



THEMAC Resources Group Limited

Form 51-102F1

Management's Discussion & Analysis (MD&A)

For the period ended September 30, 2014

Dated: November 21, 2014

This report covers financial and technical information related to the three month period ended September 30, 2014 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, 2014 and the audited consolidated financial statements for the year ended June 30, 2014 and the related notes.

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

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

Cautionary Note on Forward-Looking Statements

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

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

Description of business and project update

The Company was incorporated on February 24, 1997 under the Business Corporations Act (Yukon), Canada. The Company is in the business of developing its Copper Flat Project in New Mexico ("Copper Flat" or the "Project") through its subsidiary New Mexico Copper Corporation ("NMCC").

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

About the Copper Flat Project

Copper Flat is a former producing copper-molybdenum mine located in the Hillsboro Mining District of Sierra County, New Mexico, located approximately 150 miles (242 kilometers (km)) south of Albuquerque, New Mexico, and 20 miles (32 km) southwest of Truth or Consequences, New Mexico. The Project consists of 26 patented mining claims and 231 unpatented mining claims, (202 lode claims and 29 placer claims), 9 unpatented mill sites, and 16 fee land parcels in contiguous and non-contiguous land parcels and claim blocks.

An additional 1,200 acres (485 hectares) in five tracts of land located within or adjacent the property described above were acquired through a binding Letter of Intent with a local rancher (the "Fancher Agreement") in April 2013 bringing the Project's contiguous and non-contiguous land parcels and claim blocks to approximately 4,741 acres (1,918 hectares.) A Special Warranty Deed resulting from this transaction was recorded in the county courthouse in the first quarter of calendar year 2014. Completion of this transaction provides NMCC 100% control of the property contained in the approximate 2,190 acre (886 hectares) permit area, and provides space for future expansion of the waste rock and tailings storage facilities.

The Copper Flat Mine ("Mine") was operated by Quintana Minerals Corporation (Quintana) for a short period ending in June 1982 before operations were curtailed due to falling copper prices. During this period, Quintana mined and processed 1.48 million short tons (Mst) of ore to yield 7.4 million pounds (Mlbs) of copper, 2,301 ounces (Oz) of gold, and 55,966 Oz of silver. A salable molybdenum product was planned but not produced by Quintana due to the short operating period.

A Feasibility Study for restarting the Mine has been prepared by M3 Engineering and Technology Corporation (M3). The Study is summarized in a Canadian Securities Administrators National Instrument 43-101 ("NI 43-101") compliant technical report titled "Copper Flat Project – Form 43-101 Technical Report Feasibility Study" that was filed on www.sedar.com (SEDAR) on November 21, 2013.

The Copper Flat Deposit is a Laramide-age porphyry copper-molybdenum-gold-silver deposit. The metal content of the deposit is evidenced by historic production and metallurgical test work, as well as additional assays obtained from the Company's exploration drilling programs. Information regarding property exploration and resource estimation is provided in the deposit's NI 43-101 Mineral Resource Statement, which is also posted on SEDAR on February 2, 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, site grading, and building foundations. For more information, visit www.themacresourcesgroup.com.

Permitting

Permitting 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 three years have resulted in positive working relationships with the agencies and members of the local communities..

The Environmental Impact Statement (EIS) process, administered by the Bureau of Land Management (BLM), is underway and a Draft EIS is expected to be published in 2015. As part of the permitting effort, an aquifer test was successfully completed at the end of 2012, and excavation of the existing buried concrete foundations that will be re-used in the future processing operations of the Mine was completed in February 2013. Since this is the first copper mine to be permitted under the new State of New Mexico mining regulatory program, in order to minimize to the extent possible conflicts between the BLM, state mining, and other environmental regulatory programs, the Company participates in monthly meetings with regulatory agencies to communicate progress, identify real or potential conflicts, and provide current information on the Company's ongoing studies. The Company believes that these and other meetings have contributed to relationships with the agencies that are frank, informative, productive, and, thus, conducive to problem solving.

As part of the permitting process, management continues to engage with regulatory stakeholders on a number of issues, including securing the appropriate consents and permits for water rights for the Project. Water resources are carefully managed and controlled in the Western United States, and appropriation of water rights for use by the Copper Flat Project is managed by the Office of the State Engineer for New Mexico (NMOSE). NMCC has secured via purchase or contract 7,481 acre-feet of water per year ("acre-ft/yr") of declared water rights (1,019 acre-ft/yr was purchased in the Options and Purchase Agreement; the remaining 6,462 acre-ft/yr is under contract with a group of private individuals). NMCC has met all payment terms to date; the final payment of USD\$700,000 is due within 60 days of securing the Mine Permit. Currently, NMOSE considers approximately 890 acre-feet to have been perfected through historical actual use by the Mine, far below the amount required for the operation. NMCC disagrees with NMOSE and intends to proceed with legal hearings on the matter based on Quintana records and the Mendenhall Doctrine, an accepted legal argument in the State of New Mexico regarding pre-water basin claims to water. The Company will make appropriate and timely disclosure as developments occur in this regard.

