THEMAC Resources Group Limited

Form 51-102F1

Management's Discussion & Analysis (MD&A)

For the period ended December 31, 2012

Dated: March 1, 2013

Suite 700 – 510 West Hastings Street
Vancouver, BC
Canada V6B 1L8

This report covers financial and technical information related to the six-month period ended December 31, 2012 ("the Period") and other relevant information available up to the date of this report. This report should be read in conjunction with the condensed consolidated interim financial statements for the period ended December 31, 2012 and the related notes (the "Financial Statements") and the audited consolidated financial statements for the year ended June 30, 2012.

Financial results are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to THEMAC Resources Group Limited ("THEMAC" or the "Company) is available for view on the Company's website at www.themacresourcesgroup.com and under the Company's profile on SEDAR at www.sedar.com.

Cautionary Note on Forward-Looking Statements

When used in this document, words such as 'estimate', 'expect', 'anticipate', 'believe', and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management's future plans, objects, and goals for the Company, and, therefore, involve inherent risks and uncertainties.

Shareholders and prospective investors should be aware that the forward-looking statements are subject to known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risk, and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, projections, and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events, or such factors which affect this information, except as required by law.

Description of business and project update

The Company was incorporated on February 24, 1997 under the Business Corporations Act (Yukon), Canada. The Company is in the business of acquiring, exploring and developing natural resource properties in various parts of the world.

The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada, and trades its shares on the TSX Venture Exchange ("TSXV") under the symbol MAC.

On March 4, 2011, the Company, through its New Mexico, USA subsidiary, New Mexico Copper Corporation ("NMCC"), completed the acquisition of the Copper Flat project located in Sierra County, New Mexico, USA ("Copper Flat" or the "Project") from a subsidiary of ECR Minerals plc. (formerly Electrum Resources plc, formerly Mercator Gold plc.) ("ECR"), a UK public corporation listed on the Alternative Investment Market (AIM) of the London Stock Exchange (ticker: ECR). On May 16, 2011, the Company made the final option payment to the underlying owners of the Copper Flat project, now controlling 100% of the mineral rights of the Project, subject to a 3.25% net smelter return royalty.

About the Copper Flat Project

The Copper Flat is a former producing copper-molybdenum mine located in the Las Animas District of Sierra County, New Mexico, approximately 150 miles (242 kilometers (km)) south of Albuquerque, New Mexico, and 20 miles (32 km) southwest of Truth or Consequences, New Mexico. The project consists of 26 wholly-owned patented mining claims, 184 unpatented mining claims, and 29 placer mining claims totalling 4,241.2 acres (1,717 hectares (ha)). Technical information contained in this MD&A has been reviewed and approved by Mr. Raymond Irwin, P. Geo.

Copper Flat was operated for a short period of time in 1982 (March to June 1982) by Quintana Minerals Corporation before operations were curtailed due to falling copper prices. During this brief period of production, the Copper Flat mine produced 1.48 million short tons (Mst) of ore yielding 7.4 million pounds (Mlbs.) of copper, 2,301 ounces (Oz) of gold, and 55,966 Oz of silver. Permitting for a return of the Project to production is at an advanced stage. A technical report prefeasibility study entitled “Copper Flat Project – Form 43-101 Technical Report Pre-Feasibility Study” (“prefeasibility study”) prepared by M3 Engineering and Technology Corporation (M3) was completed and filed on www.sedar.com (SEDAR) on August 22, 2012. The Company has now started its definitive feasibility study, which is scheduled to be completed by the third quarter of 2013.

Copper Flat project is a Laramide-age porphyry copper-molybdenum-gold-silver deposit. The gold and silver content of the deposit is evidenced by historic production and metallurgical test work, and gold and silver assay values are included in the deposit’s NI 43-101 Mineral Resource statement.

An NI 43-101 Preliminary Economic Assessment (PEA) dated June 30, 2010, updated February 25, 2011, and an NI 43-101 Mineral Resource Statement dated January 23, 2012 have been completed for Copper Flat and can be viewed on SEDAR, as well as the prefeasibility study .

Civil infrastructure in place at Copper Flat includes a tailings dam, largely pre-stripped open pit, power lines, water well field and pipeline, access roads, diversion channels, and building foundations. The project land package comprises in excess of 1,200 ha. For more information, visit www.themacresourcesgroup.com.

