

**Form 51-102F1***Management's Discussion & Analysis (MD&A)***THEMAC RESOURCES GROUP LIMITED****FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011****1.- Date of this report: December 29, 2011.**

This interim report covers financial information related to the three months ended September 30, 2011 ("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 three months ended September 30, 2011 and related notes (the "Interim Financial Statements"), and the audited consolidated financial statements for the fiscal year ended June 30, 2011 and their related notes.

Financial results are now being prepared and reported in accordance with International Financial Reporting Standards ("IFRS"). As a result, accounting policies, presentation, financial statement captions and terminology used in this discussion and analysis may differ from that used in previous financial reporting. Further details on the transition to IFRS are included in the 'Basis of preparation' section of Notes 2 and 12 to the Interim Financial Statements.

Unless otherwise indicated, all amounts are expressed in Canadian dollars.

**2.- Description of business and project update****Description of Business**

**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<sup>th</sup>, 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<sup>th</sup>, 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**

Copper Flat is a former producing mine located approximately 20 miles southwest of Truth or Consequences in Sierra County, State of New Mexico, USA. Permitting for a return of the project to production is at an advanced stage, and a prefeasibility study is in progress and targeted for completion during 2011.

The Copper Flat project is a porphyry copper-molybdenum-gold-silver deposit. The deposit has National Instrument 43-101 ("NI 43-101") Indicated Mineral Resources of 107 million short tons grading 0.303% copper and 0.01% molybdenum for 645 million lbs copper and 21.4 million lbs molybdenum, plus Inferred Mineral Resources of 46 million short tons grading 0.24% copper and 0.006% molybdenum for 222 million lbs copper and 5.6 million lbs molybdenum.

The gold and silver content of the deposit is evidenced by historic production and metallurgical test work, and gold and silver are targeted for incorporation into the deposit's NI 43-101 Mineral Resource statement following completion and interpretation of a re-assay program using historic drill pulps.

An NI 43-101 Preliminary Economic Assessment dated June 30, 2010 and updated February 25, 2011 has been completed for Copper Flat and can be viewed on SEDAR.

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).

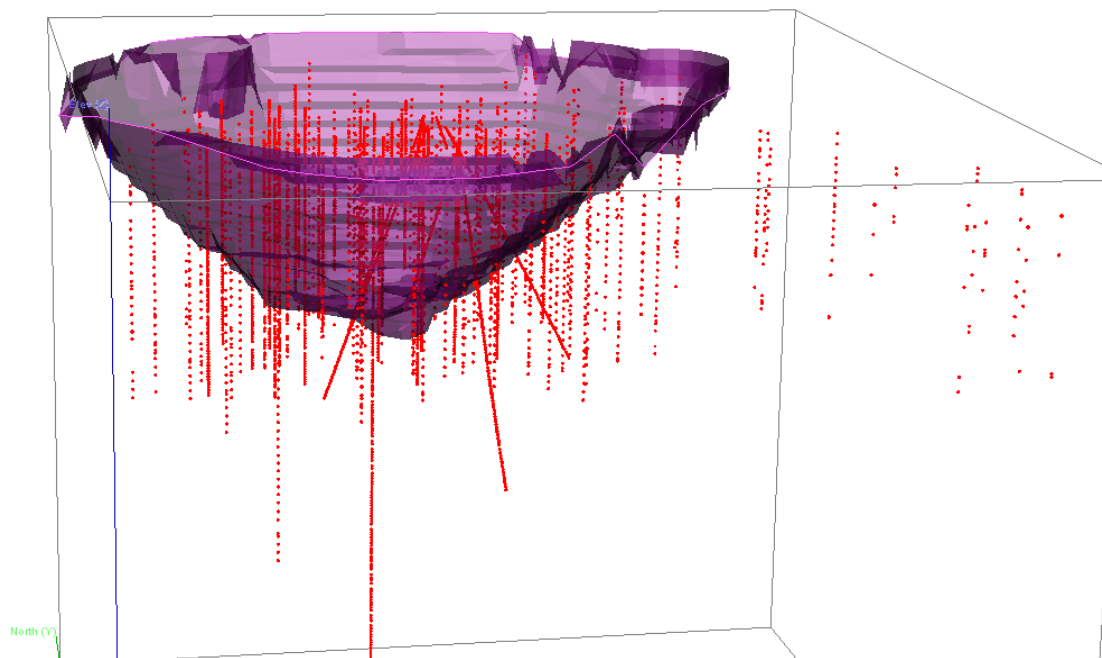
### **Milestones for the three months ended September 30, 2011, and to the date of this MD&A**

Please refer to the annual MD&A for the fiscal year ended June 30, 2011, available on the SEDAR website at [www.sedar.com](http://www.sedar.com), for background information about the project, its acquisition, and exploration and development activities up to that date.

### **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 has been provided to IMC, a geologic resource estimating firm in Tucson, Arizona, that is currently working on a NI 43-101 compliant resource model for incorporation in the ongoing pre-feasibility being conducted by M3 Engineering of Tucson, Arizona. IMC will include 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 will be necessary to incorporate Au-Ag into the resource-reserve calculations for pre-feasibility work indicating that the 4,625 assay intervals are sufficient.

#### PRE-FEASIBILITY PROGRESS UPDATE

The pre-feasibility study is currently scheduled for completion in first quarter of calendar year 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. Mining sequence will fallout of IMC's resource and mine plan report later this year as will the milling material and water balance. Both are currently under study. The existing foundations of the original Copper Flat Mine were covered with topsoil when reclaimed in the 1980s. The foundations were recently excavated and found to be in good condition. The current engineering design incorporates use of the original foundations.

#### COPPER FLAT DRILLING PROGRAM—2011

A forty-seven 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 is 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 2500 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**

On November 17, 2011, the Company announced that the 2011 Copper Flat drilling program, addressing pre-feasibility study needs, which began in June, 2011, had ended on October 4, 2011. Sixteen holes were completed for 16,539.1 feet of core drilled, in 14 locations. This represents a little over 25% of the 47 holes originally permitted. The remaining holes will be drilled during feasibility study work, as needed, scheduled for early in calendar year 2012.

