Josephine Mining Corp.

Management's Discussion and Analysis
For the six months ended June 30, 2012
(Unaudited and expressed in Canadian dollars)

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Introduction

This management's discussion and analysis ("MD&A") is dated August 28, 2012 and is in respect of the interim reporting period ended June 30, 2012. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars. References to "US$" mean United States dollars.

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with its condensed interim consolidated financial statements and related notes for the interim period ended June 30, 2012. This section contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those described under "Forward looking information".

Forward looking information

Certain statements in this MD&A are forward-looking statements or information (collectively "forward-looking statements"). The Company is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market for gold will continue to grow and that the risks listed below will not adversely impact the Company's business.

Specific forward-looking statements include:

- At this time the Company remains committed to advancing the Turner Gold Project and is still engaged in project planning and engineering studies to determine the best available methods to maximize project potential and shareholder value. The results from the recent 2011 infill drilling program are being assessed in order to develop an updated resource model. Contrary to our original goals of starting and completing a preliminary feasibility study ("PFS") in Q4 2012, it is likely that completion of this important milestone for the project will be commenced in Q3 or Q4 2012 and completed in Q1 or Q2 2013. Additional information regarding the timing of the PFS will be announced by the Company as the resource update is completed.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: limited operating history; exploration, development and operating risks; regulatory risks; substantial capital requirements and liquidity; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; fluctuating mineral prices and marketability of minerals; title to properties; local resident concerns; no mineral reserves or mineral resources; environmental risks; governmental regulations and processing licenses and permits; conflicts of interest of management; uninsurable risks; exposure to potential litigation; dividends; and other factors beyond the control of the Company.

Furthermore, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Historical information

Josephine Mining Corp. ("the Company") is a mineral exploration company incorporated under the laws of British Columbia and, together with its subsidiaries, is engaged in the exploration and development of the Turner Gold Property in southern Oregon. Prior to March 24, 2011, the Company was classified as a Capital Pool Company within the meaning ascribed by the TSX Venture Exchange (the "Exchange") policy and the British Columbia Securities Act.

In March 2008, prior to its Qualifying Transaction, the Company completed an initial public offering of 3,000,000 common shares. The Company's shares began trading on the Exchange on March 24, 2008 under the trading symbol "GRP.P".

In March 2010, the Company entered into a letter agreement to purchase all of the issued and outstanding securities of 0854742 B.C. Ltd. The acquisition of 0854742 B.C. Ltd., then known as Josephine Mining Corp., constituted the Company's Qualifying Transaction under the policies of the Exchange. 0854742 was at arm's length to the Company.

On March 24, 2011, the Company completed its Qualifying Transaction, as defined under the rules of the Exchange, when its wholly-owned subsidiary 0890810 B.C. Ltd. ("Subco") amalgamated with 0854742 B.C. Ltd. ("0854742"), formerly known as Josephine Mining Corp. Since the Qualifying Transaction, the Company's sole activities have related to the acquisition and exploration of the Turner Gold Property (including ancillary properties). In connection with the Qualifying Transaction, the Company changed its name to Josephine Mining Corp., ceased to be a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange and commenced trading as a Tier 2 mining issuer on the Exchange on March 29, 2011. On commencement of trading the Company's trading symbol changing from "GRP.H" to "JMC".

