CMC METALS LTD.
MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
Quarter Ended June 30, 2013, as of August 23, 2013
(all figures in Canadian dollars)

General

This Management's Discussion and Analysis ("MD&A") of CMC Metals Ltd. (the "Company") is dated August 23, 2013 and provides an analysis of the Company's financial results for the three and nine month period ended June 30, 2013 compared to the same periods in the previous year and that of its last year end of September 30, 2012.

The following information should be read in conjunction with the Company's September 30, 2012 audited consolidated financial statements and related notes which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All amounts are in Canadian dollars unless otherwise stated.

The Company's shares are listed on the Vancouver Stock Exchange under the symbol "CMC". Additional information related to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.cmcmetals.ca.

Description of Business

The Company was incorporated under the laws of the Province of Alberta on June 21, 1996 and continued into the Province of British Columbia and changed its name to CMC Metals Ltd. from Bellevue Capital Corp., on July 4, 2005. The Company was extra-territorially registered in the Yukon on September 14, 2005.

On April 7, 2010, the Company incorporated a wholly-owned subsidiary, 0877887 B.C. Ltd. ("0877887 B.C."), under the Business Corporations Act of British Columbia. On April 12, 2012, the Company incorporated in the state of California, a 100% wholly-owned subsidiary, CMC Metals Corp.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries 0877887 B.C Ltd. and CMC Metals Corp.

The consolidated financial statements of the Company 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"). Therefore, the financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting."

The consolidated interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to obtain continued financial support, raise adequate financing and to fund profitable operations in the future.

Discussion of Operations and Financial Condition

Operations Summary

During the start of the 2010 fiscal year, the Company continued its efforts to satisfy the British Columbia Securities Commissions concerns in seeking a revocation of the Cease Trade Order issued against the Company on September 3, 2009, for failure to file an updated NI43-101 on its Silver Hart Property, plus non-compliant NI43-101 disclosure statements. The Company retained a qualified geologist to prepare the NI43-101 and legal counsel to aid it in the Company satisfying the Commission's requirements. Having met all the requirements

Operations Summary (Cont'd)

imposed by the Commission, a Revocation Order was issued on January 15, 2010, and the Company's shares were reinstated for trading on the TSX-V on February 4, 2010.

During the 2011 fiscal year, the Company continued its efforts to progress the Silver Hart property towards the permitting of the mine and mill. The development application was updated for the Yukon Environmental and Socio-economic Assessment Board ("YESAB") Executive Committee ("ExCom") for pre-screening for completeness. Additional water quality and hydrological studies were undertaken to support the application. The application was submitted to YESAB on February 8th, 2010. In August 2010, a meeting with the YESAB ExCom members requested additional water balance studies and geotechnical studies for the site. It was stated that the geotechnical studies requested are for a prepared site area and can't be performed prior. On June 3rd, 2011, the Company withdrew the YESAB ExCom application due to unreasonable time and cost risks associated with proceeding along that process. The Company is planning to reapply under the exploration permit that has been approved in an effort to accelerate the mining process.

During the 2011 fiscal year, the Company extracted a logistical 130.8 dry tonne bulk sample from the Silver Hart property and received $445,000 (USD). During the 2012 fiscal year, the Company sent a second bulk sample of 114.1 dry tonnes and received $311,401 (USD) pursuant to a letter of credit with a purchaser of the second bulk sample extracted from the Silver Hart Property. A third shipment of 268.6 dry tonnes was shipped in April, 2013 and the Company received $205,885 (USD). During 2012, there was no activity on the Silver Hart property due to the Class 3 permit requiring renewal as of May 2012. The Company is preparing a updated submission to the Yukon Government for a new Class 3 permit and will be submitted by the end of the fourth quarter of 2013.