Assay results were received for eight of the 16 holes drilled in 14 sites; CF-11-01, CF-11-01b, CF-11-02, CF-11-03, CF-11-04, CF-11-05, CF-11-06, and CF-11-07 (see the assay data in Table 1 below). A total of 8,058.0 feet of drilling was completed in these 8 holes.

## Drilling Assay Highlights:

Hole ID	Interval Ft	Length Ft	Au ppb	Ag ppm	% Cu	% Mo
CF-11-01	0 to 22	22	265	8.7	1.02	0.007
	140.5 to 225	84.5	331	7.1	1.05	0.018
	240 to 309.7	69.7	169	5.8	0.97	0.019
CF-11-01b *	0 to 25	25	304	11.3	1.44	0.030
	117.1 to 160.4	43.3	226	6.6	0.70	0.011
	179 to 194	15	190	11.6	1.18	0.023
	209.2 to 241.5	32.3	163	3.8	0.73	0.024
	263.5 to 282	18.5	437	5.9	0.93	0.029
	315 to 345	30	213	7.4	1.09	0.012
	385 to 400	15	193	9.3	1.50	0.013
	672.6 to 725	52.4	580	7.0	0.97	0.032
CF-11-03	277.9 to 336.8	58.9	189	4.6	0.80	0.027
CF-11-04	5 to 45	40	165	3.6	0.98	0.058
	80 to 90	10	197	4.1	1.07	0.653
	168 to 178	10	244	4.6	1.05	0.038
CF-11-07	93.7 to 113	19.3	215	3.2	0.71	0.012
	418 to 428	10	192	6.1	1.03	0.006

Note: Intervals were calculated greater than/equal to 10 feet of copper values equal to or greater than 0.65% Cu, with individual five foot intervals of less than 0.65% included between 0.65% Cu or greater.

The 2011 drilling was targeted to confirm existing grades, step out laterally and to depth to test for increases to the resources, and confirm and expand high grade mineralized areas. This program was designed to provide data to the pre-feasibility study to be completed first quarter 2012, and to provide geotechnical and geochemical information for the planning and permitting of future operations. Simultaneously, valuable data continues to be gleaned from historic data sources, and is being included in the pre-feasibility work that is progressing.



Table 3

Hole ID	Interval			Grades				Comments
	From	To	Length	Cu (%)	Mo (%)	Au (opt)	Ag (opt)	
CF-11-01	0.0	17.0	17.0	1.21	0.013	0.007	0.266	Extensions to breccia pipe high grade
CF-11-01	17.0	22.0	5.0	0.82	0.001	0.009	0.242	" "
CF-11-01	140.5	147.7	7.2	0.77	0.005	0.009	0.245	" "
CF-11-01	147.7	153.4	5.7	1.36	0.005	0.013	0.409	" "
CF-11-01	153.4	160.0	6.6	0.66	0.002	0.008	0.134	" "
CF-11-01	165.0	177.0	12.0	1.51	0.018	0.016	0.318	" "
CF-11-01	189.5	194.5	5.0	1.31	0.021	0.010	0.222	" "
CF-11-01	194.5	202.5	8.0	1.99	0.054	0.011	0.342	" "
CF-11-01	202.5	208.5	6.0	0.82	0.014	0.005	0.117	" "
CF-11-01	215.0	225.0	10.0	1.72	0.060	0.020	0.257	" "
CF-11-01	240.0	249.0	9.0	0.98	0.003	0.008	0.201	" "
CF-11-01	249.0	255.5	6.5	1.16	0.011	0.006	0.242	" "
CF-11-01	255.5	265.3	9.8	0.74	0.017	0.004	0.111	" "
CF-11-01	265.3	275.1	9.8	1.07	0.031	0.004	0.161	" "
CF-11-01	275.1	285.0	9.9	0.78	0.072	0.005	0.123	" "
CF-11-01	285.0	295.0	10.0	1.12	0.025	0.005	0.190	" "
CF-11-01	295.0	304.7	9.7	0.65	0.005	0.004	0.137	" "
CF-11-01	304.7	309.7	5.0	2.26	0.010	0.008	0.359	" "
CF-11-01B	0.0	15.0	15.0	2.09	0.047	0.013	0.517	" "
CF-11-01B	15.0	25.0	10.0	0.79	0.013	0.005	0.140	" "
CF-11-01B	124.4	129.4	5.0	0.66	0.026	0.010	0.134	" "
CF-11-01B	134.4	140.4	6.0	1.11	0.004	0.009	0.292	" "
CF-11-01B	140.4	145.4	5.0	0.79	0.002	0.007	0.190	" "
CF-11-01B	145.4	150.4	5.0	0.91	0.006	0.006	0.210	" "
CF-11-01B	155.4	160.4	5.0	0.67	0.008	0.005	0.193	" "
CF-11-01B	179.0	184.0	5.0	1.02	0.009	0.005	0.420	" "
CF-11-01B	184.0	189.0	5.0	1.41	0.042	0.006	0.368	" "
CF-11-01B	189.0	194.0	5.0	1.12	0.017	0.005	0.231	" "
CF-11-01B	209.2	215.0	5.8	0.81	0.028	0.006	0.117	" "
CF-11-01B	225.0	231.5	6.5	0.75	0.019	0.005	0.111	" "
CF-11-01B	231.5	236.5	5.0	0.97	0.041	0.005	0.146	" "
CF-11-01B	236.5	241.5	5.0	0.65	0.016	0.005	0.117	" "
CF-11-01B	263.5	268.5	5.0	0.84	0.032	0.016	0.158	" "
CF-11-01B	268.5	275.0	6.5	0.89	0.022	0.013	0.161	" "
CF-11-01B	275.0	282.0	7.0	1.05	0.034	0.009	0.199	" "
CF-11-01B	292.5	300.0	7.5	0.68	0.015	0.007	0.164	" "
CF-11-01B	315.0	320.0	5.0	0.85	0.003	0.005	0.155	" "
CF-11-01B	320.0	325.0	5.0	1.92	0.027	0.009	0.377	" "
CF-11-01B	325.0	330.0	5.0	1.07	0.008	0.007	0.207	" "
CF-11-01B	330.0	335.0	5.0	0.72	0.012	0.003	0.152	" "
CF-11-01B	335.0	340.0	5.0	1.11	0.014	0.009	0.225	" "
CF-11-01B	340.0	345.0	5.0	0.86	0.010	0.004	0.175	" "
CF-11-01B	355.0	360.0	5.0	0.83	0.009	0.004	0.128	" "
CF-11-01B	385.0	390.0	5.0	1.72	0.015	0.008	0.298	" "
CF-11-01B	390.0	395.0	5.0	1.87	0.013	0.005	0.345	" "
CF-11-01B	395.0	400.0	5.0	0.90	0.011	0.004	0.175	" "
CF-11-01B	440.0	445.0	5.0	0.85	0.016	0.005	0.152	" "
CF-11-01B	455.0	460.0	5.0	0.79	0.031	0.014	0.149	" "
CF-11-01B	672.6	677.6	5.0	0.81	0.019	0.015	0.190	" "
CF-11-01B	677.6	682.6	5.0	0.98	0.029	0.031	0.222	" "
CF-11-01B	682.6	687.6	5.0	0.96	0.048	0.022	0.199	" "
CF-11-01B	687.6	693.0	5.4	1.11	0.029	0.013	0.207	" "
CF-11-01B	693.0	698.0	5.0	0.70	0.029	0.018	0.126	" "
CF-11-01B	698.0	703.0	5.0	0.72	0.035	0.018	0.164	" "
CF-11-01B	703.0	708.0	5.0	0.86	0.037	0.022	0.216	" "
CF-11-01B	708.0	714.0	6.0	1.25	0.013	0.009	0.201	" "
CF-11-01B	714.0	720.0	6.0	1.11	0.058	0.010	0.228	" "
CF-11-01B	720.0	725.0	5.0	1.16	0.027	0.011	0.295	" "
CF-11-01B	945.0	950.0	5.0	0.94	0.078	0.006	0.158	" "
CF-11-01B	955.0	960.0	5.0	0.68	0.063	0.005	0.134	" "
CF-11-01B	960.0	965.0	5.0	0.82	0.053	0.007	0.231	" "
CF-11-01B	965.0	970.0	5.0	0.80	0.052	0.005	0.193	" "
CF-11-01B	975.0	980.0	5.0	0.85	0.036	0.006	0.158	" "
CF-11-01B	980.0	985.0	5.0	1.00	0.078	0.007	0.155	" "
CF-11-01B	985.0	990.0	5.0	1.28	0.142	0.008	0.201	" "