The Company is building community relationships through public outreach meetings and through communication and education efforts such as interviews and Op-Ed articles in local newspapers, presentations to the local governing bodies and service organizations, and participation in local events. These efforts resulted in resolutions of support passed unanimously by three of the four local governing bodies, and by majority vote of the fourth body.

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Expenditures on the Copper Flat Project are as follows:

	Period ended September 30, 2014	Year ended June 30, 2014
Deferred exploration expenditures, beginning of the period	\$ 24,131,854	\$ 21,712,810
Assaying	4,753	-
Asset retirement obligation	-	(89,147)
Depreciation	17,612	69,234
Engineering	49,653	249,410
Exploration	13,489	88,124
Feasibility	8,964	308,698
Lease and land payments	25,614	42,787
Legal	17,289	132,438
Permitting	281,462	1,081,182
Share-based payments	<u>4,556</u>	<u>195,407</u>
Additions for the period	<u>423,392</u>	<u>2,078,133</u>
Cumulative foreign currency translation adjustment	<u>1,202,483</u>	<u>340,911</u>
Deferred exploration expenditures, end of the period	<u>\$ 25,757,729</u>	<u>\$ 24,131,854</u>

Financings and Working Capital

Financings

During the period ended September 30, 2014, the Company drew funds of \$983,280 on its loan (the "Loan") with Tulla Resources Group Pty Ltd. ("Tulla"), a company controlled by a director of the Company. Subsequent to the period ended September 30, 2014, the Company has drawn an additional \$271,444 in funds. The Company and Tulla have agreed in principle to extend the loan facility and are currently working to document and formalize the arrangement. Refer to "Capital resources" for additional discussion.

Working Capital

As at September 30, 2014, the Company had working capital deficiency of \$47,963,230 (June 30, 2014 - \$45,517,058). The significant decrease in working capital relates to the accumulation of amounts due on the Loan.

Prepaid expenses and deposits of \$101,190 (June 30, 2014 - \$66,601) consists of advances to vendors and contractors, lease and rent deposits, and prepaid insurance.

Trade and other payables were \$392,998 (June 30, 2014 - \$315,550) not including amounts to related parties of \$747,839 (June 30, 2014 - \$843,669). Amounts due to related parties are related to trade payables, are unsecured and are non-interest bearing.

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Debt

As at September 30, 2014, the Loan payable of \$46,905,248 (June 30, 2014 - \$44,256,489), including interest, relates to the loan agreement with Tulla detailed in the accompanying condensed consolidated interim financial statements. The Loan is due on demand and accrues interest at 20% per annum.

The Company has acquired 1,200 acres of land pursuant to the Fancher Agreement within the Copper Flat Project area. The total purchase price of the land is US\$2,500,000 ("Purchase Price") of which US\$325,000 (the "Initial Payment") was paid during the year ended June 30, 2013. The Company will pay installments of US\$125,000 on the second, third and fourth anniversaries of the Initial Payment and the balance of US\$1,800,000 ("Final Payment") on or before the fifth anniversary of the Initial Payment. Interest accrues at a rate of 3.5%, adjusted to changes in LIBOR, per year on the Purchase Price less installments paid to date. As at September 30, 2014, the carrying value of the property obligation was \$2,558,358 (June 30, 2014 - \$2,416,438).

Results of Operations

Three months ended September 30, 2014 and three months ended September 30, 2013

Three Months ended September 30	2014		2013		
	\$	% of expenses	\$	% of expenses	% change
Accounting and audit	26,512	1.30%	10,744	0.53%	146.76%
Depreciation	7,226	0.35%	9,425	0.47%	-23.33%
Director's fees	87,500	4.28%	91,250	4.54%	-4.11%
Filing fees and transfer agent fees	2,603	0.13%	3,766	0.20%	-30.88%
Finance expenses	1,665,478	81.43%	1,509,623	75.15%	10.32%
Interest on property obligation	20,899	1.02%	18,999	0.95%	10.00%
Investor communications	1,574	0.08%	80,592	4.01%	-98.05%
Legal fees	5,759	0.28%	7,303	0.36%	-21.14%
Management fees	45,701	2.23%	103,875	5.17%	-56.00%
Office and sundry	164,405	8.04%	168,629	8.39%	-2.50%
Share-based payments	—	0.00%	(13,829)	-0.69%	-100.00%
Travel	17,576	0.86%	18,336	0.91%	-4.14%
Loss for the period	(2,045,233)		(2,008,713)		
Exchange differences on translating foreign operations	2,630,135		(1,077,176)		
Comprehensive income (loss) for the period	584,902		(3,085,889)		

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

- The interest expense represents the interest due on the Loan described in the accompanying condensed consolidated interim financial statements. The Loan principal has increased over the periods presented resulting in a higher interest expense for the current period.