Current highlights

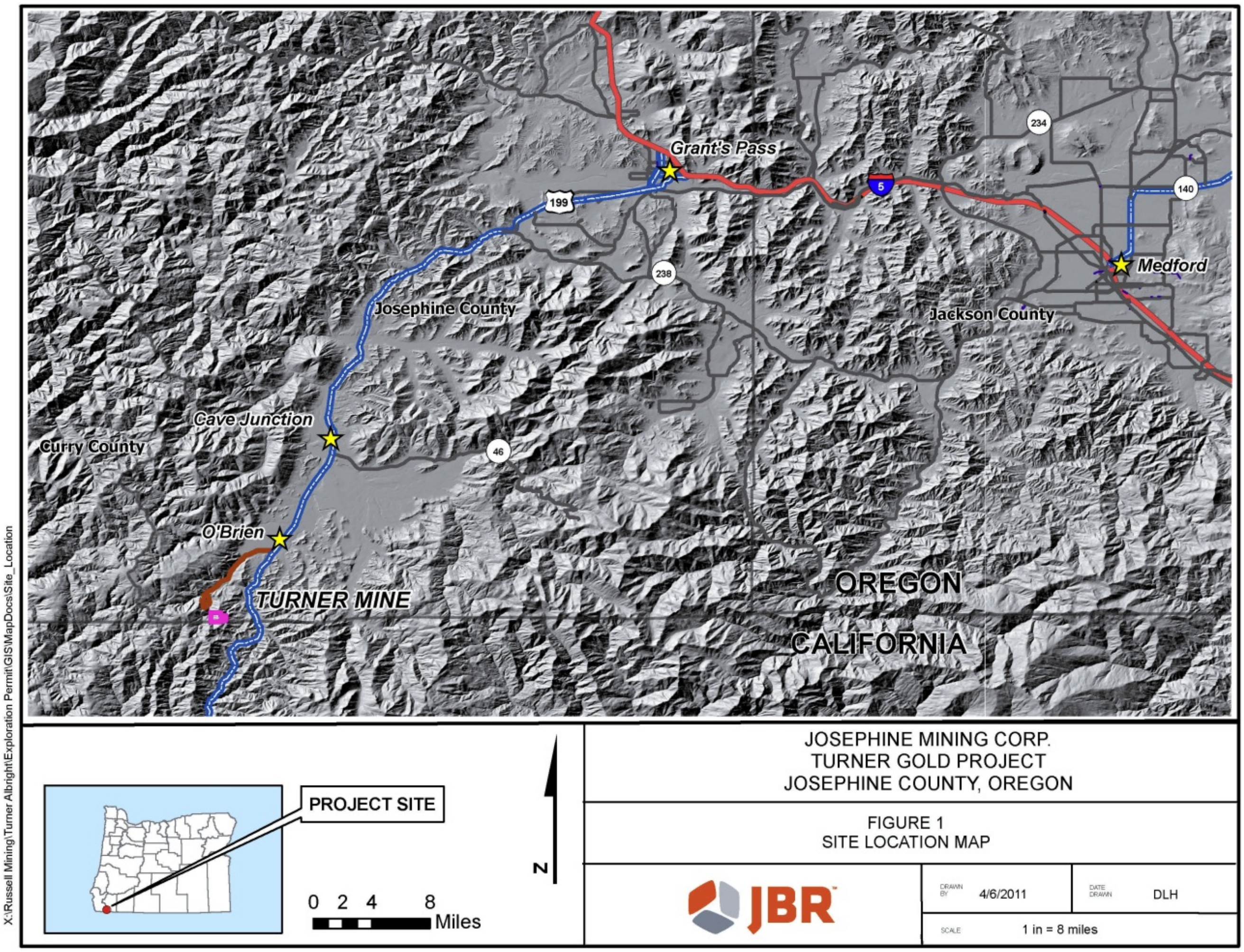
On June 26, 2012, the Company announced the initiation of a private placement of equity, through which the Company intended to raise up to $20,000,000 with up to 100 million units at $0.20 per unit (each unit comprised of one common share and half of one warrant to acquire one common share with a whole warrant exercise price of $0.35). The Company received funds subsequent to June 30, 2012; these funds are not available for operating use, as the private placement notification has expired. It is the Company's intention to extend the private placement closing date.