Hole ID	Interval			Grades				Comments
	From	To	Length	Cu (%)	Mo (%)	Au (opt)	Ag (opt)	
CF-11-03	105.7	110.7	5.0	1.24	0.135	0.004	0.111	Breccia pipe extensions in the southern pit area
CF-11-03	147.0	152.0	5.0	1.00	0.005	0.004	0.181	" "
CF-11-03	152.0	157.0	5.0	1.06	0.022	0.004	0.175	" "
CF-11-03	187.0	192.0	5.0	0.89	0.011	0.007	0.231	" "
CF-11-03	229.0	237.6	8.6	0.97	0.130	0.004	0.140	" "
CF-11-03	277.9	284.2	6.3	0.66	0.019	0.008	0.096	" "
CF-11-03	284.2	289.2	5.0	0.71	0.022	0.004	0.105	" "
CF-11-03	289.2	296.8	7.6	0.65	0.043	0.005	0.102	" "
CF-11-03	301.8	306.8	5.0	0.70	0.013	0.004	0.114	" "
CF-11-03	306.8	311.8	5.0	1.23	0.012	0.010	0.248	" "
CF-11-03	311.8	316.8	5.0	1.01	0.003	0.008	0.161	" "
CF-11-03	316.8	321.8	5.0	1.37	0.033	0.007	0.274	" "
CF-11-03	326.8	331.8	5.0	0.73	0.084	0.005	0.114	" "
CF-11-03	331.8	336.8	5.0	0.65	0.019	0.003	0.099	" "
CF-11-03	756.8	761.8	5.0	0.85	0.002	0.011	0.158	" "
CF-11-03	771.8	776.8	5.0	0.87	0.018	0.006	0.172	" "
CF-11-04	5.0	10.0	5.0	0.88	0.008	0.003	0.067	Confirmation and extensions to depth
CF-11-04	10.0	15.0	5.0	0.91	0.013	0.006	0.120	" "
CF-11-04	15.0	20.0	5.0	1.36	0.108	0.007	0.172	" "
CF-11-04	20.0	25.0	5.0	1.95	0.132	0.009	0.178	" "
CF-11-04	35.0	40.0	5.0	0.91	0.074	0.005	0.076	" "
CF-11-04	40.0	45.0	5.0	0.72	0.026	0.004	0.067	" "
CF-11-04	80.0	85.0	5.0	1.01	1.198	0.005	0.111	" "
CF-11-04	85.0	90.0	5.0	1.12	0.108	0.006	0.126	" "
CF-11-04	168.0	173.0	5.0	1.18	0.034	0.006	0.134	" "
CF-11-04	173.0	178.0	5.0	0.91	0.042	0.008	0.134	" "
CF-11-04	203.0	213.0	10.0	0.66	0.055	0.004	0.096	" "
CF-11-05	655.0	660.0	5.0	0.74	0.101	0.010	0.099	Southern portion of the pit; confirmation and extensions to depth
CF-11-05	660.0	665.0	5.0	0.79	0.037	0.007	0.123	" "
CF-11-05	665.0	670.0	5.0	0.68	0.030	0.007	0.085	" "
CF-11-05	670.0	675.0	5.0	0.85	0.029	0.008	0.111	" "
CF-11-05	675.0	680.0	5.0	1.32	0.280	0.010	0.149	" "
CF-11-07	93.7	99.7	6.0	0.66	0.014	0.005	0.082	Eastern portion of the pit; confirmation and extensions laterally and to depth.
CF-11-07	105.0	113.0	8.0	0.89	0.020	0.008	0.117	" "
CF-11-07	264.9	269.9	5.0	0.70	0.029	0.003	0.120	" "
CF-11-07	418.0	423.0	5.0	0.74	0.007	0.006	0.123	" "
CF-11-07	423.0	428.0	5.0	1.31	0.004	0.005	0.231	" "
CF-11-07	483.0	488.0	5.0	0.82	0.002	0.010	0.152	" "
* Values below the detection limit were converted to zero for calculation purposes								

All of the holes summarized in Table 3 were drilled as angle core holes drilling across, beneath, and adjacent to previous drilling. Hole CF-11-02 was drilled as a vertical hole testing a deep (600-1,000 foot) IP target identified by a Titan 24 MT-DC/IP geophysical survey completed in spring 2011. Core drilling was completed generally as HQ size core, although some holes were initiated as PQ to drill through the initial 20-70 feet of broken ground (previously shot mining benches). Hole CF-11-04 encountered an underground working (used for metallurgical bulk sampling in the early 1980s) at 158 to 168 feet; this hole was then necked down to NQ size core, and drilling resumed from 188 feet to 811.9 feet (td).