In preparation for exploration of the Wheelbarrow property located in Atlin, British Columbia, the Company continued to compile the historical data to assist in the developing of an exploration plan and budget. There are several exploration zones that were indentified for drill exploration. The Company was unable to access the site until early September. Six drill holes were completed on the Brenda Zone. It was determined that the geological structure would eliminate the potential to mine economic ore. On November 23, 2010, the Company terminated its option pursuant to the Wheelbarrow Property upon its determination that the Wheelbarrow Property would not meet its development criteria. At June 30, 2010, the Company wrote-off $295,349 (2009 - $Nil) in acquisition and exploration expenses incurred with respect to this property.

On March 15, 2010, the Company signed a Purchase Agreement for the Bishop Mill facilities located 8 miles north east of Bishop California. The purpose of the asset acquisition was based on the Bishop Mill being the only current permitted facility in Inyo County, California with several permitted active mines that required milling facilities. We are negotiating several joint venture agreements with permitted mines in the area. An amended Plan of Operation was developed with a new Class A Tailings Pond. The amended plan was submitted to the area water board for approval of the tailings pond design on December 23, 2010. The larger tailings pond required to have an updated California Environmental Quality Assessment and a National Environmental Protection Assessment conducted for the site. On May 13, 2011 a Waste Discharge Requirements approval was received. Prior to the Bureau of Land Management reviewing the amended Plan of Operation including the new tailings pond, the past operator's buried tailings were requested to be classified under the current environmental regulations. On December 23, 2011 a report on the tailings defined the tailings as non-toxic allowing the BLM to complete their review of the amended Plan of Operations.

On May 3, 2013, the Company received confirmation that the NEPA assessment was completed and the approval of the filed Plan of Operation with the Bureau of Land Management has been granted.

On March 1, 2011, the Company entered into a Letter of Intent ("Radcliff LOI") with Pruett Ballarat Inc. (PBI), to acquire up to a 50% interest in the Radcliff Property development located in Inyo County, California. PBI held an

Operations Summary (Cont'd)

option agreement to develop the Radcliff Property and proposed to process the mines mineralized rock at the Bishop Mill facilities. On December 19, 2011, the Company and PBI entered into an Acquisition Agreement to acquire the claims which comprise the Company's Radcliff Property. The Company continued to technically and financially assist in the advancement of the Radcliff mine and in June of 2012 it was determined that a second adit was needed to properly development of the mineralized structure systematically. The mine development was suspended until the Bishop Mill facility approvals had been completed. The approvals were issued in May 2013 and the Company has proceeded in coordinating the construction and commissioning of the Mill facilities to allow the continuation of the Radcliff Mine development.

For the continued growth of the Company, we are actively reviewing several properties of merit and capital asset acquisitions that will support the Company's focus of developing properties that will provide value to the shareholders in the long term.

Property Acquisitions

Bishop Mill

On March 19, 2010 and as completed on April 15, 2010, the Company entered into a sale and purchase agreement to acquire a 100% interest in certain claims, buildings, water rights and machinery, comprising the Bishop Millsite Property located near Bishop, California.

As consideration, the Company made the following payments:

- $156,345 (US$150,000) by March 19, 2010 (paid). Of this amount, $89,574 was allocated toward acquisition cost and $66,771 (US$64,061) towards a reclamation bond on the property.
- $100,533 (US$100,000) by April 15, 2010 (paid).

Upon completion of the above payments, the Company assumed a US$68,160 (CDN $68,523) liability, which represented a loan used towards the reclamation bond.

The reclamation bond was transferred to the Company upon repayment of the loan in full which occurred in April, 2011. The Company is required to increase the bond on the Bishop Mill to US$191,269 prior to commencing operations. The Company anticipates having the bond in place by the end of the Company's fourth quarter, September 30, 2013.

Logjam Property

The Company entered into an option agreement dated May 30, 2006 (the "Logjam Option Agreement") to acquire a 100% interest in the Logjam Property located in the Watson Lake Mining District, Yukon Territories. As consideration, the Company paid $5,000 upon execution of the agreement for access rights to the Logjam Property.

Pursuant to the option agreement, at the end of the four years, the Company had the option to acquire a 100% ownership of the claims.