The Resource Estimate for the Copper Flat deposit is effective as of June 8, 2012, and is based on the following principal parameters and assumptions:

- The application of the floating cone algorithm to the block model to establish the component of the deposit that has "reasonable prospects of economic extraction." The mineral resources are, therefore, contained within computer-generated open-pit geometry.
- The cut-off grade reflects the estimated cost to process the ore plus site G&A cost which total $7.25/ton.
- Ktons means 1,000 short tons (st), and a st is equivalent to 2,000 pounds (lbs.).
- Copper and molybdenum grades are dry weight.
- Gold and silver values are reported in Troy Oz/st.
- Gold and silver values were not available at the time of this study in the outer edges of the deposit. As such, the inferred grades for gold and silver are respectively shown as zero or near zero.
- The resource is based on a copper price of $2.90 lbs., a moly price of $15.75 lbs., a gold price of $1,150 per Troy Oz, and a silver price of $20.00 per Troy Oz.

History of Copper Flat

Gold was first discovered in the Las Animas Mining District in 1877, and during the next 100 years the district had a reported production of more than 285,000 Oz of gold from both placer operations and underground mines.

Between 1952 and 1967, several companies including Newmont Mining Company, Bear Creek Mining Company, and Inspiration Development Company conducted exploration programs on the current project prior to it being acquired by Quintana Minerals in 1967. Following acquisition, Quintana evaluated the known copper mineralization, and in 1982, advanced the Copper Flat deposit into commercial production. During the period, March to June 1982 the mine produced 1.48 Mst of ore that yielded 7.2 Mlbs. of copper, 2,301 Oz of gold, and 55,966 Oz of silver prior to the mine closing due to declining copper prices.

Recent Exploration History

The Company conducted its first exploration drilling program on Copper Flat in 2010 to confirm previous drilling results. During this program, seven core holes totaling 5,031' were completed. Additionally, SRK Consulting Inc. (SRK) completed an NI 43-101 compliant Resource Estimate and PEA. In this Resource Estimate, which since has been replaced by the current Resource Estimate noted above, SRK reported an Indicated Resource of 107 Mst grading 0.303% copper and 0.01% molybdenum (645 Mlbs. of copper and 21.4 Mlbs. of molybdenum), and an Inferred Resource of 46 Mst. grading 0.24% copper and 0.006% molybdenum (222 Mlbs. of copper and 5.6 Mlbs. of molybdenum). It should be noted that gold and silver resources were not included in this resource estimate due to the lack of sufficient assay data.

In addition to the exploration drilling program, environmental studies, and permitting related to the future mining operations were initiated.

In 2011, the Company undertook additional core drilling (16 holes totaling 16,537'); re-assayed 2,969 historical pulps to confirm copper and molybdenum assays, as well as to obtain gold and silver data; and, began re-logging historical core through the use of core photographs. This core drilling has been previously reported and incorporated in the prefeasibility study.

Additionally, the Company contracted Quantech Geoscience to conduct a Titan 24 ground geophysical survey that provided both MT (Resistivity) and DC/IP (Chargeability) data over the center of the project. This survey outlined the pyrite shell of the Copper Flat deposit and defined the quartz monzonite intrusive hosting the subject mineralization at depth and beneath un-mineralized cover. Finally, as previously stated, IMC updated the 2010 SRK resource model. This update incorporated the 2011 drilling results and the assay data generated by the re-assaying of the historical pulps. Unlike the SRK study, the IMC resource model had sufficient gold and silver analyses to allow a first estimate of contained gold and silver in the deposit.

Permitting and environmental baseline studies initiated in 2010 continued throughout 2012.

The 2012 Exploration Program:

The 2012 Exploration Program consisted of the re-logging of historical core through the use of core photographs; re-assaying of 3,728 additional historical pulps to obtain more gold and silver information and the updating; as well as, expansion of the existing geologic map coverage for the Project. In addition to the other exploration activities, 22 angled and vertical core holes totaling 22,369', and five geotechnical core holes totaling 3,609' were completed during the period April 6, 2012 through September 12, 2012. The 2012 drilling program was designed to accomplish the following objectives:

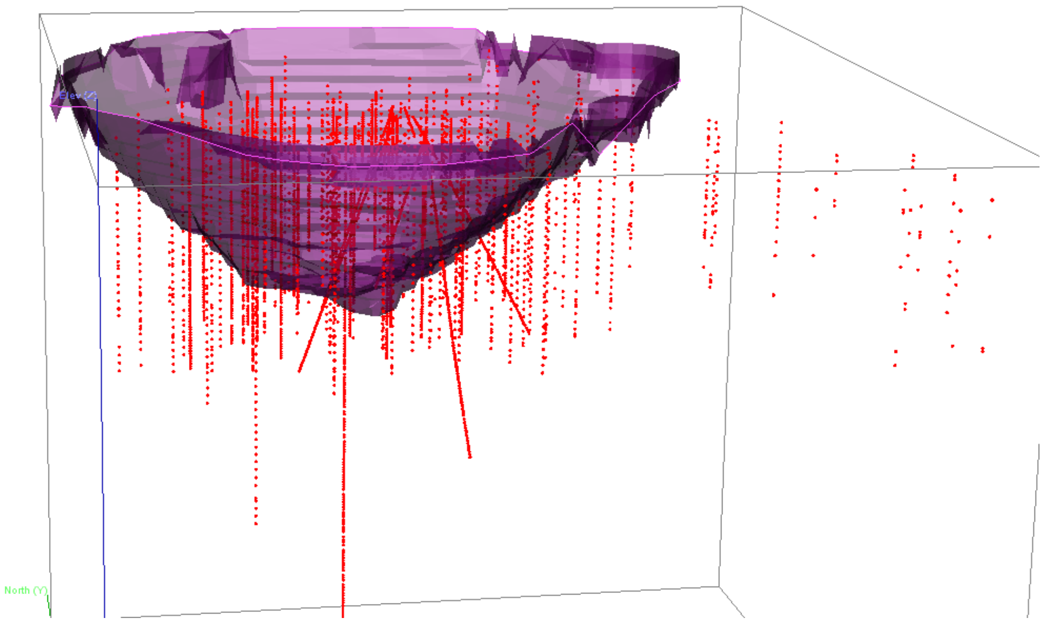
1. If possible extend known shallow (< 300' depths) moderate to high grade mineralization in all directions so that the shape and orientation of the final pit design can be optimized.
2. Upgrade additional resources to the Measured and Indicated categories.
3. Convert additional Probable Reserves to the Proven Category.
4. Further evaluate and better define deeper, higher grade (> 0.50%) copper mineralization. In this case, the mineralization being targeted occurs at depths of 800' to 1,200' below the surface.
5. In addition to, and, in conjunction with, the exploration drilling program, five steeply inclined core holes were drilled for geotechnical purposes to provide the information needed to establish the slope of the pit walls for the upcoming feasibility study.

Milestones to the date of this MD&A

AU-AG RE-ASSAY PROGRAM

On October 5, 2011, the Company announced that it had recently completed a re-assay of a statistically selected number of Copper Flat's historical pulps for gold and silver. SRK was requested, as part of the PEA, to ascertain if there are a sufficient number of the gold and silver assays for inclusion in the Resource Estimation. From a total copper-moly assay record database of 15,018 samples, a sub-set of 4,625 samples (2,969 of which were re-assayed pulps) were shown to contain 0.1 grams (g.) of gold and 2.36 g. of silver per ton.

The following figure shows the distribution of the 4,625 gold and silver assay intervals throughout the existing resource model.



Gold and silver only assay data 3D view looking north

For their evaluations, SRK assumed that copper, silver, and gold were geologically related. Essentially, the thought was that copper, silver, and gold occurred in the deposit at the same sites and were deposited by the same geological processes. SRK carried out a geostatistical analysis of gold and copper illustrating gold as being well correlated with copper. SRK's conclusions and recommendations state that gold be estimated using co-kriging estimation and that gold and silver be incorporated in the resource model.

This data was provided to IMC, a geologic resource estimating firm in Tucson, Arizona, that worked on a NI 43-101 compliant resource model for incorporation in the prefeasibility Study IMC included the gold and silver data in their resource modeling for prefeasibility. IMC reviewed the SRK analyses of the gold-silver re-assays, and concluded (using different geostatistical methods, i.e. not co-kriging) no additional re-assaying of the pulps would be necessary to incorporate Au-Ag into the resource-reserve calculations for prefeasibility work indicating that the 4,625 assay intervals were sufficient.