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- Investor relations expense has decreased as the Company has reduced investor relations activities in New Mexico while proceeding through the permitting process in order to conserve funds.
- Management fees have decreased due to changes in the senior executives of the Company as per payments to key management personnel outlined below in related party transactions.

Summary of quarterly results:

	Quarter ended (three-month unaudited figures, unless otherwise specified)							
	Sept 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sept 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss for the period	(2,045,229)	(2,057,593)	(1,977,160)	(2,132,290)	(2,008,713)	(1,192,416)	(1,798,596)	(1,642,693)
Per share basic & diluted	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)
Total comprehensive income (loss) for the period	584,905	(4,332,337)	40,158	(408,401)	(3,085,889)	(181,366)	(910,262)	(1,189,740)
Per share basic	0.01	(0.06)	0.01	(0.01)	(0.04)	(0.01)	(0.01)	(0.02)
Per share diluted	0.01	(0.06)	0.01	(0.01)	(0.04)	(0.01)	(0.01)	(0.02)
Total assets	58,951,718	55,581,327	57,503,801	54,858,819	52,444,905	53,331,977	48,200,945	44,008,682
Total liabilities	50,786,319	48,005,389	45,892,515	43,418,849	40,682,973	38,488,364	33,213,038	28,338,745
Shareholders' equity	8,165,399	7,575,938	11,611,286	11,439,970	11,761,932	14,843,613	14,987,907	15,669,937
Cash dividends declared	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The trend presented by the table above demonstrates continued investment in the Copper Flat Project which is predominantly financed by drawing on the Tulla Loan. The difference between net loss and comprehensive loss reflects the foreign exchange translation of the holdings of the Company's subsidiary NMCC which holds title to the Copper Flat Project.

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 trade and other payables, due to related parties, property obligation and loan payable. 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.

The Company has identified the outstanding Tulla Loan and negative working capital position as a significant liquidity risk to the Company. Tulla has not made demand for payment of the Loan to date.

The Company will depend on future financings from its majority shareholder (Tulla) and other alternatives 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 12 months exceeds the current 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.

Transactions with related parties and payments to key management personnel

During the period ended September 30, the Company incurred the following expenditures in respect of transactions with related parties:

Period ended September 30	2014	2013
Salary paid and accrued to Mr. Andrew Maloney, CEO	36,761	67,500
Salary paid to Mr. Jeffrey Smith, COO	73,521	-
Salary accrued to Mr. Stuart Crawford, former CFO	-	18,750
Directors fees paid or accrued to:		
Mr. Kevin W. Maloney	20,000	20,000
Mr. Barrett Sleeman	12,500	11,250
Mr. John Cook (former Director as of October 31, 2013)	-	15,000
Mr. Kenneth Pickering	16,250	16,250
Mr. Joel Schneyer	17,500	17,500
Mr. Andrew Maloney	13,750	11,250
Loan advances received from Tulla	983,280	920,000
Interest incurred on loan payable to Tulla	1,665,479	1,509,623
Fair value of options granted to above persons:	4,556	14,544

During the year ended June 30, 2014, the Company issued 1,192,000 shares to five directors of the Company to settle \$107,280 in accrued directors' fees.

Capital resources

The Company's ability to raise further funds from the equity markets will largely depend upon general market conditions. The Company and Tulla are currently working to amend the terms of the Loan to increase the facility and amend the maturity date.

Off-balance sheet arrangements

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

Financial Instruments

The Company's financial instruments consist of cash, receivables, bonds, trade and other payables, amounts due to related parties, loan payable and property obligation. 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 receivables, bonds, trade and other payables and loan payable approximate their carrying values due to their short-term nature.

The property obligation is carried at amortized cost. The fair value of the property obligation approximates its carrying value as it reflects the amount payable as at the reporting date to discharge the liability.

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\$1.06 to a high of US\$1.12 for CAD\$1 during the period ended September 30, 2014. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately \$5,560,800. 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, taxes recoverable, trade and other payables, amounts due to related parties, Tulla Loan and Fancher property obligation. Amounts owed to related parties, excluding the loan payable, do not bear interest, and, therefore, these amounts are not exposed to interest rate variations. The loan payable bears an interest rate of 20% per annum on outstanding amounts. The property obligation bears interest at a rate of 3.5% per annum adjusted for fluctuations in LIBOR. While changes in LIBOR were insignificant in the period presented, it is possible that adjustments in the future could be significant.