The Company is currently working on updating the resource model to incorporate the new drilling data obtained in the summer of 2011. The Company has continued with the environmental baseline surveys necessary to obtain the Department of Geology and Mineral Industries (DOGAMI) Operating Permit and recently completed the surface water monitoring component of the permit requirements. In addition, the Company applied for and received the Solid Waste Letter Authorization Permit from the Oregon Department of Environmental Quality to reclaim the drilling sumps at the property. Upon completion of the reclamation of the drilling sumps, the Company will be able to receive the reclamation bond currently held by DOGAMI.

Mining project

Turner Gold Property

The Turner Gold Property is the Company's primary property and the focus of all of its operations to date. The Turner Gold Property is located in southwestern Josephine County, Oregon, approximately 2 miles west of Highway 199 and 40 miles southwest of Grants Pass, Oregon.



The Turner Gold project is a volcanogenic massive sulfide deposit with an indicated and inferred resource of 4.5 million tons at 1.13% copper, 0.089 oz/ton gold, 0.462 oz/ton silver, and 2.710% zinc (containing 102.4 million pounds of copper, 403,000 troy ounces gold, 2.1 million troy ounces silver, and 245.5 million pounds zinc). On an equivalent gold basis this equates to 0.185 troy ounces gold per ton of ore containing 839,300 ounces of equivalent gold. Equivalent troy oz/ton gold (Eq Au) levels are used to illustrate the combined effect of copper, gold, silver, and zinc in the project in one metal.

The equivalent calculations were based on gold price of $1,200 per troy ounce, $15.00 per troy ounce silver, $3.00 per pound copper, and $0.75 per pound zinc.

Economic Parameters for Turner Gold		
Parameter	**Units**	**Mill**
Copper Price per Pound	(US$)	3.00
Gold Price per Pound	(US$)	1,200.00
Silver Price per Pound	(US$)	15.00
Zinc Price per Pound	(US$)	0.75
Base Mining Cost Per Ton of Material	(US$)	27.45
Process Cost Per Ore Ton	(US$)	14.68
General and Administrative Cost Per Ore Ton	(US$)	2.66
Process Recovery of Copper (Average)	(%)	90.8
Process Recovery of Gold (Average)	(%)	71.9
Process Recovery of Silver (Average)	(%)	83.2
Process Recovery of Zinc (Average)	(%)	75.1
Smelting/Refining Payable for Copper	(%)	96.5
Smelting/Refining Payable for Gold	(%)	97.0
Smelting/Refining Payable for Silver	(%)	77.0
Smelting/Refining Payable for Zinc	(%)	95.0
Gross Royalty	(%)	1.5

Source: Parameters described in the Turner Gold Resource and Preliminary Economic Assessment dated November 16, 2009 as revised May 17, 2010 available at www.sedar.com (contents were reviewed by qualified persons; John M. Marek, P.E. of Independent Mining Consultants, Brian W. Buck , P.G. of JBR Environmental Consultants, Michael D. Strickler, P.G. of LithoLogic Resources, Srikant Annavarapu, P.E. of Master Geotech Services, and James J. Moore, P.E.).

History and Current Developments of the Turner Gold property

The Turner Gold project comprises three patented mining claims and an additional 265 acres of contiguous private land currently owned by General Moly, Inc. In addition, the Company purchased 40 acres of private land to the west of the property and has an option to purchase an additional 333 acres to the east of the property. The Company also controls 25 mineral lode claims. The Turner Gold deposit was initially discovered in the early 1900s.

On June 26, 2009, an “Option to Purchase” agreement was executed by General Moly, Inc and the Company which provides the Company with an exclusive right to purchase the property. The purchase price for the property is $2,000,0000 and General Moly, Inc. retains a 1.5% net smelter return on mineral products mined and produced from the property and sold by the Company.

The Company has conducted additional exploration activities and is working on the environmental baseline and permitting studies, and necessary engineering studies in order to develop a pre-feasibility study

Market Trends

Copper prices increased significantly between late 2003 and mid-2008, and after a steep decline in late 2008 and early 2009, have been generally increasing since that time.

Although the gold price has dropped from time to time, over the past five years the average annual price has steadily increased. This upward trend accelerated in 2009 during the period of global economic uncertainty that began in mid-2008.

