



# **THEMAC Resources Group Limited**

**Form 51-102F1**

**Management's Discussion & Analysis (MD&A)**

**For the period ended September 30, 2012**

**Dated: November 28, 2012**

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

This report covers financial and technical information related to the three month period ended September 30, 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 September 30, 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 the Company is available for view on the Company’s website at [www.themacresourcesgroup.com](http://www.themacresourcesgroup.com) and SEDAR at [www.sedar.com](http://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 THEMAC Resources Group and therefore involve inherent risks and uncertainties.

Shareholders and prospective investors should be aware that the financial 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, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. THEMAC Resources Group 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**

**THEMAC Resources Group Limited** (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 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 ha).

The Copper Flat was operated for a short period of time in 1982 (March –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 Mst of ore yielding 7.4 Mlbs. of copper, 2,301 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 was completed and filed on [www.sedar.com](http://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 end of the 1<sup>st</sup> 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 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 NI 43-101 technical report prefeasibility study filed on August 22, 2012.

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 hectares. For more information, visit [www.themacresourcesgroup.com](http://www.themacresourcesgroup.com).

### **Resource Expanded at the Copper Flat Project**

On January 25, 2012, the Company announced the completion of the updated Resource Estimate prepared by M3 Engineering & Technology Corporation (M3) and Independent Mining Company (IMC). Both companies are located in Tucson, Arizona.

This study, which was completed on January 23, 2012, reflects the results of the 2010 and the 2011 drilling program; the re-assay of 2,969 historical pulps to obtain gold and silver values and continued geotechnical and engineering design studies.

### **Highlights of the updated study are as follows:**

- Although slightly different metal prices were used in the January 2012 resource estimate as compared to the June 30, 2010 study comprising part of the Preliminary Economic Analysis (PEA) undertaken by SRK Consulting Inc., the total Measured plus Indicated Resource was increased by 56% to 194,097 ktons.

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- As a result of the work programs undertaken during the second half of 2010 and 2011, 41,236 ktons of Indicated Resources that were reported in the 2010 PEA have been converted to the Measured Resource Category.
- As a result of ongoing exploration/development it was possible to convert most of the Inferred Resources reported in the June 30, 2010 PEA to the Indicated Category. In the current resource estimate, only 8,206 Ktons are still classified as Inferred Resources.
- The re-analysis of 2,969 pulps of historical drill samples has permitted IMC to factor both gold and silver values into the current resource model. As a result, additional re-assaying of historical pulps is planned.

This portion summarizes the recent update to the resource model at Copper Flat. Several items are addressed:

- 1) Updated total mineral resource (compared to 8 June 2012)
- 2) Proven and Probable ore in the mine plan (compared to 8 June 2012).
  - a. Using the same cutoff criteria on Copper and Moly for NSR
  - b. Adding Gold and Silver the NSR calculation for cutoff grade.

The subject resource classifications were assigned in conformance with NI 43-101 and its standard and guidelines.

**Mineral Reserves as Contained in Total Mineral Resources:**

Classification	Cutoff Grade NSR/TON	Mineral Reserves					Contained Metal			
		Ktons	Copper %	Moly %	Gold Oz/ton	Silver Oz/ton	Copper Lbs. x 1000	Moly Lbs. x 1000	Gold Oz's x 1000	Silver Oz's x 1000
Proven	\$7.25	29,536	0.38	0.012	0.003	0.08	224,474	7,089	89	2,363
Probable	\$7.25	<u>68,582</u>	<u>0.28</u>	<u>0.008</u>	<u>0.003</u>	<u>0.06</u>	<u>384,059</u>	<u>10,973</u>	<u>206</u>	<u>4,115</u>
Total Prov + Prob		98,118	0.31	0.009	0.003	0.07	608,533	18,062	295	6,478

**Total Mineral Resources:**

Classification	Cutoff Grade NSR/TON	Tonnage and Grade					Contained Metal			
		Ktons	Copper %	Moly %	Gold Oz/ton	Silver Oz/ton	Copper Lbs. x 1000	Moly Lbs. x 1000	Gold Oz's x 1000	Silver Oz's x 1000
Measured	\$7.25	41,503	0.33	0.011	0.003	0.07	273,920	9,131	125	2,905
Indicated	\$7.25	<u>184,049</u>	<u>0.23</u>	<u>0.006</u>	<u>0.002</u>	<u>0.05</u>	<u>846,625</u>	<u>22,086</u>	<u>368</u>	<u>9,202</u>
Meas + Ind		225,552	0.25	0.007	0.002	0.05	1,120,545	31,217	493	12,107
Inferred	\$7.25	12,960	0.22	0.003	0.001	0.03	57,024	778	13	389

The subject resource classifications were assigned in conformance with NI 43-101 and its standard and guidelines.