Receivables typically consist of Canadian Goods and Services Tax ("GST") due from the Federal Government of Canada and bonds for the Project refunded after period end. Management believes that the credit risk with respect to receivables is remote. In addition, the Company is satisfied with the credit rating of the banks where the cash is held.

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 copper, gold, silver and molybdenum, that the Company will receive required permits and access to surface and water rights, that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within the jurisdictions where the company operates or is planning to operate will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Risk Factors

Companies in the development stage 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. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, grant of mining permits, commodities prices, changes in laws and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

THEMAC will require additional funding.

At September 30, 2014 the Company held cash of \$237,447 and had current liabilities of \$48,306,803. The Company has historically relied upon equity subscriptions and extensions to its loan with Tulla to satisfy its capital requirements and will likely continue to depend upon these sources to finance its activities. There can be no assurances that the Company will be successful in raising the desired level of financing on acceptable terms.

THEMAC will require various permits and title agreements to enable it to conduct its current and anticipated future operations.

The Company's current and anticipated future operations, including further exploration and development activities and the commencement of production from the Company's Copper Flat Project in New Mexico, USA requires the granting of the necessary permits and right of ways from various federal, state and local authorities and private property holders. The granting, continuing validity and enforcement of the terms of such permits are, as a practical matter, often subject to the discretion of government officials. There can be no assurance that all concessions and permits that the Company requires will be obtainable on reasonable terms, or at all, or will continue to be valid. Further, delays or failure to obtain such concessions and permits, the withdrawal, expiry or non-renewal of existing concessions and permits, or failure to comply with the terms of such concessions and permits could have a material adverse impact on the Company.

THEMAC must obtain certainty of water rights in order to successfully develop the Copper Flat Project

Negotiating rights to water involves certain inherent risks. Management continues to engage with the NMOSE to secure the appropriate consents and permits for Project water rights. Specifically, the NMOSE has provided confirmation to some of the Project's water rights, and the Company is preparing for legal hearings regarding the balance of the water rights. The basis of the Company's position is the Mendenhall Doctrine, an accepted legal argument in the State of New Mexico regarding pre-water basin claims. As the Company progresses in this regard, the appropriate disclosures will be made. Despite the Company's efforts, there can be no guarantee that the Company will be able to secure surface access, water rights, or the other permits necessary to re-start operations at Copper Flat.

THEMAC is subject to government regulation

The Company's mineral exploration is, and any development activities will be, subject to various laws governing exploration, development, production, taxes, labour standards and occupational health, mine safety, environmental protection, toxic substances, land use, water use and other matters. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory authorities curtailing the Company's operations or requiring corrective measures, any of which could result in the Company incurring substantial expenditures. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

Exploration, development and mining activities can be hazardous and involve a high degree of risk.

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of base metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability. Milling operations, if any, are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

THEMAC may be adversely affected by fluctuations in commodity prices.

The value and price of the Company's common shares, the Company's financial results, and exploration, development and mining activities of the Company, if any, may be significantly adversely affected by declines in the price of copper and other key commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand, and the political and economic conditions of mineral producing countries throughout the world.

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 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 condensed consolidated interim financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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

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

Cautionary note for USA readers

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

Other MD&A requirements

- a) Copies of all previously published financial statements, management discussions, meeting materials, etc., are available on the SEDAR website at www.sedar.com.
- b) Information pursuant to sections of National Instrument 51-102:
 - i) Section 5.3: The Company's continued operations are dependent on its ability to raise adequate funds from the capital markets or other sources of financing.
 - ii) Section 5.4: Outstanding share data as at the date of this MD&A:
 - Common shares:
 - ♦ Authorized: unlimited number, without par value.
 - ♦ Issued and outstanding: 76,492,122.
 - Warrants:
 - ♦ 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: 13,442,072 with a weighted average exercise price of \$0.11 with a weighted average remaining life of 3.60 years.

The fully diluted capital of the Company as at the date of this MD&A is 140,434,194.

Directors and officers

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

Directors

Kevin W. Maloney (Chairman)
Andrew Maloney
Kenneth (Ken) Pickering
Barrett Sleeman
Joel Schneyer

Officers

Andrew Maloney, Chief Executive Officer
Mark McIntosh, Chief Financial Officer
Jeffrey Smith, Chief Operating Officer
Stephen L. Law, Secretary

On behalf of the Board of Directors:

“Andrew Maloney”

Andrew Maloney
Chief Executive Officer