During the year ended September 30, 2010, the Company issued 50,000 common shares at a fair value of $8,500 and acquired a 100% interest in the Logjam Property. Further, pursuant to the Logjam Option Agreement, the Company will pay an additional amount of $100,000 or issue 100,000 common shares if an assessment is made that the property contains not less than 350,000 tons of economic grade ore.

Silver Hart Property

On February 21, 2005, the Company acquired a 100% interest in the Silver Hart Property located in the Watson Lake Mining District, Yukon Territories from an arm's length individual who subsequently became a director and officer of the Company.

On March 1, 2007, the terms to the Silver Hart Property agreement were amended. The Company acquired a 100% interest in the Silver Hart Property from the director and officer of the Company for a total of $995,000 with interest accruing commencing January 1, 2007 at 8.5% per annum, with accrued interest being payable on the date of the last principal payment.

Pursuant to the March 1, 2007 agreement, as amended, payments were due as follows:

- $50,000 upon execution of the original agreement (paid);
- $75,000 within five days of July 5, 2005 (paid);
- $100,000 on April 5, 2006 (paid);
- $100,000 on January 5, 2007 (paid);
- $100,000 on July 5, 2007 (paid);
- $100,000 on January 5, 2008 (paid);
- $100,000 on July 5, 2008 (paid);
- $100,000 on January 5, 2009 (amended – due on September 30, 2012);
- $100,000 on July 5, 2009 (amended – due on September 30, 2012); and
- the balance of the principal of $270,000, extension fees and accumulated interest on September 30, 2011(amended – due on September 30, 2013).

The Company granted a first charge on the mineral property as security for the payments.

On January 5, 2010, the terms of the Silver Hart Property agreement, as amended, were revised such that the payments of $100,000 due on January 5, 2009 and July 5, 2009 were extended to March 31, 2011. In addition, the balance of principal of $270,000 and accumulated interest to be paid on January 5, 2010 were extended to March 31, 2011. In exchange, the Company is obligated to pay an extension fee of $50,000, which had been recorded as long-term debt.

On September 30, 2010, the terms of the Silver Hart Property agreement, as amended, were revised once again such that the expiration date wherein the balance of both principal and accrued interest was extended from March 31, 2011 to March 31, 2012 for an extension fee of $35,000, which fee was applied to the principal balance owing as of September 30, 2010 as long-term debt.

On January 26, 2011, the terms of the Silver Hart Property agreement, as amended, were revised once again such that the expiration date wherein the balance of both principal and accrued interest was extended from March 31, 2012 to September 30, 2012 upon receipt by the vendor of a principal payment of $100,000 (paid).

On September 30, 2012, the terms of the Silver Hart Property agreement, as amended, were revised once again such that the expiration date wherein the balance of each of the principal, accrued interest and extension fees was extended from September 30, 2012, to September 30, 2013.

Silver Hart Property (cont'd)
The principal balance owing pursuant to the Silver Hart Property agreement including accrued interest and extension fees as of June 30, 2013 was $639,197 (September 30, 2012 - $600,890, and September 30, 2011 - $560,486).

The Company is required to issue 1,000,000 common shares with a fair value of $300,000 on the earlier of 24 months from July 5, 2005 and the date of completion of the property payments. In 2005, the amount was recorded as an obligation to issue shares, with a corresponding entry to mineral properties and deferred exploration expenditures. As at September 30, 2012 and June 30, 2013, the Company has not yet issued these shares.

Black Horse Mine / Chesco Claims – Joint Venture
On November 2, 2010, the Company entered into a Letter of Intent ("LOI") to enter in a Joint Venture Agreement (the "Joint Venture") with Pruett Ballarat Inc. ("PBI") to progress mine and mill developments in California and Nevada. Pursuant to the Joint Venture, property acquisitions into the Joint Venture will be owned and operated on a 50/50 proportionate basis. Such Joint Venture will not limit the Company nor PBI from acquiring mineral properties for their sole interest. The Company paid US$20,000 (CDN$20,652) upon signing the LOI.

To initiate the Joint Venture, PBI registered title interest in certain claims comprising its 100% interest in the Black Horse Mine / Chesco Property. In return, the Company paid US$30,000 (CDN$30,977).