Average annual prices as well as the average price through the date of this document, for copper and gold are summarized in the table below:

Average annual market prices (US$)		
Year	Copper (lb)	Gold (oz)
2008	3.11	880
2009	2.41	981
2010	3.45	1,233
2011	4.02	1,568
2012*	3.67	1,651

Source: Monthly spot prices per London PM Fix – Kitco (Gold) and London Metal Exchange (Copper) and indexmundi.com.

** Most current data available through the date of this MD&A*

Summary of quarterly results

A summary of selected financial information for the periods ended June 30, 2012 and June 30, 2011 is as follows:

	Three months ended			
	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Total operating expenses	$ 495,458	$ 346,786	$ 780,460	$ 832,276
Net loss	461,212	341,383	782,453	818,186
Total comprehensive loss	403,251	516,138	851,104	576,665
Net loss per common share, basic and diluted	0.02	0.01	0.03	0.03
Total assets	7,527,058	7,448,606	8,241,375	9,075,721
Total liabilities	809,168	379,816	780,719	974,472
	June 30, 2011	March 31, 2011		
Total operating expenses	$ 784,021	$ 178,796		
Net loss	773,329	637,150		
Total comprehensive loss	771,092	659,975		
Net loss per common share, basic and diluted	0.03	0.23		
Total assets	9,456,128	9,647,500		
Total liabilities	923,635	537,580		

Periods prior to March 31, 2011 were prior to the Company's Qualifying Transaction, and are not presented due to lack of comparability to operations since the Qualifying Transaction.

Results of operations

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars. During 2011, the Company changed its year-end from November 30 to December 31.

Three months ended June 30, 2012 and 2011

Net loss and operating expenses

Operating expenses for the three months ended June 30, 2012 decreased by approximately $289,000 from the comparative period in 2011. Corporate expenses and exploration activity were limited by management during 2012 in order to conserve cash, yet still meet the Company's regulatory requirements. Also contributing to the decrease was a decrease in share-based payment expense, as no new share-based payments were granted during 2012. Net loss decreased in accord with decreased operating expenses.

Mineral property

Mineral properties increased by approximately $10,000 from March 31, 2012 to June 30, 2012; the increase for the comparative period in 2011 was approximately $1,100,000. The reason for the decrease from 2011 to 2012 was due to management's capital conservation measures taken during 2012. Increases in 2011 were primarily related to drilling, site acquisition costs, and capitalized labor. Management intends to resume technical work after raising funds through some combination of debt and equity during the remainder of 2012.

Six months ended June 30, 2012 and 2011

Summary financial data for the six months ended June 30, 2012 and 2011

	Six months ended June 30,	
	2012	2011
Total operating expenses	$ 842,244	$ 962,817
Net loss	802,595	1,410,478
Total comprehensive loss	919,389	1,431,067
Net loss per common share, basic and diluted	0.03	0.08
Total assets	7,527,058	9,456,128
Total liabilities	809,168	923,635

Total net loss and operating expenses

For the six months ended June 30, 2012, the Company generated a net loss of $802,595, or $0.03 per share, compared to net loss of $1,431,067, or $0.08 per share, for the six months ended June 30, 2011. The primary reason for the decrease in net loss for the six months ended June 30, 2012 as compared to the same period in 2011 was due to the public company listing expense of $458,329 incurred in 2011. Operations and general and administrative costs were limited during the six months ended June 30, 2012 in order to conserve cash, while the public company listing expense was a one-time expense incurred as part of the Qualifying Transaction.

General and administrative expenses for the six months ended June 30, 2012, was $618,830, as compared to $652,410 for the period ended June 30, 2011. The decrease in general and administrative expenses during the period ended June 30, 2012, was primarily as a result of management limiting operations to only critical activities in order to conserve cash during the six months ended June 30, 2012. Further, the employee base was reduced during the six months ended June 30, 2012 and a portion of a reversal of bonus accruals recorded in 2011 was attributable to general and administrative expense.

