expenses	1,408,861	1,453,500	942,464
Net and comprehensive loss	1,337,686	1,456,205	916,612
Basic and Diluted Comprehensive Loss per Common share	0.05	0.09	0.06

Summary of Financial Results and Operations

The Company's net and comprehensive loss for the period ended March 31, 2009 was \$254,601, or \$0.01 per share, as compared to a net and comprehensive loss of \$1,453,500 or \$0.09 per share for the comparable period in 2008. This significant reduction in the current period loss compared to the comparable period in 2008 can primarily be attributed to \$850,922 in stock based compensation recorded in the three months ended March 31, 2008. Additionally, in 2008 the Company was increasing its marketing, personnel and overhead in preparation for significant exploration programs while in the same comparable period in 2009, the Company responded to the downturn in the markets by reducing overhead and concentrating its efforts and treasury on projects which have near term production potential.

During the three month period ended March 31, 2009, the Company spent a total of \$337,900 (2008 - \$1,124,034) on its properties in both Mexico and Peru. In Mexico the Company spent \$151,842 (2008 - \$371,901) on the Maureen property, \$2,692 (2008-\$68,356) on the Mercedes property and \$170,448 (2008-NIL) on the Judith property. In Peru, the Company spent \$12,918 (2008-\$847) on the Tablachaca property.

Stock Options

During the three months ended March 31, 2009 there were no options granted or exercised. There were 125,000 options at an exercise price of \$1.60 expiring on April 21, 2013 and 125,000 options at an exercise price of \$2.00 expiring on April 21, 2013 that were cancelled during the period.

Liquidity and Capital Resources

The Company's consolidated cash position at March 31, 2009 was \$361,405. As the Company is an exploration stage company, revenues are limited to interest earned on cash held with the Company's financial institutions and short-term notes. During the three month period ended March 31, 2009 the Company did not hold any investments earning interest other than the note receivable. The total interest on this note was earned and recorded in 2008. The principal and interest is expected to be paid within the following two quarters.

As at May 29, 2009, the Company had working capital of approximately \$927,500 which includes an outstanding promissory note receivable of \$566,500 currently outstanding.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs. The Company does not have any loans or bank debt and there are no restrictions on the use of its cash resources, however, the Company does have a promissory note whereby the Company has received USD \$175,000 of the balance outstanding. The Company fully expects to receive the remaining principal and interest within the following two quarters.

Changes in Accounting Policies including Initial Adoption

Effective January 1, 2008, the Company adopted, without restating prior periods, the following standards of the CICA Handbook: amendments to Handbook Section 1400 – General Standards of Financial Statement Presentation, Section 1535 – Capital Disclosures, Section 3862 – Financial Instruments Disclosures and Section 3863 – Financial Statement Presentations. Section 1400 includes requirements to assess and disclose an entity's ability to continue as a going concern. Section 1535 establishes standards for disclosing information about the Company's objectives, policies, and processes for managing capital. These disclosures include a description of what the Company manages as capital, whether the Company has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance. Sections 3862 and 3863 establish standards for the presentation and disclosure of information that enable users to evaluate the significance of financial instruments to the Company's financial position, and the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Adoption of these recommendations has the following impacts on the classification and measurements of the Company's financial instruments:

- i) Cash and cash equivalents are classified as held-for trading. They are measured at fair value and changes in fair value are recognized in consolidated earnings.
- ii) Other receivables, prepaids and the note receivable are classified as loans and receivables and are measured at amortized cost, which is generally the amount on initial recognition less an allowance for doubtful accounts.
- iii) Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at cost.

The implementation of these new standards did not impact the Company's financial results, but did result in additional disclosure.

Goodwill and Intangible Assets

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009.

Business Combinations and Related Sections

CICA Handbook Section 1582, *Business Combinations* will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations" and replace the existing Section 1581, *Business Combinations*. The new Section 1582 will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*. The Company is assessing the impact of these new standards on its consolidated financial statements.

Section 1601, *Consolidated Financial Statements* establishes standards for the preparation of consolidated financial statements and will replace the existing Section 1600, *Consolidated Financial Statements*. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1602, *Non-Controlling Interests*. The Company is assessing the impact of these new standards on its consolidated financial statements.

Section 1602, *Non-controlling Interests* establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1601, *Consolidated Financial Statements*. The Company is assessing the impact of these new standards on its consolidated financial statements.

Critical Accounting Estimates

The preparation of the Financial Statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses during the reporting period. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management. The Company's accounting policies are described in note 3 to the Financial Statements. Management's critical accounting estimates are applied in the accounting for the allocation of the purchase price for the Norma Acquisition and the determination of stock-based compensation.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Related Party Transactions

During the three month period ended March 31, 2009 the Company was charged for various services and related out-of-pocket expenses paid on behalf of the Company by directors and officers, or by companies which are under their control.