The total payment of US$50,000 (CDN$51,629) made by the Company constituted the Company's purchase of a 50% interest in the Black Horse Mine / Chesco Property. A further contribution of US$50,000 to the Joint Venture is required by the Company on or before 30 days from the signing date of the Joint Venture Agreement.

Radcliff Property
On March 1, 2011, the Company entered into a Letter of Intent ("Radcliff LOI") with PBI, to acquire up to a 50% interest in the Radcliff Property development located in Inyo County, California for a total purchase price of US$600,000.

On March 2, 2011, the Company paid to PBI US$150,000 (CDN $148,305) of a total US$300,000 due in payment of an initial 25% interest, and pursuant to the Radcliff LOI, will advance the US$150,000 balance owing in three monthly payments of US$50,000 each commencing June 15, 2011 and concluding August 15, 2011. The Company and PBI agreed to amend the payment schedule on the balance owing for the initial 25% interest by the Company paying US$75,000 (CDN$73,253) on April 26, 2011 (paid) and US$75,000 (CDN$72,600) on May 26, 2011 (paid).

The Company completed the payment for the initial 25% interest and at September 30, 2011, had the option to purchase an additional 25% interest in the Radcliff Property for a further US$300,000 which option was set to expire on December 31, 2013. On November 15, 2011, the Company and PBI entered into an amended letter agreement whereby the remaining 25% interest was acquired by the Company advancing US$150,000. The Company paid US$100,000 (CDN $100,000) and the remaining US$50,000 was deemed by PBI to have been considered paid through performance of services on behalf of the Company. Accordingly, the Company has exercised its option for the 50% interest.

On February 27, 2012, the Company entered into an amendment to the letter of agreement with PBI, wherein PBI has agreed to transfer certain equipment to the Radcliff joint venture for an agreed value of US$342,500. The Company will match the US$342,500 commitment by making financial contributions towards the joint venture which funds shall go towards the development of the Radcliff Property, of which US$90,000 (CDN $90,063) was

Radcliff Property (cont'd)
advanced to PBI on February 29, 2012, with a further US$50,000 (CDN $50,000) (paid) on April 2, 2012, US$52,000 (CDN $52,000) (paid) on April 26, 2012 and US$40,000 (CDN $40,000) (paid) on May 22, 2012. On June 22, 2012, the Company was required to pay a further US$39,000 (CDN $39,000) (paid) to complete its contribution.

On December 19, 2011, the Company and PBI entered into an Acquisition Agreement to acquire certain claims which comprise additions to the Company's Radcliff Property, located in California for the following consideration:

- US$100,000 (CDN $100,000) (paid) upon execution of the Acquisition Agreement; and
- US$900,000 upon closing of the Acquisition Agreement on or before April 16, 2012.

On April 16, 2012 the transaction pursuant to the Acquisition Agreement closed and the Radcliff Property was title registered 50% to the Company, after payment of an additional US$100,000 (CDN $100,000) (paid) on April 11, 2012. Furthermore, the Company and PBI agreed that the Company will pay for all of the consideration to acquire the additional claims. In consideration, the Company will be reimbursed the funds from revenues generated from the Radcliff Property.

On April 18, 2012, the Company entered into a Promissory Note Agreement, whereby the Company agreed to pay the remaining US$800,000 (the "Promissory Note") by June 15, 2012. Any amounts unpaid by June 15, 2012 would be subject to an interest rate of 10% per annum (subsequently amended to 7% - Note 19). The Promissory Note is secured by a Deed of Trust. Should such property be sold or conveyed prior to the maturity date, the entire amount will become immediately due and payable without notice.

On June 7, 2012, the Promissory Note was amended as follows:

- US$100,000 (CDN $100,100 paid) due on or before June 15, 2012;
- US$100,000 due on or before September 17, 2012; and
- US$600,000 in addition to all accrued interest due on or before December 17, 2012.