During the 2012 exploration program, an additional 3,728 historical drill pulps were submitted to Skyline Laboratory (Skyline) located in Tucson, Arizona for gold and silver determinations. Additionally, a duplicate of every tenth pulp was submitted to ALS Minerals (ALS) located in Reno, Nevada for check assay. Although, as expected, there was minor variability in some of the assays, the check assays were in general in close agreement with Skyline's assays. This data was incorporated in the June 8, 2012 Resource update included in the prefeasibility study.

PREFEASIBILITY

The NI 43-101 technical report and prefeasibility study was completed and filed on SEDAR on August 22, 2012. All trade-off studies have been completed, a preferred tailings disposal plan was selected, milling equipment has been sized and configured, site general arrangement plans are being finalized, and an initial economic model has been built. The mining sequence and mine plan are complete as well as the milling material and water balance. The existing foundations of the original Copper Flat Mine were covered with topsoil when reclaimed in the 1980s. Portions of the foundations were uncovered and found to be in good condition. The current engineering design incorporates use of the original foundations. New metallurgical test work is wrapping up with results, for the most part, confirming previous recovery estimates or showing improved metal recovery opportunities.

Copper Flat Drilling Program- 2012

The 2012 drilling program, which ended September 12, 2012, consisted of 20 core holes totaling 22,369' and five geotechnical holes totaling 3,609'. Please refer to the MD&A for the year ended June 30, 2012 for the results of holes CF 12-01 through CF 12-20.

Assay Methods

Assaying for the 2012 drill program was undertaken at Skyline. The sample preparation program was somewhat more rigorous compared to the 2011 program, and following crushing each sample was pulverized to >80% passing a -200 mesh screen.

Skyline submitted a duplicate split of every 10th sample to ALS for check assay. The analytical procedure employed is as follows:

1. Au values were determined by ICP-21, with gold values exceeding 3 ppm checked by GRA-21 (fire assay with a gravimetric finish on a 30 g sample).
2. Silver was analyzed by ME-ICP 61 with any silver values exceeding 100 ppm checked by OG- 62.
3. Copper was determined by ME-ICP 61 with any copper values exceeding 5,000 ppm by OG- 62.
4. Molybdenum was determined by ME- ICP-61 with any Mo values exceeding 10,000 ppm checked by OG- 62.

Permitting

Permitting the many aspects of the project entails numerous interactions and decisions by federal and state agencies, which are in turn subject to challenges by opponents of the project. The permitting, and government and community outreach efforts that have been conducted over the past two years have resulted in positive working relationships with the agencies and members of the local communities. The regulations enforced by the agencies are demanding but have been administered fairly and the permitting process has progressed more-or-less within the targeted schedule.

Community relationships continue to build through the quarterly outreach meetings that have been held over the past year, as well as communication and education efforts through a series of Op-Ed articles in the local newspapers, interviews with the newspaper editors, presentations to the local governing bodies, and service organizations and participation in local events. Most recently, these efforts have resulted in resolutions of support passed unanimously be three of the local governing bodies.

The Environmental Impact Statement (EIS) process, administered by the Bureau of Land Management (BLM) is currently underway and progressing toward a scheduled Draft EIS. As part of the permitting effort the planned aquifer test has been successfully completed and excavation of additional foundations that will be used in the future processing operations of the Copper Flat mine are in progress. Since this is the first copper mine to be permitted under the new State of New Mexico mining regulatory program, in order to minimize to the extent possible conflicts between the BLM, state mining, and other environmental regulatory programs, the Company schedules monthly meetings with all parties to communicate progress, identify real or potential conflicts, and provide current information on the Company's ongoing studies. These and other meetings have contributed to relationships with the agencies that are frank, informative, and productive, and, thus, conducive to problem solving.

As part of the permitting process, management continues to engage with regulatory stakeholders across a number of issues, including securing the appropriate consents and permits for water rights for the Project. Water scarcity is common in the area of the Copper Flat Project, and access to water rights is managed by the Office of the State Engineer (OSE) for New Mexico. To date, the Company has received preliminary confirmation from the OSE for 888.783 acre feet of water rights. The Company continues to assert water rights in the amount of 7,481 acre feet as is described in the prefeasibility study. The Company is preparing for negotiations with the OSE to confirm the balance of the water rights secured. The balance of the water rights the Company has secured is pending with the OSE. At the time of the publication of this MD&A, no final decision has been made by the OSE. The Company defends the Project's recognized water rights based on legal merits. These efforts are ongoing, and as the Company progresses its arrangements in this regard, the appropriate disclosures will be made.