Related party transactions which are not disclosed elsewhere in the financial statements are as follows:

- i) \$37,329 (2008 - \$19,100) was expensed by the Company for consulting services of the CEO. Of this amount \$19,177 (2008-NIL) remains in accounts payable as at March 31, 2009.
- ii) \$6,900 (2008 - NIL) was paid to an officer of the Company for corporate secretarial services
- iii) \$7,800 (2008 - \$12,985) was paid to a company controlled by an officer of the Company for professional services relating to CFO and accounting services.
- iv) \$44,395 (2008 - \$40,665) was paid to a company controlled by a director and officer of the Company for reimbursement of various administrative and overhead costs. These reimbursed expenses did not include any mark-up and consisted of the following: \$11,100 (2008 - \$12,750) for office rent, \$23,500 (2008 - NIL) related to shared office consultants, \$2,315 (2008 - \$1,557) related to telephone expenses and the balance of \$7,480 (2008 - \$26,358) related to general office and administration expenses.
- v) \$7,500 (2008 - \$16,500) was paid to a director of Minas Vallarta Ltd.

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

Corporate Governance

The Company's Board and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board is comprised of 4 individuals, 3 of whom are neither executive officers nor employees of the Company and are unrelated in that they are independent of management. The Audit Committee is comprised of 3 directors who are independent of management. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board for approval. The Audit Committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial and operating matters. The Company also retains its external auditors to perform quarterly reviews of its interim financial statements and audit its annual financial statements.

International Financial Reporting Standards

The Company will be required to adopt IFRS for its interim and annual financial statements beginning on January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

Management has identified several potential impacts to the Company's financial statements as a result of adopting IFRS, with the major differences being:

- i. The overall presentation of the financial statements will change significantly, as the Company complies with increased disclosure requirements under IFRS and differing presentations of the balance sheet and statements of income and cash flows.
- ii. Currently, IFRS rules surrounding mineral property costs and exploration costs are undergoing changes by the standard setters, and the results of changes to IFRS 6 – Resource Properties could have significant impact to the Company on transition.
- iii. The adoption of IFRS 21 "*Foreign Currency Transactions*" could result in significant changes to the Company's consolidation procedures. In addition, the identification of functional currencies for each of the Company's subsidiaries could result in changes to foreign currency translation procedures as well as the Company's reporting currency.

In the near term management will be assessing the impact of IFRS adoption on the Company's internal controls over financial reporting, disclosure controls, information systems, financial reporting expertise and other business activities, such as foreign currency.

Outstanding Share Data

The Company's authorized share capital is an unlimited number of common shares without par value. As at March 31, 2009 there were 27,403,379 common shares outstanding. Also outstanding were 2,086,000 stock options and 11,385,215 warrants. The options' exercise prices ranged from \$0.10 to \$0.95. The warrants' exercise prices ranged from \$0.10 to \$2.50.

As of May 29, 2009 there were 38,125,379 common shares, 2,086,000 stock options and 22,107,215 warrants outstanding.

Risk Factors

An investment in the Company involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this interim report in evaluating the Company and its business before making any investment decision in regards to the common shares of the Company. The Company's business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not presently known to us may also impair business operations.

Exploration and Mining Risks

The Company is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage. Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position. The Company relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

Financing Risks

The Company is limited in both financial resources, and sources of operating cash flow and has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfill our obligations under any applicable agreements. There can be no assurance that we 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 our projects with the possible loss of such properties.

Regulatory Requirements

Even if our mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Company may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect our business.

Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

No Assurance of Titles

It is possible that any of our properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities.

There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at our projects will be granted.

Competition

The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Company for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing our investment capital.

Environmental Regulations

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

Stage of Development

The Company is in the business of exploring for, with the ultimate goal of producing, mineral resources from our mineral exploration properties. None of our properties have commenced commercial production and we have no history or earnings or cash flow from our operations. As a result of the foregoing, there can be no assurance that we will be able to develop any of our properties profitably or that our activities will generate positive cash flow. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of our management in all aspects of the development and implementation of our business activities.

Markets for Securities

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

Reliance on Key Individuals

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

Geopolitical risks

The Company may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Company cannot be predicted.

Forward Looking-Statements

All statements made in this MD&A, other than statements of historical fact, are forward-looking statements. The Company's actual results may differ significantly from those anticipated in the forward-looking statements and readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by securities regulations, the Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements that may be made to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events. Forward-looking statements include, but are not limited to, statements with respect to the future metal prices, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the integration of acquisitions; future price of metals; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing. 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. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

SUBSEQUENT EVENTS

Subsequent to the period end, the Company completed a non-brokered private placement and issued 10,722,000 units at a price of \$0.075 per unit for gross proceeds of \$804,150. Each unit is comprised of one common share in the capital of the Company and one transferable share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company for \$0.15 at any time within 5 years after the warrants are issued. Proceeds from the financing will be used to advance one or more of the Company's mineral property interests and for general working capital.

On May 28, 2009 the Company announced that it has sought consent of warrant holders to amend the Company warrants originally issued on November 22, 2007 and on March 20, 2008 as follows:

- i) 2,199,249 of the November 22, 2007 warrants currently outstanding and originally priced at \$1.65 will be re-priced to \$0.40. The original expiration date of November 22, 2009 will be extended to April 15, 2012.
- ii) 750,000 of the March 20, 2008 warrants currently outstanding and originally priced at \$2.50 will be re-priced to \$0.40. The original expiration date of March 20, 2010 will be extended to April 15, 2012.

These amendments are subject to TSX-Venture Exchange approval.

"Arni Johannson"

Arni Johannson
Chief Executive Officer

Vancouver, Canada

May 29, 2009