On November 16, 2012, the Promissory Note was further amended as follows:

- US$50,000 (paid) due on execution of the amendment;
- US$50,000 due on or before February 28, 2013 (paid);
- US$50,000 due on or before April 30, 2013 (paid); and
- US$500,000, a US$50,000 extension fee (the "Extension Fee") and all accrued interest due on or before August 31, 2013.

Any amounts unpaid by August 31, 2013 are subject to an interest rate of 7% per annum. If the Extension Fee is paid by August 31, 2013, it will not bear interest. The Extension Fee will entitle the Company to a credit of $25,000 against future NSR payments.

At June 30, 2013, the Company has recorded a Promissory Note of US$500,000 (CDN$525,900) (September 30, 2012 – US$650,000 (CDN$639,080)), extension fee of US$50,000 (CDN$52,590) (September 30, 2012 – $Nil), and accrued interest of $58,465 (September 30, 2012 - $23,752).

The claims are subject to a 5% NSR, which can be purchased (the "option to purchase") by the Company and PBI for $1,000,000 until April 16, 2013. PBI previously leased such claims and mined and stockpiled minerals and did

Radcliff Property (cont'd)
not pay an NSR. The Company and PBI shall pay the NSR on such pre-existing stockpiles unless the Company and PBI exercise the option to purchase the NSR. Subsequent to June 30, 2013, the Company and PBI did not purchase the NSR and are in negotiations for an extension.

Private Placements

On November 30, 2012, the Company issued 4,900,000 common shares pursuant to a 4,900,000 Unit non-brokered private placement at $0.10 per Unit. Each Unit consisted of one common share and one transferrable share purchase warrant entitling the holder thereof to purchase one additional common share of the Company at $0.12 per share for a two year period expiring November 30, 2014.

On December 17, 2012, the Company issued 550,000 flow-through common shares at $0.12 per share, pursuant to Warrants granted by way of a 1,000,000 flow-through unit non-brokered private placement completed on December 16, 2011 at $0.20 per unit. A total of $66,000 was received from the exercise of these 550,000 flow-through common shares.

Proceeds from both these placements were used to continue the Company's efforts in developing its Silver Hart Property in the Yukon, as well as its US operations for the Bishop Mill, as well as further payments required pursuant to the Promissory Note on the Radcliff Property and funding expenditures of its joint venture.

Shares for Debt Settlement

During the quarter ending June 30, 2013, there were no shares issued in settlement of outstanding debt.

Results of Operations

The following discussion and analysis explains trends in the Company's financial condition and results of operations. This discussion and analysis of the results of operations and financial condition of the Company should be read in conjunction with the audited financial statements and the notes thereto for that period. Unless expressly stated otherwise, all references to dollar amounts in this section are in Canadian dollars.

Quarterly Information

The quarterly results were derived from financial statements using IFRS. The quartlery results for following selected financial data should be read in conjunction with the Company's audited financial statements and quarterly management prepared financial statements.

	Quarter Ended 09/30/2011	Quarter Ended 12/31/2011	Quarter Ended 03/31/2012	Quarter Ended 06/30/2012
Net Income (loss)	$65,031	$(111,435)	$(217,696)	$(155,832)
Income (Loss) per share	$0.00	$(0.00)	$(0.00)	$(0.00)
	Quarter Ended 09/30/2012	Quarter Ended 12/31/2012	Quarter Ended 03/31/2013	Quarter Ended 06/30/2013
Net Income (loss)	$(1,242,187)	$(101,874)	$(116,837)	$(89,571)
Income (loss) per share	$(0.02)	$(0.00)	$(0.00)	$(0.00)

Management Discussion and Analysis

Quarter Ended June 30, 2013 Compared to September 30, 2012

There was no source of revenue for the Company during its third quarter other than interest income of $19 (September 30, 2012 - $2,046) and $7,500 received from the sale of equipment (September 30, 2012 - $Nil). As of June 30, 2013, the Company had total assets of $9,989,495 as compared with $9,577,716 at September 30, 2012. The Company had a working capital deficit at June 30, 2013 of ($1,428,555), compared to ($1,389,947) as at September 30, 2012.