There are thirty-four (34) intercepts with values of greater than or equal to 300ppb Au. The highest Au value encountered in the drilling was in CF-11-01b, with a high of 1,050ppb. Of the 34 intercepts, twenty-seven (27) intercepts were encountered in holes CF-11-01 and CF-11-01b. Table 4 summarizes the intercepts and values.

Table 4

Hole	Sample Number	From	To	Length	Au (ppb)	Ag (ppm)	CuT (%)	Mo (%)
CF-11-01B	617726	677.6	682.6	5.0	1050	7.6	0.98	0.029
CF-11-06	618040	682.6	448.0	-234.6	814	3	0.23	0.002
CF-11-01B	617727	682.6	687.6	5.0	767	6.8	0.96	0.048
CF-11-01B	617733	703.0	708.0	5.0	745	7.4	0.86	0.037
CF-11-01	617334	215.0	225.0	10.0	691	8.8	1.72	0.060
CF-11-01B	617732	698.0	703.0	5.0	625	5.6	0.72	0.035
CF-11-01B	617730	693.0	698.0	5.0	621	4.3	0.7	0.029
CF-11-01	617328	165.0	177.0	12.0	552	10.9	1.51	0.018
CF-11-01B	617632	263.5	268.5	5.0	537	5.4	0.84	0.032
CF-11-01B	617725	672.6	677.6	5.0	500	6.5	0.81	0.019
CF-11-01B	617737	725.0	730.0	5.0	495	2	0.24	0.003
CF-11-01B	617676	455.0	460.0	5.0	488	5.1	0.79	0.031
CF-11-01B	617675	450.0	455.0	5.0	466	5.1	0.62	0.016
CF-11-01B	617634	268.5	275.0	6.5	462	5.5	0.89	0.022
CF-11-01	617325	147.7	153.4	5.7	453	14	1.36	0.005
CF-11-01B	617728	687.6	693.0	5.4	451	7.1	1.11	0.029
CF-11-01B	617585	0.0	15.0	15.0	438	17.7	2.09	0.047
CF-11-01	617331	194.5	202.5	8.0	391	11.7	1.99	0.054
CF-11-01B	617736	720.0	725.0	5.0	385	10.1	1.16	0.027
CF-11-03	620158	756.8	761.8	5.0	380	5.4	0.85	0.002
CF-11-01B	617735	714.0	720.0	6.0	353	7.8	1.11	0.058
CF-11-07	618575	483.0	488.0	5.0	348	5.2	0.82	0.002
CF-11-05	618358	488.0	680.0	192.0	345	5.1	1.32	0.28
CF-11-03	620063	306.8	311.8	5.0	340	8.5	1.23	0.012
CF-11-01	617330	189.5	194.5	5.0	334	7.6	1.31	0.021
CF-11-01B	617602	124.4	129.4	5.0	326	4.6	0.66	0.026
CF-11-05	618354	129.4	660.0	530.6	326	3.4	0.74	0.101
CF-11-01B	617605	134.4	140.4	6.0	324	10	1.11	0.004
CF-11-01	617323	140.5	147.7	7.2	313	8.4	0.77	0.005
CF-11-01B	617644	320.0	325.0	5.0	313	12.9	1.92	0.027
CF-11-01B	617635	275.0	282.0	7.0	311	6.8	1.05	0.034
CF-11-01B	617734	708.0	714.0	6.0	307	6.9	1.25	0.013
CF-11-04	617830	20.0	25.0	5.0	306	6.1	1.95	0.132
CF-11-01	617302	17.0	22.0	5.0	302	8.3	0.82	0.001

The grades encountered when drilling across historic holes confirmed previous intercepts and grades; helped to define boundaries between the higher grade breccia pipe core and the surrounding quartz monzonite; extended previously drilled high grade zones; and extended mineralization into previously untested areas laterally and to depth. **The overall grades of the assays received to date are comparable to what has been encountered in previous drilling campaigns, and provide for further confirmation of the mineralization.**

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

On December 7, 2011, the Company published additional assay results for the recently completed 16-hole 2011 Copper Flat drilling program. Results were received for holes CF-11-08 through CF-11-12 (including CF-11-10B). A total of 6076.9 feet of drilling was completed in these six holes. The assays for the remaining two holes (CF-11-13 and CF-11-14) are anticipated in early 2012.

#### Drilling Highlights

- Six holes totaling 6076.9 feet of drilling
- 2.34% Cu encountered in hole CF-11-10B at interval depth 20-25 ft
- 65 feet of 0.90% Cu was encountered in CF-11-08 from interval depth 95-160 ft
- 1193 ppb Au was encountered in hole CF-11-10B from interval depth 583-588 ft
- The grades encountered in the angle hole drilling, across historic holes, continues to confirm previous intercepts and grades
- The overall grades of the assays received to date are comparable to what has been encountered in previous drilling campaigns providing further strong confirmation of the mineralization



Table 5

Table 5 highlights drill intervals by hole based on equal to/greater than 0.65% Cu values.