The Resource estimate for the Copper Flat deposit is based on the following 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 cutoff 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, and a short ton is equivalent to 2,000 lbs.
- Copper and molybdenum grades are dry weight.
- Gold and silver values are reported in Troy ounce/short ton.
- Gold and silver values were not available at the time of this study in the outer edges of the deposit so 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 lb., a moly price of \$15.75 lb., 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 ounces 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 million pounds 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**

THEMAC Resources acquired 100% interest in the Copper Flat project on July 23, 2009, and conducted its first exploration drilling program in 2010 that was designed to confirm previous drilling results. During this program seven core holes totaling 5,031’ were completed. Additionally, SRK Consulting Inc. completed an NI 43-101 compliant resource estimate and Preliminary Economic Assessment (PEA). In this resource estimate, SRK reported an Indicated Resource of 107 million short tons grading 0.303% copper and 0.01% molybdenum (645 million pounds of copper and 21.4 million pounds of molybdenum) and an Inferred Resource of 46 million short tons grading 0.24% copper and 0.006% molybdenum (222 million pounds of copper and 5.6 million pounds 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.

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 Consulting 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 2011.

### **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:

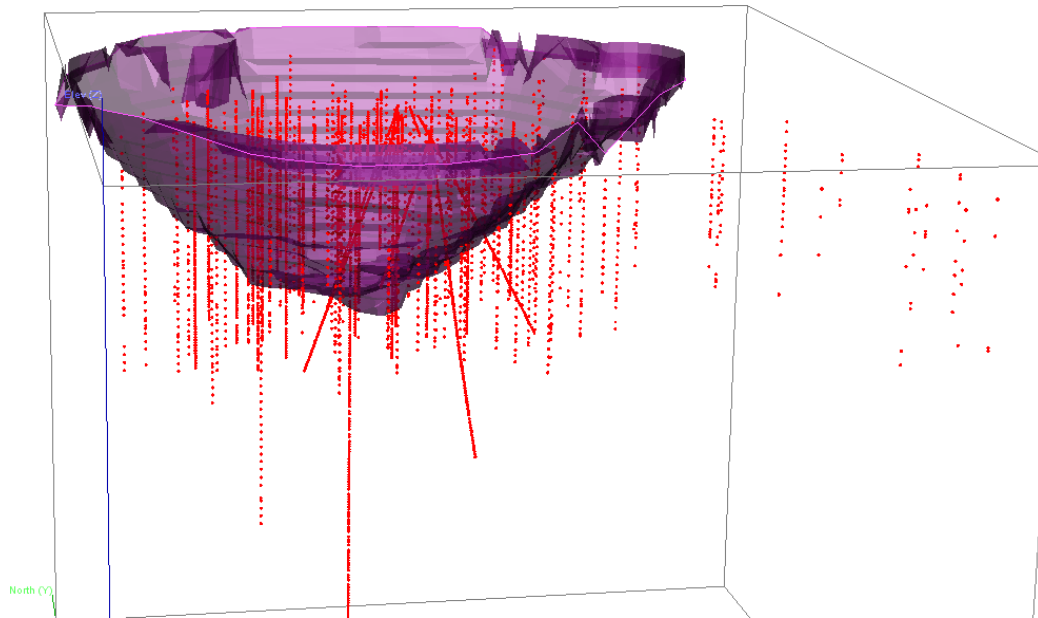
1. If possible extend known shallow (< 300' depths) moderate to high grade mineralization in all directions so that the shape and orientation of the final pit design can be optimized.
2. Upgrade additional resources to the Measured and Indicated categories.
3. Convert additional Probable Reserves to 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'-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 Consulting ("SRK") was requested, as part of the Preliminary Economic Assessment, 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 of gold and 2.36 grams 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 completed pre-feasibility study conducted by M3 Engineering of Tucson, Arizona. IMC included the gold and silver data in their resource modeling for pre-feasibility. 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 pre-feasibility 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 located in Tucson, Arizona for gold and silver determinations. Additionally, a duplicate of every tenth pulp was submitted to ALS Minerals 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.

## **PRE-FEASIBILITY**

The NI 43-101 technical report and pre-feasibility 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 - 2011**

A 47 hole drilling program and accompanying exploration permit was approved through the state and federal agencies in May 2011, with drilling initiated in June 2011. This was designed as a pre-feasibility and feasibility drilling program to address resource and engineering questions at Copper Flat. Fourteen high-priority infill holes of this program were completed during 2011, evaluated and used to design the drilling needed for the final feasibility.

