Management's Discussion and Analysis

For the nine months ended September 30, 2012

(Interim period financial information is unaudited)

(Financial information expressed in Canadian dollars unless otherwise noted)

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Introduction

This management's discussion and analysis ("MD&A") is dated November 29, 2012 and is in respect of the interim reporting period ended September 30, 2012. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars and narrative references to financial values are rounded. 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 consolidated financial statements and related notes for the annual period ended December 31, 2011. 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.

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 has been used to update the Turner Gold Resource as of October, 2012 adding over an additional 1 Million tons (42% increase) in indicated resource. 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 completed in 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. 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.

In March 2008, the Company completed an initial public offering of 3,000,000 common shares. The Company's shares began trading on the TSX Venture Exchange (the "Exchange") on March 24, 2008, under the trading symbol "GRP.P". Prior to March 24, 2011, the Company was classified as a Capital Pool Company within the meaning ascribed by the Exchange policy and the British Columbia Securities Act.

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 ("Turner" or the "Project"), 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

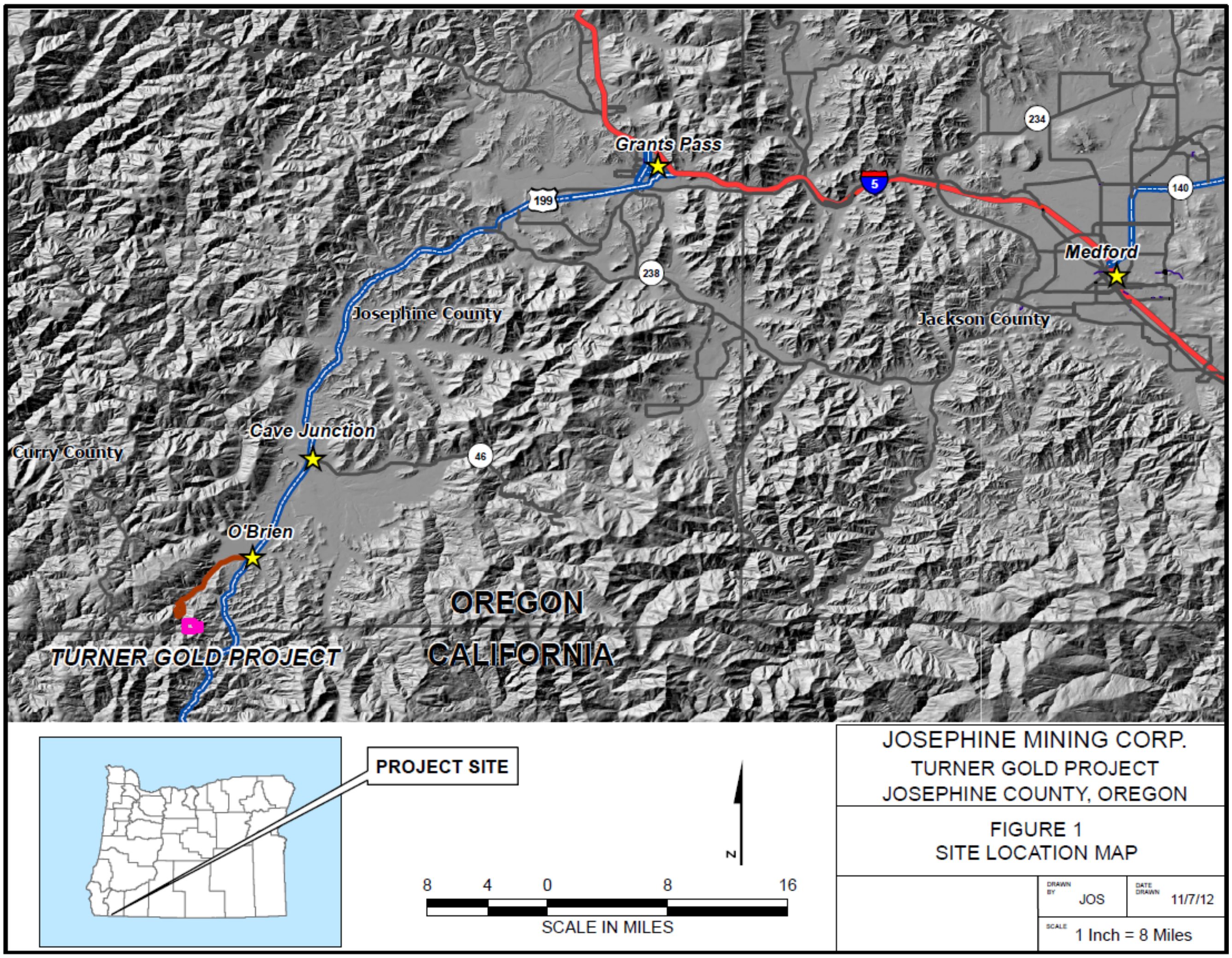
Management is actively seeking sources of funds through an issuance of a combination of debt and equity, the terms of which are in negotiation. The primary goal is to raise enough funds to complete the final Turner acquisition payment of $1.35MM due on December 1, 2012 or to extend the payment deadline. Discussions with potential lenders, investors and contractual parties are in process at the date of this filing, although no agreements with respect to this financing have been executed.