Hole ID	From	To	Length	Au (ppb)	Ag (ppm)	Cu (%)	Mo (%)
<b>CF-11-08</b>	95	160	65	365	5.2	0.90	0.141
	265	280	15	369	4.4	0.72	0.015
	323	334	11	363	4.9	0.70	0.008
<b>CF-11-09</b>	95	128	33	241	6.2	0.83	0.013
<b>CF-11-10B</b>	20	30	10	309	7.4	1.54	0.309
	75	100	25	501	7.8	1.52	0.232
	138.9	156.7	17.8	453	7.5	1.58	0.055
	274.4	293.8	19.4	210	6.3	0.78	0.027
	312.5	323.8	11.3	184	8.5	1.08	0.040

Assay highlights of significant intervals. Intervals were calculated greater than/equal to 10 feet of copper values greater than/equal to 0.65% Cu, with individual five foot intervals of less than 0.65% included

Table 6

Table 6 is a summary of the average grade for each of these six holes. CF-11-10B had the highest average grade for Cu, at 0.35%.

Hole ID	Interval		Average Grades*			
	From	To	Cu (%)	Mo (%)	Au (opt)	Ag (opt)
<b>CF-11-08</b>	0.0	1200.0	0.28	0.014	0.003	0.06
<b>CF-11-09</b>	0.0	1200.0	0.22	0.005	0.002	0.04
<b>CF-11-10</b>	0.0	101.9	0.33	0.006	0.004	0.09
<b>CF-11-10B</b>	0.0	1177.0	0.35	0.019	0.003	0.07
<b>CF-11-11</b>	0.0	1198.0	0.16	0.004	0.001	0.02
<b>CF-11-12</b>	0.0	1200.0	0.20	0.006	0.002	0.04

\*Values below the detection limit were converted to zero for calculation purposes

Table 7

Results show 46 intervals with assay values equal to/greater than 0.65% Cu, encountered in holes CF-11-08, CF-11-09, CF-11-10B, and CF-11-11. The highest grade assays returned to date for this 2011 drilling is 2.34% Cu in CF-11-10B. Table 7 below lists each of these higher grade Cu assays on a per hole basis. No intercepts equal to/greater than 0.65% Cu were encountered in CF-11-10 and CF-11-12.

Hole ID	Interval			Grades*				Comments
	From	To	Length	Cu (%)	Mo (%)	Au (opt)	Ag (opt)	
<b>CF-11-08</b>								Lateral and to depth extension; possible extension to high-grade breccia
	95.0	100.0	5.0	0.85	0.22	0.011	0.23	
	100.0	105.0	5.0	1.10	0.119	0.016	0.22	" " "
	105.0	110.0	5.0	0.68	0.030	0.010	0.12	" " "
	110.0	115.0	5.0	1.27	0.17	0.017	0.23	" " "
	115.0	120.0	5.0	1.19	0.020	0.017	0.15	" " "

	120.0	125.0	5.0	0.75	0.017	0.012	0.13	"	"	"
	125.0	130.0	5.0	1.11	0.045	0.013	0.17	"	"	"
	130.0	135.0	5.0	0.94	0.127	0.010	0.15	"	"	"
	135.0	140.0	5.0	0.85	0.040	0.007	0.13	"	"	"
	145.0	150.0	5.0	0.79	0.388	0.006	0.11	"	"	"
	150.0	155.0	5.0	0.98	0.537	0.009	0.15	"	"	"
	155.0	160.0	5.0	0.75	0.068	0.007	0.11	"	"	"
	170.0	175.0	5.0	0.77	0.050	0.005	0.13	"	"	"
	180.0	185.0	5.0	0.68	0.03	0.005	0.11	"	"	"
	265.0	270.0	5.0	0.72	0.015	0.009	0.13	"	"	"
	275.0	280.0	5.0	0.93	0.017	0.015	0.18	"	"	"
	323.0	328.0	5.0	0.71	0.007	0.009	0.14	"	"	"
	328.0	334.0	6.0	0.68	0.008	0.012	0.14	"	"	"
	616.0	621.0	5.0	1.24	0.070	0.005	0.26	"	"	"
<b>CF-11-09</b>								Lateral and to depth extension		
	95.0	100.0	5.0	0.68	0.011	0.008	0.10	"	"	"
	100.0	105.0	5.0	1.74	0.014	0.013	0.27	"	"	"
	110.0	115.0	5.0	0.67	0.007	0.004	0.11	"	"	"
	120.0	128.0	8.0	1.52	0.025	0.010	0.49	"	"	"
	257.0	262.0	5.0	1.25	0.021	0.016	0.25	"	"	"
	282.0	287.0	5.0	0.75	0.013	0.004	0.16	"	"	"
<b>CF-11-10B</b>								Lateral and to depth extension; possible extension to high-grade breccia		
	15.0	20.0	5.0	0.70	0.06	0.006	0.13	"	"	"
	20.0	25.0	5.0	2.34	0.609	0.012	0.33	"	"	"
	25.0	30.0	5.0	0.74	0.009	0.006	0.11	"	"	"
	75.0	80.0	5.0	1.05	0.080	0.009	0.16	"	"	"
	80.0	85.0	5.0	0.95	0.056	0.010	0.17	"	"	"
	85.0	90.0	5.0	1.99	0.076	0.021	0.27	"	"	"
	90.0	95.0	5.0	2.18	0.692	0.020	0.29	"	"	"
	95.0	100.0	5.0	1.45	0.256	0.013	0.25	"	"	"
	138.9	144.5	5.6	1.21	0.032	0.014	0.16	"	"	"
	144.5	149.5	5.0	1.82	0.048	0.013	0.25	"	"	"
	149.5	156.7	7.2	1.72	0.086	0.013	0.24	"	"	"
	217.3	222.3	5.0	0.89	0.044	0.005	0.21	"	"	"
	249.3	256.3	7.0	0.73	0.031	0.005	0.23	"	"	"
	274.4	280.5	6.1	0.87	0.038	0.004	0.22	"	"	"
	280.5	286.5	6.0	0.66	0.024	0.006	0.16	"	"	"
	286.5	293.8	7.3	0.80	0.018	0.008	0.17	"	"	"
	312.5	317.5	5.0	1.35	0.034	0.008	0.33	"	"	"
	317.5	323.8	6.3	0.80	0.045	0.002	0.17	"	"	"
	342.0	347.0	5.0	0.73	0.208	0.003	0.14	"	"	"
	522.0	527.0	5.0	0.67	0.005	0.004	0.20	"	"	"
<b>CF-11-11</b>	624.3	633.8	9.5	1.88	0	0.017	0.18	Lateral and to depth extension		
* Values below the detection limit were converted to zero for calculation purposes										

Table 8

Within these 6 holes, there are thirty (30) intercepts with values of greater than or equal to 300ppb Au. The highest Au value encountered in the 2011 drilling to date was in CF-11-09; 1,193ppb at 583-588 feet. Twenty-eight (28) of the thirty (30) intercepts were encountered relatively equally between holes CF-11-08, CF-11-09, and CF-11-10B. Table 8 summarizes the intercepts and values.