Exploration expenses of approximately $34,000 during the six months ended June 30, 2012 were primarily comprised of travel expenses and site maintenance expenses; the decrease from the comparative period of approximately $120,000 in 2011 is a result of decreased travel, consulting and site expenses. These expenses were limited by management during 2012 to conserve cash.

Mineral property

The mineral property increased by approximately $94,000 from December 31, 2011 to June 30, 2012; the increase for the comparative period in 2011 was approximately $3,300,000. The reason for the decrease in additions to the mineral property from 2011 to 2012 was due to management's capital conservation measures taken during 2012. Another significant reason for this decrease was due to a 2012 reversal of bonus accruals recorded in 2011 that had been capitalized to the mineral property. Additions to the mineral property in 2011 were primarily related to drilling, site acquisition costs, and capitalized labor. Management intends to resume technical work after raising funds through some combination of debt and equity during the remainder of 2012.

Capital resources and liquidity

At June 30, 2012, the Company had cash and cash equivalents of $16,945 compared to $728,272 on December 31, 2011. Working capital deficit at June 30, 2012 was $722,763 as compared to positive working capital of $8,703 at December 31, 2011. The decrease in working capital was primarily a result of costs necessary for daily operations and to meet legal, accounting and other necessary regulatory requirements.

The Company manages liquidity risk through maintaining sufficient cash or credit terms with its suppliers to meet the operating requirements of the business and investing excess funds in highly liquid short term cash deposits. Management's ability to manage liquidity over the next 12 months is dependent on the Company's ability to raise funds.

During 2012, the Company was advanced operating cash from a related party; the funds were used to maintain the Company's essential corporate functions. Management does not plan on material funding from related parties and its ability to raise funds depends on several factors not directly under management's control.

Contractual obligations

Pursuant to an agreement dated June 26, 2009, between the Company and General Moly, Inc. ("GMI"), the Company acquired an option to purchase a 100% interest in the Turner Gold Property and certain properties contiguous to the Turner Gold Property. The option agreement required a US$100,000 payment upon inception of the agreement, a US$300,000 payment on December 26, 2010 and a US$1,600,000 payment upon the earlier of December 26, 2011 and the Company obtaining all permits and approvals to commence mining operations at the Turner Gold Property. The Company negotiated an extension of the payment so that US$300,000 was paid by December 26, 2011, and US$1,350,000 is due upon the earlier of September 28, 2012, and the Company obtaining all permits and approvals to commence mining operations at the Turner Gold Property. As of the date hereof, the Company, through its subsidiaries, has made all payments required by the property option agreement.

During the option term, the Company will have possession of and maintain the Turner Gold Property, including paying all claim maintenance fees. GMI retains a net smelter royalty ("NSR") on the Turner Gold Property, entitling GMI to 1.5% of all net smelter returns on future production of all metals from the Turner Gold Property. The NSR is to be calculated by deduction from gross sale proceeds of all minerals from the Turner Gold Property of the following: sales taxes, transportation costs, smelting and refinement costs, and all assaying and umpire fees.

On June 30, 2009, the Company acquired an exclusive option to purchase approximately 333 acres of land in Josephine County, Oregon (the "Wagner Option"), for a 12 month period commencing June 18, 2011. The Company made an initial payment of US$25,000. The contract provides for an extension of the option term for an additional 12 months via an additional payment of US$30,000 made by September 30, 2012, per an amendment negotiated before June 30, 2012. The contract provides for an additional extension of the option term for an additional 24 months with an additional payment of US$50,000 by June 30, 2013.

The total purchase price of the property under the Wagner Option is US$925,000 and all payments made on the option terms apply to the final purchase price. In the event the Company utilizes all extensions allowed in the contract, the remaining US$825,000 is due in full upon the earlier of June 30, 2015, or upon the Company obtaining all permits and/or approvals necessary to commence mining operations plus three months from the date of the execution of the permit. If the Company does not exercise the Option and purchase the land, all amounts paid by the Company are forfeited.