Leading up to the drilling program, a Titan 24 DCIP/MT survey was completed in March 2011 by Quantec Geosciences over the Copper Flat area. In June 2011, Emblem Exploration Services were contracted to interpret the results. The survey consisted of 9 Titan-24 "spreads" approximately 2,500 meters in length, with lines 1 and 2 each composed of 3 end-to-end spreads and lines 3, 4 and 5 one spread each. Lines 1 and 5 are oriented NNE and lines 2, 3 and 4 are oriented WNW. The survey and lines were designed to intersect over the known intrusive exposure at Copper Flat, with the exception of line 4 which lies well south of the intrusive. Both MT and DC/IP were acquired on all 5 lines, with MT used for deep resistivity investigation which allows for a high degree of lateral resolution; and IP used in the search for sulfide mineralization. The MT resistivity data was used to determine the potential subsurface extent and geometry of the intrusive stock (where the current Copper Flat resource is defined); and the IP data was used to determine the location of sulfide mineralization. The data and interpretations from the survey were used to guide some of the drill hole placements during this 2011 drilling program.

### **2011 CORE DRILLING PROGRAM—Results for Holes CF-11-01 through CF-11-07**

Please see MD&A, dated September 30, 2011 for the results for Holes CF-11-01 through CF-11-07.

### **2011 CORE DRILLING PROGRAM—Results for Holes CF-11-08 through CF-11-12**

Please see MD&A, dated September 30, 2011 for the results for Holes CF-11-08 through CF-11-12.

## **Assay Methods**

Assaying was undertaken at Skyline Laboratory in Tucson, Arizona. Copper, molybdenum, gold and silver were determined by multiple methods; gold by fire assay with AA finish; silver by AA; and copper and molybdenum by ICP. Reference standards and blanks were inserted in the sample streams, along with duplicate sampling of the core.



Standard procedures for core handling were in place during the program, with core being logged into the core facility at every shift change. A geologist was on site for all sample preparation and shipping.

### ***Copper Flat Drilling Program- 2012***

The 2012 drilling program, which ended September 12th, consisted of twenty 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***

Like the 2011 program, Skyline Laboratory located in Tucson, Arizona served as the primary analytical facility and the analytical procedure the same. Unlike the 2011, program the sample preparation program was somewhat more rigorous and following crushing each sample was pulverized to >80% passing a -200 mesh screen.

Unlike the 2011 program, Skyline submitted duplicate split of every 10th sample to ALS Minerals located in Reno, Nevada 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 2 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 by 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 by the end of 2012. Postponement is possible due to delays associated with a planned aquifer test, but the Company has been working with the BLM to minimize an overall delay. 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.

## **Financings and Working Capital**

### **Financings**

During the three month period ended September 30, 2012, the Company drew funds of \$3,125,000 on its loan with Tulla. As of the date of this MD&A, the Company has drawn \$22,415,795 of the maximum \$25,000,000 in available funds.

### **Working Capital**

As at September 30, 2012, the Company had working capital deficiency of \$23,379,574 (June 30, 2012 - \$316,252 of working capital deficiency). 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 \$24,241 (June 30, 2012: \$19,538).

Prepaid expenses and deposits of \$505,327 (June 30, 2012: \$771,755) consists of advances to vendors and contractors, lease and rent deposits, and prepaid insurance.

Trade and other payables were \$762,736 (June 30, 2012: \$1,492,078) not including amounts to related parties of \$348,144 (June 30, 2012: \$160,000).

### **Long-term debt**

As at September 30, 2012, the loan payable of \$23,091,659 (June 30, 2012: \$18,966,274), including interest, relates to the loan agreement with Tulla detailed in the Financial Statements. In the period ended September 30, 2012, the loan was reclassified to short-term debt as the lender may request repayment as of July 2013.

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**Results of Operations**

**Three months ended September 30, 2012 and three months ended September 30, 2011**

Three months ended September 30	2012		2011		% change
	\$	% of expenses	\$	% of expenses	
Accounting and audit	31,908	1.82%	15,767	1.64%	102.37%
Consulting	—	0.00%	37,500	3.89%	-100.00%
Depreciation	10,118	0.58%	2,838	0.29%	256.52%
Director's fees	80,000	4.55%	68,750	7.14%	16.36%
Filing fees and transfer agent fees	2,138	0.12%	1,969	0.20%	8.58%
Foreign exchange loss	—	0.00%	3,849	0.40%	-100.00%
Interest expense	1,000,385	57.00%	163,390	16.97%	512.27%
Investor communications	207,180	11.80%	81,442	8.46%	154.39%
Legal fees	7,119	0.41%	6,232	0.65%	14.23%
Management fees	16,596	0.95%	27,900	2.90%	-40.52%
Office and sundry	133,702	7.62%	194,182	20.17%	-31.15%
Other administration expenses	14,366	0.82%	3,214	0.33%	347.70%
Personnel searches	26,582	1.51%	34,681	3.60%	-23.35%
Share-based payments	223,687	12.74%	290,554	30.18%	-23.01%
Travel	1,327	0.08%	30,617	3.18%	-95.67%
<b>Operating loss before tax</b>	<b>(1,755,108)</b>	<b>100.00%</b>	<b>(962,885)</b>	<b>100.00%</b>	<b>82.28%</b>
Exchange differences on translating foreign operations	(1,344,610)		2,311,715		
<b>Loss and comprehensive loss for the period</b>	<b>(3,099,718)</b>		<b>1,348,830</b>		