Hole ID	Interval (Ft)			Grades*				Comments
	From	To	Length	Cu (%)	Mo (%)	Au (ppb)	Ag (ppm)	
CF-11-08	95.0	100.0	5.0	0.85	0.220	371	8.00	
	100.0	105.0	5.0	1.10	0.119	556	7.50	
	105.0	110.0	5.0	0.68	0.030	347	4.00	
	110.0	115.0	5.0	1.27	0.170	581	7.90	
	115.0	120.0	5.0	1.19	0.020	575	5.10	
	120.0	125.0	5.0	0.75	0.017	400	4.60	
	125.0	130.0	5.0	1.11	0.045	447	5.70	
	130.0	135.0	5.0	0.94	0.127	326	5.10	
	150.0	155.0	5.0	0.98	0.537	306	5.20	
	265.0	270.0	5.0	0.72	0.015	321	4.30	
	275.0	280.0	5.0	0.93	0.017	528	6.00	
	323.0	328.0	5.0	0.71	0.007	318	4.80	
328.0	334.0	6.0	0.68	0.008	407	4.90		
CF-11-09	100.0	105.0	5.0	1.74	0.014	430	9.40	
	120.0	128.0	8.0	1.52	0.025	346	16.70	
	167.0	172.0	5.0	0.60	0.003	346	3.00	
	202.0	207.0	5.0	0.55	0.020	438	2.10	
	257.0	262.0	5.0	1.25	0.021	538	8.40	
583.0	588.0	5.0	0.17	0.002	1193	1.20		
CF-11-10B	20.0	25.0	5.0	2.34	0.609	424	11.20	
	75.0	80.0	5.0	1.05	0.080	312	5.50	
	80.0	85.0	5.0	0.95	0.056	350	5.90	
	85.0	90.0	5.0	1.99	0.076	734	9.20	
	90.0	95.0	5.0	2.18	0.692	675	9.80	
	95.0	100.0	5.0	1.45	0.256	436	8.70	
	138.9	144.5	5.6	1.21	0.032	477	5.40	
	144.5	149.5	5.0	1.82	0.048	436	8.70	
149.5	156.7	7.2	1.72	0.086	446	8.30		
CF-11-11	624.3	633.8	9.5	1.88	0.000	581	6.20	
CF-11-12	661.0	666.5	5.5	0.16	0.004	313	2.5	

\* Values below the detection limit were converted to zero for calculation purposes

### 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.

### Project Management Team

As announced on May 12, 2011, Copper Flat is managed as follows: Mike Anglin, who has held numerous senior roles with BHP Billiton, acts as Executive Adviser to both THEMAC and NMCC during the permitting phases of Copper Flat and the anticipated construction phase thereafter. General Manager of NMCC is W. Ferol Baker. Reporting to Mr. Baker is Ed Fidler as Feasibility Study Manager. Acting as Project Director is Ann Carpenter, who has over 30 years of international mineral development experience, most recently as President and Chief Operating Officer of US Gold Corporation. Other key project management team members for the feasibility and permitting phase of the Copper Flat include Steve Raugust (technical) and Jens Deichman (facilitator), each with over 25 years of experience in the environmental permitting field.

**3.- Financings and working capital****Financings**

On July 15, 2011, the Company entered into an Amending Loan Agreement (the "Loan Agreement") with Tulla Resources Group Pty Ltd. ("Tulla"). Tulla increased its loan under the original agreement with the Company from its original amount of \$5,250,000 to \$10,000,000, and then to \$12,000,000 in November, 2011. The advances bear simple interest at 10% per annum and are repayable on or before June 4, 2013. During the three months ended September 30, 2011, the Company received \$3,888,043 pursuant to the loan agreement, and accrued \$162,330 as interest. Subsequent to September 30, 2011, the Company received an additional \$2,729,648 pursuant to the loan with Tulla. Tulla is controlled by Mr. Kevin Maloney, a director of the Company. Tulla is also a major shareholder of the Company.

**Working Capital**

As at September 30, 2011, the Company had a working capital deficiency of \$304,028 (June 30, 2011: \$520,809).

Taxes recoverable totalled \$6,781 (June 30, 2011: \$7,808).

Prepaid expenses and deposits of \$112,468 (June 30, 2011: \$17,366) consists of rent deposits, advances on certain payments to the TSXV and other vendors, advances on drilling expenses and insurance.

Accounts payable and accrued liabilities were \$902,781 (June 30, 2011: \$615,878) not including amounts to related parties of \$153,584 (June 30, 2011: \$154,380).

The loan payable of \$9,012,565 (June 30, 2011: \$4,962,192) was received pursuant to the Loan Agreement described under Financings above.

**4.- Selected Annual Information**

	<b>Years ended June 30</b>		
	<b>(\$)</b>		
	Prepared under IFRS (unaudited)	Prepared under Canadian GAAP (audited)	
	<b>2011</b>	<b>2010</b>	<b>2009</b>
a) Loss for the year	(2,930,360)	(211,175)	(88,767)
➤ Per share - basic & diluted	(0.13)	(0.02)	(0.01)
b) Comprehensive loss for the year	(3,348,409)	n/a	n/a
➤ Per share - basic & diluted	(0.14)	n/a	n/a
c) Long term liabilities	4,962,192	-	-
d) Total assets	27,701,953	1,833,780	80,014
e) Cash dividends per share	Nil	Nil	Nil

## 5.- Results of Operations

### Three months ended September 30, 2011 and 2010

Loss from operations was \$796,706 for the Period, compared to a \$102,959 loss during the comparative period in 2010.