Financings and Working Capital

Financings

During the six month period ended December 31, 2012, the Company drew funds of $5,565,000 on its loan with Tulla. Subsequent to the period ended December 31, 2012, the Company has drawn an additional $2,090,000 in funds. Refer to "Capital resources" for additional discussion.

Working Capital

As at December 31, 2012, the Company had working capital deficiency of $27,578,225 (June 30, 2012 - $316,252). The significant decrease in working capital relates to the reclassification of the loan to short term liabilities as the loan may be called in July 2013.

Taxes recoverable consisted of Canadian Harmonized Sales Tax (HST) and totalled $8,628 (June 30, 2012: $19,538).

Prepaid expenses and deposits of $273,465 (June 30, 2012: $771,755) consists of advances to vendors and contractors, lease and rent deposits, and prepaid insurance.

Trade and other payables were $996,599 (June 30, 2012: $1,492,078) not including amounts to related parties of $376,427 (June 30, 2012: $160,000).

Long-term debt

As at December 31, 2012, the loan payable of $26,675,897 (June 30, 2012: $18,966,274), including interest, relates to the loan agreement with Tulla detailed in the Financial Statements. In the period ended December 31, 2012, the loan was reclassified to short-term debt as the lender may request repayment as of July 2013.

Results of Operations

Six months ended December 31, 2012 and six months ended December 31, 2011

Six Months ended December 31	**2012**		2011		
	$	**% of expenses**	$	% of expenses	% change
Accounting and audit	**57,204**	**1.69%**	88,039	4.46%	-35.02%
Consulting	**—**	**0.00%**	66,250	3.36%	-100.00%
Depreciation	**26,446**	**0.79%**	6,877	0.35%	284.56%
Director's fees	**160,000**	**4.71%**	140,000	7.10%	14.29%
Filing fees and transfer agent fees	**12,204**	**0.36%**	7,280	0.38%	67.64%
Foreign exchange loss	**—**	**0.00%**	4,111	0.21%	-100.00%
Interest expense	**2,144,623**	**63.12%**	421,939	21.39%	408.28%
Investor communications	**326,475**	**9.61%**	218,458	11.08%	49.45%
Legal fees	**12,424**	**0.37%**	32,536	1.65%	-61.81%
Management fees	**33,681**	**0.99%**	52,100	2.64%	-35.35%
Office and sundry	**249,290**	**7.34%**	427,019	21.65%	-41.62%
Other administration expenses	**17,386**	**0.51%**	8,720	0.44%	99.38%
Personnel searches	**58,455**	**1.72%**	35,600	1.80%	64.20%
Share-based payments	**261,646**	**7.70%**	417,182	21.15%	-37.28%
Travel	**37,967**	**1.12%**	46,360	2.35%	-18.10%
Net Loss	**(3,397,801)**	**100.03%**	(1,972,471)	100.01%	72.26%
Exchange differences on translating foreign operations	**(891,657)**		1,344,690		
Comprehensive loss for the period	**(4,289,458)**		(627,781)		

The following comments apply to items with larger variances or significant amounts:

- The interest expense represents the interest due on the Loan Agreement described in the accompanying financial statements. The loan was restructured in the prior year, and, combined with significant draws over the intervening period, is subject to a higher rate, resulting in an overall increase to the expense.
- The consulting expense in the prior period related to amounts paid to Mr. Sleeman, who has since transitioned to a non-executive directorship. The increase in director fees relates to this change in corporate management structure.

- Share-based payments expense has decreased from the prior period due to a lower number of stock options vesting over the current six-month period.
- Investor communications expense has increased over the prior period as the Company is working with its financial investors as well as Project community to increase awareness of the Project.