On June 30, 2009, the Company entered into an agreement (the "Finder's Agreement") with Russell Mining & Minerals, Inc. Terms of the agreement are discussed under the section titled "Transactions with related parties."

Transactions with related parties

On June 22, 2009, the Company entered into the Finder's Agreement with Russell Mining and Minerals Inc. ("RMMI") for the mining claims located in Josephine County, Oregon. Pursuant to this agreement, RMMI agreed to advance the Company funds and provide the technical support to complete a reserve study on the claims. The agreement also contemplates RMMI and the Company entering into a management agreement for RMMI to provide technical and administrative services to the Company.

In return, the Company agreed to pay RMMI the following:

- 10,500,010 common shares (issued during the period ended December 31, 2009);
- 5,250,000 warrants to acquire shares, each with a 5 year term and an exercise price of US$1.50 (issued during the period ended December 31, 2009);
- 5,250,000 warrants to acquire shares, each with a 5 year term and an exercise price of US$2.00 (issued during the period ended December 31, 2009);
- A fee of $1,500,000 USD due in 24 equal installments beginning when production begins on the property.

The Company is party to a consulting agreement with RMMI dated April 15, 2009, pursuant to which RMMI provides services and office space. The Company incurred approximately $150,000 in consulting fees payable to RMMI during the six months ended June 30, 2012 (2011 – $75,000). Other office rent and other general expenses repayable to RMMI during the six months ended June 30, 2012 totaled approximately $146,000 (2011 -$261,000).

On May 18, 2012, the Company entered into a note payable agreement for US$ 40,000 with the President and Chairman of the board of directors of the Company (presented at the translated value of $40,491 at June 30, 2012). The principal and accrued interest are payable on November 17, 2012. The note accrues interest at prime plus two percent (2%) per annum and, per the agreement, is to be repaid as soon as possible using certain receivables of the Company as they are collected. As of the date of this filing no principal payments have been made on the note.

The Company's legal counsel, Norton Rose Canada LLP ("Norton Rose") is a related party because a principal of Norton Rose is the corporate secretary. Norton Rose billed the Company approximately $43,000 during the six months ended June 30, 2012 (2011- $84,000). $29,000 was payable to Norton Rose at June 30, 2012 (2011 - $17,000).

The Company utilizes the services of corporate office and accounting employees of St. Augustine Gold and Copper Limited ("SAGC"). The Company incurred approximately $34,000 in labor expense repayable to SAGC during the six months ended June 30, 2012 (2011 – nil).

The above transactions were conducted in the normal course of operations and measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

Off-balance sheet arrangements

As at June 30, 2012, the Company had no off-balance sheet arrangements.

Financial instruments and other instruments

The fair values of the Company's cash and cash equivalents, accounts receivable and accounts payables approximate their carrying values because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, and commodity price risk.

Currency risk

The Company's property interests in the United States make it subject to foreign currency fluctuations which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not use hedging instruments to mitigate the financial statement or cash flow risks associated with fluctuations in exchange rates.

Credit risk

The Company's cash and cash equivalents are held in large Canadian and United States financial institutions. The Company does not have any asset-backed commercial paper in its short-term investments. The Company's receivable consists of goods and services tax due from the federal government of Canada.

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 manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within twelve months of the balance sheet date. At June 30, 2012, current assets exceed current liabilities, resulting in negative working capital of $722,763 (December 31, 2011 – positive working capital of $8,703).

Commodity price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of gold and other precious metals. The Company has not hedged any of its potential future gold sales. The Company's input costs are also affected by the price of fuel. The Company monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company.