Operating expenses were higher in general terms with those of the comparative period as detailed in the following table:

Three months ended September 30	2011	% of expenses	2010	% change
Share-based payments	290,554	36.47%	-	n/a
Office and sundry [note 8]	194,182	24.37%	2,184	8791.12%
Investor communications	81,442	10.22%	10,000	714.42%
Director's fees	68,750	8.63%	-	n/a
Consulting [note 8]	37,500	4.71%	43,500	-13.79%
Personnel searches	34,681	4.35%	-	n/a
Travel	30,617	3.84%	9,186	233.30%
Management fees	27,900	3.50%	16,380	70.33%
Accounting and audit	15,767	1.98%	10,150	55.34%
Legal fees	6,232	0.78%	776	703.09%
Amortization [note 4]	2,838	0.36%	17	16594.12%
Rent	2,460	0.31%	2,460	0.00%
Filing fees and transfer agent fees	1,969	0.25%	6,216	-68.32%
Interest and bank charges	1,060	0.13%	889	19.24%
Telephone and communications	754	0.09%	742	1.62%
Printing and photocopying	-	0.00%	459	-100.00%
<b>Loss from operations</b>	<b>(796,706)</b>	<b>100.00%</b>	<b>(102,959)</b>	<b>n/a</b>
<b>Other items:</b>				
Finance expense	(162,330)		-	
Foreign exchange gain (loss)	(3,849)		4,080	
<b>Loss for the period</b>	<b>(962,885)</b>		<b>(98,879)</b>	
Exchange differences on translating foreign operations, net of tax	2,311,715		15,567	
<b>Loss and comprehensive loss for the period</b>	<b>1,348,830</b>		<b>(83,312)</b>	

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

- The non-cash stock-based compensation is the largest expense item, most of it incurred in August, 2011, when the Company granted options to an officer. There were no options granted or vested during the comparative period in 2010.
- Office and sundry expenses are mainly composed of salaries and wages, and other office expenditures for the Copper Flat office in New Mexico.
- The increase in investor communications expenditures is the result of an increase in investor communication activity in New Mexico.
- Personnel searches included amounts spent in locating personnel for the US subsidiary of the Company, in anticipation of requirements of the Copper Flat project. There were no equivalent expenses during the comparative period in 2010.
- Consulting fees: This expense is with related parties, and was lower than the comparable period of 2010 due to a decrease in the amounts paid or accrued to a director of the Company (see Section 9).
- Director's fees: This expense is with related parties. Directors of the Company began receiving compensation in June 2011 upon the completion of the Acquisition in section 2.
- Management fees, accounting and audit costs, interest and bank charges, and travel expenditures all increased due to increased activity in the Company, specifically relating to Copper Flat.
- Remaining amounts are comparable or slightly higher to those incurred during the equivalent period of 2010, also due to the acquisition of the Copper Flat.

**6.- Summary of quarterly results:**

	Quarter ended (three-month unaudited figures, unless otherwise specified)							
	Prepared under IFRS				Prepared under Canadian GAAP			
	Sep 30, 2011 \$	Jun 30, 2011 \$	Mar 31, 2011 \$	Dec 31, 2010 \$	Sep 30, 2010 \$	Jun 30, 2010 \$	Mar 31, 2010 \$	Dec 31, 2009 \$
Revenue	-	3,058	-	-	-	-	-	-
Loss before other income and expenses	(796,706)	(692,229)	(1,901,315)	(121,196)	(102,959)	(82,592)	(47,944)	(33,627)
Per share basic & diluted	(0.01)	(0.02)	(0.08)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)
Loss for the period	(962,885)	(800,045)	(1,920,158)	(111,278)	(98,879)	(90,218)	(48,793)	(44,294)
Per share basic & diluted	(0.01)	(0.02)	(0.08)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Other comprehensive income	2,311,715	16,416	10,143	8,930	15,567	n/a	n/a	n/a
Per share basic & diluted	0.02	0.00	0.00	0.00	0.00	n/a	n/a	n/a
Total comprehensive income (loss) for the period	1,348,830	(783,628)	(1,910,016)	(102,348)	(83,312)	(90,218)	(48,793)	(44,294)
Per share basic	0.03	(0.02)	(0.08)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Per share diluted	0.01	(0.02)	(0.08)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	33,817,515	28,176,777	19,560,199	5,651,313	2,447,487	1,833,780	1,151,672	21,125
Total liabilities	10,198,542	5,732,450	312,364	4,937,710	1,693,735	1,489,038	104,940	16,099
Shareholders' equity	23,618,973	22,444,327	19,247,835	713,603	753,752	344,742	1,046,732	5,026

The increase in total assets and liabilities for the September 2011 quarter reflects cash advances from the loan payable as described in section 2 above. The increase in net loss for the quarter ended September 30, 2011 reflects the increased overall activity in the Company, specifically relating to activities related to Copper Flat as described in section 2 above including higher share-based payments expense.

The increase in total assets and shareholder's equity for the June 2011 and March 2011 quarters reflects the completion of a \$10.2 million financing with Tulla in March 2011 and purchase of Copper Flat with shares and warrants in March 2011. The increase in net loss for the June 2011 and March 2011 quarters reflects increased activity relating to Copper Flat, including the large amount represented by the non-cash stock-based compensation taking place during the March, 2011, quarter.

The increase in total assets and liabilities for the December 2010 quarter was due to the cash received on exercise of warrants, the loan advance received from Marley Holdings Pty Ltd. and advances made to Copper Flat Corporation, the company which then controlled the mineral rights to the Copper Flat project.

The increase in total assets for the June and March 2010 quarters is due to the private placement of shares closed in February 2010.

**7.- 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.

At September 30, 2011, the Company had cash of \$633,088 and taxes recoverable of \$6,781 (June 30, 2011: \$224,275 and \$7,808, respectively) and current liabilities of \$1,056,365 (June 30, 2011: \$770,258). The Company will depend on future financings from its majority shareholder (Tulla) and other parties to continue its operations.