Three months ended December 31, 2012 and three months ended December 31, 2011

Three Months ended December 31	**2012**		2011		
	$	**% of expenses**	$	% of expenses	% change
Accounting and audit	**25,296**	**1.55%**	72,272	7.16%	-65.00%
Consulting	**—**	**0.01%**	28,750	2.85%	-100.00%
Depreciation	**16,328**	**1.00%**	4,039	0.40%	304.26%
Director's fees	**80,000**	**4.88%**	71,250	7.06%	12.28%
Filing fees and transfer agent fees	**10,066**	**0.62%**	5,311	0.53%	89.53%
Foreign exchange loss	**—**	**0.01%**	262	0.03%	-100.00%
Interest expense	**1,144,238**	**69.67%**	259,609	25.71%	340.75%
Investor communications	**119,295**	**7.27%**	137,016	13.57%	-12.93%
Legal fees	**5,305**	**0.33%**	26,304	2.61%	-79.83%
Management fees	**17,085**	**1.05%**	24,200	2.40%	-29.40%
Office and sundry	**115,588**	**7.05%**	232,837	23.06%	-50.36%
Other administration expenses	**3,020**	**0.19%**	4,446	0.44%	-32.07%
Personnel searches	**31,873**	**1.95%**	919	0.09%	3368.23%
Share-based payments	**37,959**	**2.32%**	126,628	12.54%	-70.02%
Travel	**36,640**	**2.24%**	15,743	1.56%	132.74%
Net Loss	**(1,642,693)**	**100%**	(1,009,586)	100%	62.71%
Exchange differences on translating foreign operations	**452,953**		(967,025)		
Comprehensive loss for the period	**(1,189,740)**		(1,976,611)		

The following comments apply to items with larger variances or significant amounts:

- The interest expense represents the interest due on the Loan Agreement described in the accompanying financial statements. The loan was restructured in the prior year, and, combined with significant draws over the intervening period, is subject to a higher rate, resulting in an overall increase to the expense.
- The consulting expense in the prior period related to amounts paid to Mr. Sleeman, who has since transitioned to a non-executive directorship. The increase in director fees relates to this change in corporate management structure.
- Office expenses have decreased as staffing has shifted from office overhead to Project-specific activities from the prior period. Consequently, a larger portion of salaries are capitalized to exploration activities.
- Share-based payments expense has decreased from the prior period due to a lower number of stock options vesting over the current six-month period.

Summary of quarterly results:

	Quarter ended (three-month unaudited figures, unless otherwise specified)							
	Dec 31, 2012 $	Sept 30, 2012 $	Jun 30, 2012 $	Mar 31, 2012 $	Dec 31, 2011 $	Sep 30, 2011 $	Jun 30, 2011 $	Mar 31, 2011 $
Net loss for the period	(1,642,693)	(1,755,108)	(922,235)	(1,462,200)	(1,009,586)	(962,885)	(818,438)	(1,901,766)
Per share basic & diluted	(0.02)	(0.04)	(0.01)	(0.02)	(0.02)	(0.02)	(0.03)	(0.08)
Total comprehensive income (loss) for the period	(1,189,740)	(3,099,718)	(454,268)	(2,131,379)	(1,976,611)	1,348,830	(1,149,243)	(1,979,487)
Per share basic	(0.02)	(0.04)	(0.01)	(0.03)	(0.04)	0.03	(0.05)	(0.09)
Per share diluted	(0.02)	(0.04)	(0.01)	(0.03)	(0.04)	0.01	(0.05)	(0.09)
Total assets	44,008,682	41,261,551	40,503,800	36,813,697	35,120,444	33,817,515	27,701,953	23,224,026
Total liabilities	28,338,745	24,444,092	20,868,352	16,828,268	13,341,100	10,198,542	5,732,450	312,364
Shareholders' equity	15,669,937	16,817,459	19,635,448	19,985,429	21,779,344	23,618,973	21,969,503	22,911,662
Cash dividends declared	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The increase in total assets and liabilities for the four most recent quarters reflects cash advances pursuant to the Loan Agreements as described in the “Financings” section above. The increase in loss for the quarters from March 2011 to the most recent one reflects the increased overall activity in the Company, specifically relating to activities related to Copper Flat as described in the “Results of Operations” section above including higher share-based payments expense.

Along the same lines, for the four most recent quarters the increase in total assets and shareholder’s equity reflects the advances from the Loan Agreement with Tulla and the purchase of Copper Flat with shares and warrants in March 2011.

Liquidity

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company’s financial liabilities are comprised of accounts payable and accrued liabilities. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and future obligations compared to the Company’s current cash position and expected cash receipts. The objective of the Company is to manage its liquidity risk by maintaining sufficient cash to meet its anticipated operational needs. Due to the relatively low cash position of the Company, the Company is exposed to liquidity risk. However, the Company maintains access to a loan facility provided by Tulla, and currently has additional borrowing capacity.