Outstanding share data

As at the date of this MD&A, the Company's outstanding equity securities are described as follows:

Security	**Outstanding**
Voting equity securities issued and outstanding	25,451,010 common shares
Securities convertible or exercisable into voting equity securities – stock options	Stock options to acquire up to 2,741,500 common shares
Securities convertible or exercisable into voting equity securities – warrants	Warrants to acquire up to 17,493,000 common shares

Risks and uncertainties

No history of earnings

The Company has no history of earnings. Additional external financing will be required to develop the Turner Gold Property. There can be no assurances that any of the Company's properties contain an economic ore body.

Title risks

Although the Company has exercised due diligence with respect to determining title to the properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Until competing interests, if any, in the mineral lands have been determined, the Company can give no assurance as to the validity of title to those lands or the size of such mineral lands.

Exploration and development

Resource exploration and development is a highly speculative business activity, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals the Company may acquire or discover may be affected by numerous factors that are beyond its control and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, the import and export of minerals and environmental protection, the combination of such factors may result in the Company not receiving an adequate return of investment capital.

The Turner Gold Property is in the development stage and is without a known commercially-mineable ore body.

There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of its operations will in part be directly related to the costs and success of its development programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

The Company is required to obtain required permits from various government departments to carry out its work programs. There is no guarantee all required permits will be granted on terms satisfactory to the Company, or at all. If such permits are not received, the Company may not be able to carry out or complete its business objectives.

Uninsured or uninsurable risks

Exploration, development and production of mineral properties is subject to certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to insure fully against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could have a material adverse impact on the Company's operations and could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Operating hazards and risks

Mineral exploration and development involves risks which even a combination of experience, knowledge and careful examination may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to hazards and risks normally incidental to exploration, developments and production of minerals, any of which could result in work stoppages, damage to or destruction of property, loss of life and environmental damage. The nature of these risks is such that liabilities might exceed insurance policy limits, the liabilities and hazards might not be insurable or the Company may elect not to insure itself against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect upon the Company's financial condition.

Environmental risks, regulations, permits and licenses and other regulatory requirements

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The Company's operations, including development activities and commencement of production on its properties, require permits from various federal, provincial or territorial and local governmental authorities, and such operations are and will be governed by laws, and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require that the Company obtains permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which it might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fine or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Competition

The mining industry is intensely and increasingly competitive in all its phases, and the Company will compete with other companies that have greater financial and technical resources. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically and businesses compete for the technical expertise to find, develop, and produce such properties, the skilled labor to operate the properties and the capital for the purpose of financing development of such properties. Such competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties.

Dependence on management and directors

The Company is largely dependent on the performance of its directors and officers. There is no assurance the Company will be able to maintain the services of its directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and its prospects.

Fluctuating mineral prices

The mining industry is heavily dependent upon the market price of metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist at the time of sale. Factors beyond the Company's control may affect the marketability of metals or minerals discovered, if any. Metal prices have fluctuated widely, particularly in recent years, and the Company will be affected by numerous factors beyond the control of the Company. The effect of these factors on the Company's operations cannot be predicted. If mineral prices decline significantly, it could affect the Company's decision to proceed with further exploration of its properties.

Future financing

The Company's continued operation will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms to the Company, if at all. Failure to obtain additional financing on a timely basis may result in delay or indefinite postponement of further exploration and development or forfeiture of some rights in some or all of the Company's properties. If additional financing is raised by the issuance of shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to further explore and develop its properties, take advantage of other opportunities, or otherwise remain in business. Events in the equity market may impact the Company's ability to raise additional capital in the future.

Future acquisitions

As part of the Company's business strategy, it may seek to grow by acquiring companies, assets or establishing joint ventures that it believes will complement its current or future business. The Company may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for its business. The Company cannot guarantee that it can complete any acquisition it pursues on favorable terms, or that any acquisitions completed will ultimately benefit its business.

Volatility of share price

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earning.

Conflicts of interest

Certain directors and officers of the Company will and may continue to be involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with the interest of the Company. Directors and officers of the Company with conflicts of interest will be subject to and follow procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

Dividends

The Company has never paid a dividend on its common shares. It is not anticipated that the Company will pay any dividends on its common shares in the foreseeable future.