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.
- Accounting and audit fees have increased over the previous year due to the ongoing expansion of activities in New Mexico.
- Over the periods presented, the Company has formalized many of its systems following the completion of the Copper Flat project acquisition in March 2011 resulting in increased activity overall.

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**Summary of quarterly results:**

	Quarter ended (three-month unaudited figures, unless otherwise specified)							
	Sept 30, 2012 \$	Jun 30, 2012 \$	Mar 31, 2012 \$	Dec 31, 2011 \$	Sep 30, 2011 \$	Jun 30, 2011 \$	Mar 31, 2011 \$	Dec 31, 2010 \$
Net loss for the period	(1,755,108)	(922,235)	(1,462,200)	(1,009,586)	(962,885)	(818,438)	(1,901,766)	(111,277)
Per share basic & diluted	(0.04)	(0.01)	(0.02)	(0.02)	(0.02)	(0.03)	(0.08)	(0.01)
Total comprehensive income (loss) for the period	(3,099,718)	(454,268)	(2,131,379)	(1,976,611)	1,348,830	(1,149,243)	(1,979,487)	(136,367)
Per share basic	(0.04)	(0.01)	(0.03)	(0.04)	0.03	(0.05)	(0.09)	(0.01)
Per share diluted	(0.04)	(0.01)	(0.03)	(0.04)	0.01	(0.05)	(0.09)	(0.01)
Total assets	41,261,551	40,503,800	36,813,697	35,120,444	33,817,515	27,701,953	23,224,026	5,611,574
Total liabilities	24,444,092	20,868,352	16,828,268	13,341,100	10,198,542	5,732,450	312,364	4,937,710
Shareholders' equity	16,817,459	19,635,448	19,985,429	21,779,344	23,618,973	21,969,503	22,911,662	673,864
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 September 30, 2012, the Company had cash of \$293,397 (June 30, 2012: \$544,533) and taxes recoverable of \$24,241 (June 30, 2012: \$19,538) and current liabilities of \$24,202,539 (June 30, 2012: \$1,652,078). In addition, during the three month period ended September 30, 2012, the Company incurred a net loss of \$1,755,108 and had a working capital deficiency of \$23,379,574.

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

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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 twelve 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. As of the date of this MD&A, the Company has additional funds available under the loan agreement of \$3,084,205.

**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:

Three month period ended September 30	2012	2011
Consulting fees and office expenses paid to Ernest Resources Limited, a company controlled by Mr. Barrett Sleeman, a director of the Company. \$	-	\$ 37,500
Management fees paid to a company controlled by Mr. Steve Vanry, former Chief Financial Officer of the Company	-	6,000
Salary paid to Mr. Andre J. Douchane, President & CEO	69,275	20,362
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.	16,596	-
Directors fees paid or accrued to:		
Kevin W. Maloney	20,000	20,000
Barrett Sleeman	11,250	-
John Cook	15,000	15,000
Kenneth Pickering	16,250	16,250
Joel Schneyer	17,500	17,500
Loan advances received from Tulla	3,125,000	3,888,043
Interest incurred on loan payable to Tulla	1,000,385	162,330
Fair value of options granted to above persons:	163,918	222,311

## **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\$0.98 to a high of US\$1.03 for C\$1 during the year ended September 30, 2012. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive loss by approximately \$4,000,000. 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 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.

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 International Financial Reporting Standards ("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.

### **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](http://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: 6,323,063 with a weighted average exercise price of \$0.62 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 136,523,241.

**Directors and officers**

The qualified person under NI 43-101 responsible for the review of the technical content of this Management Discussion and Analysis is Mr. Raymond Irwin, P. Geo.

<b>Directors</b>
Kevin W. Maloney (Chairman)
John Cook
Kenneth (Ken) Pickering
Barrett Sleeman
Joel Schneyer

<b>Officers</b>
André J. Douchane, President & CEO
Stuart Crawford, Chief Financial Officer <sup>(1)</sup>
Stephen L. Law, Secretary

(1) Mr. Crawford was appointed on July 23, 2012

On behalf of the Board of Directors:

*“André J. Douchane”*

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André J. Douchane  
President & CEO