The Company is currently updating the Turner resource model to incorporate 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 4.7 million tons. As stated in the October 2012 press release with the updated resource, the indicated resource has increased 42.55% in tonnage and shows metal grades of 1.015% copper, 2.91 g/t gold, 13.3 g/t silver and 2.46 % zinc. Encompassed in the indicated resource are a total of 296,493 contained troy ounces of gold, 70.8 million pounds copper, 1.35 million troy ounces silver and 171.8 million lbs. of zinc or alternately 6.1 g/t equivalent gold (equating to 620,891 equivalent troy ounces of gold contained). With this increase to a total of 4.71 million tons of resource above an increased NSR cutoff grade of $52/ton, JMC is pleased to report the improved delineation of the resource; with the newly compiled 2011 drilling data, 1.04 million tons of the resource was moved from inferred to the indicated category. 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.

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$)	27.45
Process Cost Per Ton	(US$)	14.68
General and Administrative Cost Per 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.).

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*	3.63	1,675

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

	Three months ended			
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Total operating expenses	$ 333,904	$ 445,458	$ 346,786	$ 780,460
Net loss (income)	(98,936)	411,212	341,383	782,453
Total comprehensive loss	1,370	353,251	516,138	851,104
Net loss (income) per common share, basic and diluted	(0.00)	0.02	0.01	0.03
Total assets	7,417,559	7,527,058	7,448,606	8,241,375
Total liabilities	591,624	759,168	379,816	780,719
	September 30, 2011	June 30, 2011	March 31, 2011	
Total operating expenses	$ 832,276	$ 784,021	$ 178,796	
Net loss	818,186	773,329	637,150	
Total comprehensive loss	576,665	771,092	659,975	
Net loss per common share, basic and diluted	0.03	0.03	0.23	
Total assets	9,075,721	9,456,128	9,647,500	
Total liabilities	974,472	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 September 30, 2012 and 2011

Net loss and operating expenses

Operating expenses for the three months ended September 30, 2012, decreased by $498,000 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 lower 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 decreased by approximately $43,000 from June 30, 2012 to September 30, 2012; the increase for the comparative period in 2011 was approximately $1,800,000. The change in the mineral property between the comparative periods is due to management's capital conservation measures taken during 2012; further, foreign exchange rate changes contributed to the decrease from June 30, 2012 to September 30, 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 a combination of debt and equity during the remainder of 2012.

Nine months ended September 30, 2012 and 2011

Summary financial data for the nine months ended September 30, 2012 and 2011

	Nine months ended September 30,	
	2012	2011
Total operating expenses	$ 1,126,148	$ 1,795,093
Net loss	653,659	2,228,664
Total comprehensive loss	870,759	2,007,732
Net loss per common share, basic and diluted	0.03	0.11
Total assets	7,417,559	9,075,721
Total liabilities	591,624	974,472

Total net loss and operating expenses

The decrease in net loss for the nine months ended September 30, 2012 as compared to the same period in 2011 was due to the public company listing expense of $460,000 incurred in 2011; further, operations, labor and general and administrative costs were limited during the nine months ended September 30, 2012 in order to conserve cash. The public company listing expense was a one-time expense incurred as part of the Qualifying Transaction.

General and administrative expense for the nine months ended September 30, 2012, was $845,000, as compared to $1,263,000 for the period ended September 30, 2011. The decrease in general and administrative expenses during the period ended September 30, 2012, as compared to the same period in 2011, was primarily a result of management limiting operations and labor costs to only critical activities in order to conserve cash. The employee base was reduced during the nine months ended September 30, 2012 and also included a significant decrease in payroll expenses due to the reversal of bonus accruals recorded in 2011.

Exploration expenses of approximately $61,000 during the nine months ended September 30, 2012 (2011 - $187,000) were primarily comprised of travel expenses and site maintenance expenses; the decrease from the comparative period in 2011 of approximately $126,000 is a result of decreased travel, consulting and site expenses, which were limited along with labor and other activities in order to conserve cash.