Adverse fluctuations in currency exchange rates

The Company will be subject to fluctuations in the rates of currency exchange between the Canadian dollar and the United States dollar and these fluctuations could materially affect the Company's financial position and results of operations as costs may be higher than anticipated. The costs of goods and services could increase due to changes in the value of the Canadian dollar or the United States dollar. Consequently, operation and development of the Company's properties might be more costly than the Company anticipates.

Current global economic conditions

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, could impede the Company's access to capital or increase its cost of capital. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the Company's business, financial condition and results of operations. A trend in the global mining industry relates to government nationalization of natural resources; as the Company’s sole project is located in the United States, management believes this risk to be less than the risk associated with projects located in countries outside the United States or Canada.

Critical accounting policies and estimates

Details regarding the Company’s accounting policies are presented in Note 4 to the consolidated financial statements for the years ended December 31, 2011 and 2010. An analysis of the Company’s critical policies and estimates follows:

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and its interpretations including International Accounting Standards (IAS) prevailing as of June 30, 2012, as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Statement of compliance analysis

Management has implemented internal controls over financial reporting and disclosure controls and procedures which management believes operate effectively. In addition to performing a rigorous period-end review of the close and financial reporting process, management analyzes its financial statements and related disclosures in relation to IFRS guidance effective for the reporting method. As of June 30, 2012, management determined that the financial statements, notes to the financial statements, and this MD&A are in compliance with IFRS and do not contain material misstatements of financial information or fact. This MD&A and the condensed interim consolidated financial statements as at and for the six months ended June 30, 2012 were not reviewed by an independent auditor.

Exploration and evaluation

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and assaying. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditures before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

Exploration and evaluation analysis

Management has performed a rigorous review of its contractual commitments and rights and IFRS 6- Exploration for and evaluation of mineral resources. The Company's expenditures included in the Company's mineral properties include those which have directly benefited the Turner Gold Project and which management has determined, based on an impairment analysis, to be recoverable.

The impact of the Company's treatment of capitalized expenses in respect of the Company's financial statements has been to increase the Company's assets and decrease net loss, as compared to a policy which expenses a higher proportion of Project expenditures.

Further information with respect to the Corporation can be found on its website at www.josephinemining.com and on the SEDAR website.

Outlook

The Company's main focus is to bring its Turner Gold Property into production. Work in respect to environmental, geotechnical and mine design is ongoing with a view of completing a PFS. Contrary to our original goals of starting and completing a PFS in Q4 2012, it is likely that completion of this important milestone for the project will be commenced in Q3 or Q4 2012 and completed in Q1 or Q2 2013. Additional information regarding the timing of the PFS will be announced by the Company as the resource update is completed.

The infill drilling program was completed in September 2011 and resulted in the completion of 11 drillholes from six drill pads for a total of 12,279 feet of total drilling footage. Individual drillhole depths ranged from 500 feet below ground surface ("bgs") to 1,994 feet bgs. All core from the drilling program was logged and sampled for a variety of different analytical programs including assay, metallurgical, communition, and geochemical requirements. All of the assay results from the drilling program were submitted (including standards and blanks) and received in January 2012. The data is now being analyzed with the intention of completing a resource model update.

The Company anticipates raising additional funds through debt and equity in 2012 in order to meet its capital needs. During the six months ended June 30, 2012, the Company made an initial deposit of US$50,000 to a financial advisory firm to perform due diligence on a potential debt raise. The deposit is non-refundable in the event that debt is not issued.

Management also intends to re-file its notice of a private placement of equity units, which is intended to raise up to $20 million through up to 100 million units. Each unit, comprised of one common share and half of one warrant to purchase one common share per whole warrant at $0.35, is expected to be issued at $0.20 per unit. The warrants will have an 18 month term. Terms of the debt and equity raises are under negotiation at the date of this MD&A.