At December 31, 2012, the Company had cash of $188,605 (June 30, 2012: $544,533) and taxes recoverable of $8,628 (June 30, 2012: $19,538) and current liabilities of $27,930,818 (June 30, 2012: $1,652,078). In addition, during the six-month period ended December 31, 2012, the Company incurred a net loss of $1,642,693 and had a working capital deficiency of $27,578,225.

The Company will depend on future financings from its majority shareholder (Tulla) and other parties to continue its operations.

The condensed consolidated interim financial statements of the Company were prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future.

The condensed consolidated interim financial statements of the Company were prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company's forecast cash requirements for the next 12 months exceeds the undrawn amount available under the Company's loan with Tulla. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required in order to enable the Company to continue and to develop the Copper Flat Project. Realization values may be substantially different from carrying values, as shown, and the condensed consolidated interim financial statements do not give effect to the adjustment that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

Capital resources

The Company's ability to raise further funds from the equity markets will largely depend upon general market conditions. An amendment to the existing debt facility provided by Tulla Group, has been agreed in principle, with the facility increasing from $25,000,000 to $30,000,000 to provide working capital to the Company. The facility is proposed to be extended to July 31, 2013 and to be secured by a fixed and floating charge over the assets of the Company. The agreement in principle is subject to final agreement and TSX approval.

Off-balance sheet arrangements

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

Transactions with related parties and payments to key management personnel

During the period, the Company incurred the following expenditures in respect of transactions with related parties:

Six month period ended December 31	2012	2011
Consulting fees and office expenses paid to Ernest Resources Limited, a company controlled by Mr. Barrett Sleeman, a director of the Company.	$ -	$ 66,250
Management fees paid to a company controlled by Mr. Steve Vanry, former Chief Financial Officer of the Company	-	12,000
Salary paid to Mr. Andre J. Douchane, President & CEO	101,392	93,627
Management fees and office rent paid to InterAmerica Consulting & Development Ltd, a company controlled by Mr. Salvador Miranda, former corporate co-secretary of the Company.	25,426	-
Directors fees paid or accrued to:		
Kevin W. Maloney	40,000	40,000
Barrett Sleeman	22,500	2,500
John Cook	30,000	30,000
Kenneth Pickering	32,500	32,500
Joel Schneyer	35,000	35,000
Loan advances received from Tulla	5,565,000	6,618,093
Interest incurred on loan payable to Tulla	2,144,623	421,939
Fair value of options granted to above persons:	151,156	294,330

Financial Instruments

The Company's financial instruments consist of cash, taxes recoverable, prepaid expenses and deposits, bonds, trade and other payables, amounts due to related parties, and subscriptions received. The fair value of cash is measured on the statement of financial position using Level 1 of the fair value hierarchy as it is based on unadjusted quoted prices in active market. The fair value of trade and other receivables, and trade and other payables approximate their carrying values due to their short-term nature.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below:

Currency Risk

The Company is subject to currency risks. The Company's Copper Flat Project is located in the United States of America, and many of the Company's expenditures on this project are denominated in US dollars. The Company maintains its principal office in Canada, and has monetary assets and liabilities in Canadian and US dollars. The currency exchange rate between the US and Canadian dollars fluctuated from a low of US$0.97 to a high of US$1.02 for C$1 during the period ended December 31, 2012. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $4,100,000. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate foreign currency risk at this time, and does not use derivative instruments to reduce its exposure to currency risk.

Interest rate and credit risk

The Company has a cash balance and debt, in the form of a loan facility from a related party, the Tulla loan and normal course trade and other payables. Other than the Tulla loan, which bears interest at 20%, all other amounts owed to related parties do not bear interest, and are, therefore, not exposed to interest rate variations. The Company has no credit risk arising from operations as the debt can only be called when the Company has sufficient funds to repay, or else it is to be repaid through the issuance of shares. The Company periodically monitors the investments it makes, and is satisfied with the credit ratings of its bank.

Trade and other receivables typically consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk with respect to receivables is remote.

Liquidity risk

Please see above under "Liquidity."

Risk elements

Forward-Looking Statements

Certain statements made and information contained in this MD&A and elsewhere constitutes "forward-looking information" within the meaning of the British Columbia Securities Act and the Alberta Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development results will not be consistent with the Company's expectations, accidents, equipment breakdowns, title matters and surface access, labour disputes, the potential for delays in exploration activities, the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis, and other risks and uncertainties, including those described under Risk Factors.