Expenses for the quarter ended June 30, 2013 were $76,704 as compared to $641,733 for the year ended September 30, 2012. The earning (net loss) per share for the quarter ended June 30, 2013 was ($0.00) compared to ($0.02) at September 30, 2012.

Quarter Ended June 30, 2013 Compared Quarter Ended June 30, 2102

As of June 30, 2013, the Company had total assets of $9,989,495 as compared with $10,476,047 at June 30, 2012. The Company had a working capital deficit at June 30, 2013 of ($1,428,555) compared to ($387,850) at June 30, 2012.

Total operating expenses during the quarter ended June 30, 2013 amounted to $76,704 compared to $170,038 for the quarter ended June 30, 2012. The net loss per share for the quarter ended June 30, 2013 was $0.00 compared with net loss per share of $0.00 for the quarter ended June 30, 2012.

General and Administrative (G&A)

Between the period of April 1, 2013 and June 30, 2013, the general and administration expenses were as follows:

For the quarter ended June 30,	2013	2012
Consulting	$ 2,800	$ 21,126
Filing and transfer agent fees	1,800	2,640
Interest expense	30,884	19,465
Investor communications	2,500	-
Office and miscellaneous	18,620	42,133
Part XII.6 tax expense	-	-
Professional fees	12,950	32,410
Rent	4,500	4,500
Stock-based compensation	-	40,906
Travel	2,650	6,858
	$ 76,704	$ 170,038

Related Party Transactions

During the nine month period ended June 30, 2013, the Company entered into the following transactions with related parties:

a) incurred management fees of $52,500 (September 2012 - $90,000) to a director of the Company which were recorded in exploration and evaluation assets;
b) incurred rent of $13,500 (June 30, 2012 – $14,750) to company controlled by a director and officer of the Company;
c) incurred secretarial fees of $34,549 (June 30, 2012 - $44,450) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
d) accrued interest of $38,307 (June 30, 2012 - $33,520) to a director and officer of the Company, pursuant to the Silver Hart Property;
e) incurred administrative fees of $7,504 (June 30March 31, 2012 - $19,296) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous; and
f) loaned US$15,000 (CDN $15,000) (June 30, 2012 - $Nil) to the President and CEO of the Company secured by a Promissory Note due on demand and bearing 6% interest per annum.

At June 30, 2013, a total of $50,416 (September 30, 2012 - $24,612) was owing to directors of the Company.

Amounts due to or from related parties are non-interest bearing, unsecured and have no fixed terms of repayment. The fair value of amounts due to related parties is not determinable as they have no specified repayment terms.

The only other related party transaction is that of the CMC Silver Property acquisition. At the beginning of the transaction in February 2005, the Vendor, Michael Scholz, was arms-length to the Company and became non-arms-length on August 1, 2005 when he was appointed a director and the Chief Financial Officer of the Company.

Off Balance Sheet Agreements

None

Proposed transactions

None

Comparative figures
Certain of the comparative figures have been reclassified to conform with the current year's presentation.

Accounting Standards Issued but not yet Effective

- IFRS 9, Financial Instruments.
- IFRS 10, Consolidated Financial Instruments
- IFRS 11, Joint Arrangement.
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 32, Financial Instruments: Presentation

Accounting Standards Issued but not yet Effective (cont’d)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

Liquidity & Capital Resources

Cash as of June 30, 2013 was $137,450, compared to $28,246 for the year ended September 30, 2012. As at June 30, 2013, the Company had a working capital deficit of ($1,428,555) compared to a working capital deficit of ($1,389,947) as at the September 30, 2012 year end.

The Company will require additional capital to provide working capital and to finance its current and any proposed acquisition.

Risk, Uncertainties and Outlook

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines.

Subsequent to June 30, 2013 and September 30, 2012, the Company has had a working capital deficiency. It is estimated that it may require approximately $1.5 million in total working capital to continue to operate the Company and pay the liabilities of the Company, including all accrued liabilities.

There are no paid employees.