**8.- Capital resources**

The Company's ability to raise further funds from the equity markets will largely depend upon general market conditions

**9.- Off-balance sheet arrangements**

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

**10.-Transactions with related parties**

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

- \$37,500 (2010: \$37,500) were paid or accrued in consulting fees and \$1,500 (2010: \$1,500) in office expenses to Ernest Resources Limited, a company controlled by Mr. Barrett Sleeman, a director of the Company.
- \$nil (2010: \$6,000) were accrued in consulting fees, and \$20,000 (2010: \$nil) in director's fees to Marley Holdings Pty Ltd., a company controlled by Mr. Kevin W. Maloney, a director of the Company.
- \$15,000 (2010: \$nil) were accrued in director's fees to Mr. John Cook, a director of the Company.
- \$16,250 (2010: \$nil) were accrued in director's fees to Mr. Ken Pickering, a director of the Company.
- \$17,500 (2010: \$nil) were accrued in director's fees to Mercantile Resource Finance, Inc., a company controlled by Mr. Joel Schneyer, a director of the Company.
- \$6,000 (2010: \$nil) paid in consulting fees to 677185 BC Ltd., a company controlled by Mr. Steve Vanry, chief financial officer of the Company.
- \$20,362 (2010:\$nil) paid in salary to Andre J. Douchane, President and CEO of the Company.
- Amounts due to related parties as at September 30, 2011 were \$153,584 (June 30, 2011: \$154,380) due in director's fees to Mr. Kevin W. Maloney, Mr. John Cook, Mr. Ken Pickering, and Mercantile Resource Finance, Inc, a company controlled by Mr. Joel Schneyer, and consulting fees to Mr. Kevin W. Maloney and Mr. Barrett Sleeman.
- During the Period, the Company received \$3,888,043 pursuant to the loan agreement with Tulla which was approved by the TSXV in connection with the acquisition of Copper Flat. An additional \$162,330 was accrued as interest.

**11.-Proposed transactions**

There are no proposed transactions at this time.

## 12.-Changes in accounting policies

### Transition to International Financial Reporting Standards

The Company's condensed interim consolidated financial statements are the first to be prepared in accordance with IAS 34, *Interim Financial Reporting*.

The accounting policies in Note 3 of the Interim Financial Statements have been applied in the preparation of:

- the condensed interim consolidated financial statements for the three months ended September 30, 2011;
- the comparative financial information for the three months ended September 30, 2010;
- the consolidated statement of financial position as at June 30, 2011; and
- the Company's opening IFRS consolidated statement of financial position as at July 1, 2010.

In preparing the opening IFRS consolidated statement of financial position, management has adjusted amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in note 12 of the Interim Financial Statements.

The Company adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The first date at which IFRS was applied was July 1, 2011. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is contained in Note 12 of the Interim Financial Statements.

### Optional one-time exemptions applied upon first-time adoption of IFRS

IFRS 1 contains certain optional one-time exemptions from the requirement to apply IFRS on a retrospective basis as at the date of transition. The IFRS 1 optional exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

#### a. Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations* ("IFRS 3"), retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations occurring on or after the date of transition and therefore previous business combinations have not been restated. As a result of this election, no adjustments were required to the Company's opening consolidated statement of financial position as at the date of transition.

#### b. Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, *Share-based Payment* ("IFRS 2"), to equity instruments that vested before the date of transition or any unvested equity instruments that were granted prior to November 7, 2002. The Company has elected not to apply IFRS 2 to awards that vested prior to the date of transition.

Under IFRS, the fair value of options granted are recognized on a graded-vesting basis over the period during which each tranche of options vest. Canadian GAAP permitted recognition of share-based payments on this basis or on a straight-line basis. Since the Company previously recognized its share-based payments on a straight-line basis under Canadian GAAP an adjustment of \$(37,987) was required for the year ended June 30, 2011 and \$Nil for three month period ended September 30, 2010.



**Reclassification within Equity**

Under Canadian GAAP, a balance within contributed surplus was comprised of the issuance of equity-settled employee benefits and cancellation of shares held in escrow. Upon adoption of IFRS, the balance pertaining to equity-settled employee benefit has been reclassified to "Share-based payment reserves".

**c. Cumulative translation differences**

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires an entity to classify certain translation differences as a separate component of equity. However, IFRS permits an entity to deem the cumulative translation account for all foreign operations to be nil at the date of transition, and reclassify any such amounts determined in accordance with Canadian GAAP at that date to retained earnings. When this is the case, the gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition.

In accordance with this optional IFRS 1 exemption, the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

Beginning on July 1, 2010, foreign exchange amounts arising from the translation of the Company's foreign operations at each reporting date have been recognized within foreign currency reserve and accumulated within equity.

The changes made to the consolidated statements of financial position, consolidated statements of comprehensive loss, and consolidated statement of cash flows have resulted in the reclassification of amounts pertaining foreign exchange, and stock-based compensation expense..

See note 12 of the Interim Financial Statements for the analysis that represents the reconciliation from Canadian GAAP to IFRS for the respective periods noted.

**13.-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 balance sheet 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\$0.94 to a high of US\$1.05 for C\$1 during the three months ended September 30, 2011. 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 transactional volatility in the Canadian dollar at this time. The Company does not use derivative instruments to reduce its exposure to currency risk.

*Interest rate and credit risk*

The Company has a cash balance and no debt other than trade and other payables. 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.

The loan payable (Note 9 to the Interim Financial Statements) is treated as an advance on an equity financing and the Company has no significant credit risk on it.

*Liquidity risk*

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 trade and other payables. 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.

**14.-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 Ontario 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, and closely monitors its activities and those factors that could impact them, and employs experienced consulting 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 risks 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 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 Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as 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.

**15.-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.

**16.-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 (of which 25,403,439 remain in escrow.)
    - Warrants:
      - 5,582,556 with exercise price of \$0.28 until May 13, 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, of which 20,000,000 are in escrow.
    - Stock options: 5,448,063 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 135,648,241 (this includes all common shares, share purchase warrants and stock options, including shares and warrants held in escrow).

**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 <sup>(2)</sup>
Joel Schneyer

<b>Officers</b>
André J. Douchane, President & CEO <sup>(1)</sup>
Steve Vanry, Chief Financial Officer
Stephen L. Law, Co-Secretary
Salvador Miranda, Co-Secretary

- (1) Mr. Douchane was appointed Chief Executive Officer on August 15, 2011.  
 (2) Mr. Barrett Sleeman retired as executive director on December 9, 2011, and will continue to serve as non-executive director.

On behalf of the Board of Directors:

*“André J. Douchane”*

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Andre J. Douchane  
 President & CEO

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