In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term-price of gold, that the Company will receive required permits and access to surface and water rights, that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within the jurisdictions where the company operates or is planning to operate will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Risk Factors

Development-stage mineral exploration companies face a variety of risks, and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible.

Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company is aware of these factors while assessing potential acquisitions, closely monitors its activities and those factors that could impact them, and employs experienced consultants to assist in its risk management and to make timely, adequate decisions.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company is aware of these risks in its search for mineral properties. Claim maintenance is nearing completion, and negotiations are in process with private property holders that own property within the mine permit area that may or may not be needed for future mine operations.

Similarly, title to water rights involves certain inherent risks. Management continues to engage with the OSE to secure the appropriate consents and permits for Project water rights. Specifically, the OSE has provided confirmation to some of the Project's water rights, and the Company is preparing for discussions regarding the balance of the water rights. A decision is forthcoming in the near future. As the Company progresses its arrangements in this regard, the appropriate disclosures will be made. Despite the Company's efforts, there can be no guarantee that the Company will be able to secure surface access, water rights, or the other permits necessary to re-start operations at Copper Flat. The price of the commodities being explored is also a significant risk factor, as a substantial decline in their price could result in a decision to acquire or abandon a specific project. Commodity prices fluctuate and are affected by numerous factors, including expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic crises, and governmental policies. Environmental laws and regulation could also impact the viability of a project.

Operating in a specific country has legal, political and currency risk that must be carefully considered to ensure their level is commensurate to the Company's assessment of a project.

Market volatility during the current reporting period

The capital markets around the world are subject to significant volatility, which could affect the Company's ability to secure public financing, as well as adversely affect the market price of its common shares.

Given the Company's present situation, while it may affect the trading price of its common shares, it is not expected that this volatility will have an effect on the Company's operations or on its financial statements for the next few months. The Company has depended on financing from its majority shareholder in the past, but with the expansion of operations at Copper Flat, it will be more dependent on public markets, in addition to the support from controlling shareholders.

Management's responsibility over financial information

The Company's management is responsible for presentation and preparation of the financial statements and the MD&A. The consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks, and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

Cautionary note for USA readers

As a corporation, the Company is subject to certain rules and regulations issued by the British Columbia Securities Commission; the Company is required to provide detailed information regarding its properties including mineralization, drilling, sampling and analysis, on security of samples and mineral reserve estimates. Further, the Company describes any mineral resources associated with its properties utilizing terminology such as "inferred" or "indicated" which are terms recognized by Canadian regulators but not recognized by the United States' Securities and Exchange Commission (SEC).

Other MD&A requirements

a) Copies of all previously published financial statements, management discussions, meeting materials, etc., are available on the SEDAR website at www.sedar.com.

b) Information pursuant to sections of National Instrument 51-102:

    i) Section 5.3: The Company's continued operations are dependent on its ability to raise adequate funds from the capital markets or other sources of financing.

ii) Section 5.4: Outstanding share data as at the date of this MD&A:

- Common shares:
  - Authorized: unlimited number, without par value.
  - Issued and outstanding: 74,117,622.
- Warrants:
  - 5,582,556 with exercise price of $0.28 until May 4, 2013.
  - 10,500,000 with an exercise price of $0.28 until March 4, 2016.
  - 40,000,000 with an exercise price of $0.34 until March 4, 2016.
- Stock options: 6,875,203 with a weighted average exercise price of $0.57 valid for five years from the date of grant.

The fully diluted capital of the Company as at the date of this MD&A is 137,075,381.

Directors and officers

The qualified person under NI 43-101 responsible for the review of the technical content of this MD&A is Mr. Raymond Irwin, P. Geo.

Directors	Officers
Kevin W. Maloney (Chairman)	Andrew Maloney, Interim Chief Executive Officer(1)
John Cook	Stuart Crawford, Chief Financial Officer (2)
Andrew Maloney	Stephen L. Law, Secretary
Kenneth (Ken) Pickering	Raymond Irwin, Vice President
Barrett Sleeman	
Joel Schneyer	

(1) Mr. Maloney was appointed on February 15, 2013.
(2) Mr. Crawford was appointed on July 23, 2012

On behalf of the Board of Directors:

"*Andrew Maloney*"

Andrew Maloney
Interim CEO