The ability to raise working capital directly impacts the ability of the Company to undertake any planned exploration programs. Currently sufficient work has been undertaken on all of its current mineral property interests for a number of years, however, if the Company is unable to perform sufficient exploration work in future years or with exploration partners, it may be necessary to write-down additional mineral property interests in future periods. The Company’s exploration activities and its potential mining and processing operations are subject to various laws governing land use, the protection of the environment, prospecting, development, production, contractor availability, commodity prices, exports, taxes, labour standards, occupational safety and health, waste disposal, toxic substances, mine safety and other matters. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There is no assurance that the Company will be able to obtain all permits required for exploration, any future development and construction of mining facilities and conduct of mining operations on reasonable terms or that new legislation or modifications to existing legislation, would not have an adverse effect on any exploration or mining project which the Company might undertake.

The Company has been performing reclamation activities on an on-going basis. As such, management feels that there is no significant reclamation liability outstanding on properties owned by the Company.

The Company’s ability to continue as a going concern is contingent on its ability to obtain additional financing. Several adverse conditions cast significant doubt on the validity of this assumption. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise funds by private placements of shares. The junior resource industry has been severely adversely affected by the world economic situation, as it is considered to be a high-risk investment. There is no assurance that the Company will be successful with any

Risk, Uncertainties and Outlook (cont'd)

financing ventures. It is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of its mineral property interests. While the Company is expending its best efforts to achieve its plans by examining various financing alternatives including reorganizations, mergers, sales of assets, and settlement of debts by share issuances, or other form of equity financing, there is no assurance that any such activity will generate funds that will be available for operations.

The year end audited financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada. As most of the Company's cash is held in one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables and reclamation bond. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and the reclamation bond is held with government authorities.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Liquidity risk (cont'd)
The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at June 30, 2013:

	Within one year	**Between one and five years**	**More than five years**
Trade payables	$ 257,062	-	-
Due to related parties	$ 50,416	-	-
Promissory Note	$ 636,955	-	-
Current debt	$ 639,197	-	-
Total	**$ 1,583,630**	$ -	$ -

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's subsidiary is not exposed to material currency risk as its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fair value of the Company's cash accounts are relatively unaffected by changes in short term interest rates. The Company's debt has a fixed interest rate and is not affected by changes in interest rates.

Capital management
The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	June 30,2013 (Unaudited)	September 30, 2012
Cash and cash equivalents	$ 137,450	$ 28,246
Reclamation deposits	154,747	154,747
	$ 292,197	$ 182,993

Classification of financial instruments (cont’d)

Financial liabilities included in the statement of financial position are as follows:

	June 30, 2013 (Unaudited)	September 30, 2012
Non-derivative financial liabilities:		
Trade payables	$ 257,062	$ 127,197
Due to related parties	50,416	24,612
Promissory note	636,955	662,832
Current debt	639,197	600,890
Preferred shares	450,352	423,361
	$ 2,033,982	$ 1,838,892

Fair value

The fair value of the Company’s financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

At September 30, 2012 and June 30, 2013, the fair value of the Company’s financial instruments are measured based on Level 1 inputs.

Share Capital

As of August 23, 2013, the Company had 63,273,646 common shares issued and outstanding.

In addition, as at August 23, 2013 the Company had 4,900,000 outstanding warrants as follows:

- 4,900,000 of a total 4,900,000 warrants exercisable on a 1:1 basis at $0.12 per share pursuant to the 4,900,000 unit private placement (warrants expiring November 30, 2014).

In addition, as at August 23, 2013, the Company had 725,000 stock options outstanding, of which:

- 275,000 are exercisable at an exercise price of $0.15 expiring on June 12, 2014; and
- 450,000 are exercisable at an exercise price of $0.21 expiring on February 7, 2014.

Forward-looking Statements

The Management Discussion and Analysis of Financial Condition and Results of Operations contain certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", ""estimates", "projects", "potential", "interprets" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs and joint venture partner participation, liquidity and effects of accounting policy changes. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligations to update these forward-looking statements in the even that management's beliefs, estimates or opinions, or other factors, should change except as required by law.

These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Company's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.