Mineral property

The mineral property increased by approximately $51,000 from December 31, 2011 to September 30, 2012; the increase for the comparative period in 2011 was approximately $5,200,000. The smaller increase in 2012 as compared to the comparable period in 2011 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.

Capital resources and liquidity

At September 30, 2012, the Company had cash and cash equivalents of $3,000 compared to $728,000 on December 31, 2011. The working capital deficit at September 30, 2012 was $590,000 as compared to positive working capital of $9,000 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 and loaned operating cash from related parties; 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 and rights

On June 26, 2009, the Company entered into the Turner Option agreement with General Moly Inc. ("GMI") for land, patented mining claims and unpatented mining claims at the Turner Gold Property in Josephine County, Oregon, USA for US$2,000,000, originally to be paid by December 2011.

The agreement was amended and extended through subsequent agreements; the following table summarizes these payments.

Payment	Date	Extension fee	Credit to purchase price	Total payment, US$
Initial payment	June 2009	$ -	$ 100,000	$ 100,000
1st extension payment	December 2010	-	300,000	300,000
2nd extension payment	December 2011	50,000	250,000	300,000
3rd extension payment	September 2012	50,000	-	50,000
4th extension payment	October 2012	50,000	-	50,000
Total		$ 150,000	$ 650,000	$ 800,000

Following the October 2012 payment, $1,350,000 is due on December 1, 2012 in order for JMC to purchase the property under the Turner Option. If the Company does not exercise the option to purchase the Turner Gold Property, all amounts paid by the Company are forfeited.

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 production royalty of 1.5% of net smelter return on future production from the Turner Gold Property.

On June 30, 2009, the Company acquired an exclusive option to purchase approximately 333 acres of land in Josephine County, Oregon, for a 12 month period commencing June 18, 2011. The Company paid US$25,000 for this option, which applies against the purchase price of US$925,000.

Subsequent to September 30, 2012, the Company renegotiated a US$30,000 extension payment which was due September 30, 2012 (Note 11); the amended due date is January 1, 2013. If the Company does not make this payment, it will re-attach mineral rights to the property and receive US$15,000 from Wagner. If the Company makes the extension payment by January 30, 2012, the Company will pay Wagner the net amount of US$15,000, and in the event that the Company does not complete the Wagner Option purchase, Wagner will acquire the mineral rights. The following schedule identifies future payments necessary for the Company to complete the Wagner Option purchase:

Payment	Scheduled due date	Extension fee, US$	Credit to purchase price	Total payment, US$
1st extension	January 1, 2013	$ 5,000	25,000	$ 30,000
2nd extension	June 30, 2013	-	50,000	$ 50,000
Purchase payment	June 30, 2015	-	825,000	$ 825,000
Total		$ 5,000	900,000	$ 905,000

On June 30, 2009, the Company entered into an agreement (the "Finder's Agreement") with Russell Mining & Minerals, ULC ("RMMU"; formerly Russell Mining and 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 RMMU for the mining claims located in Josephine County, Oregon. Pursuant to this agreement, RMMU agreed to advance the Company funds and provide the technical support to complete a reserve study on the claims. The agreement also contemplates RMMU and the Company entering into a management agreement for RMMU to provide technical and administrative services to the Company.

In return, the Company agreed to compensate RMMU as follows:

- 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 was party to a consulting agreement with RMMU dated April 15, 2009, pursuant to which RMMU provided management services. The agreement was terminated in September 2012. The Company incurred approximately $200,000 in consulting fees payable to RMMU during the nine months ended September 30, 2012 (2011 – $150,000) under the terms of the consulting agreement; all of the 2012 fees were forgiven by RMMU in September 2012.

Other office rent and other general expenses repayable to RMMU during the nine months ended September 30, 2012 totaled approximately $208,000 (2011 -$13,000). An aggregate of approximately $397,000 of payables (including $200,000 of consulting fees) to RMMU were forgiven by RMMU in September 2012; further, RMMU agreed to pay $47,000 of the Company's payables to third parties. This liability forgiveness and assumption was the primary cause of the Company's net income for the three months ended September 30, 2012.

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. The note accrues interest at prime plus two percent (2%) per annum. The principal and accrued interest were originally due on November 17, 2012. The Company did not make any payments against the principal and accrued interest by the maturity date. Because the terms of the loan did not specify any default or late payment penalties, the Company will continue to accrue interest until the note is settled.

On August 1, 2012, the Company entered into a note payable agreement with the President and Chairman of the board of directors of the Company for US$12,100. The principal and accrued interest are payable on November 30, 2012. Interest accrues at prime plus two percent (2%) per annum. The note matures November 30, 2012.

On September 26, 2012, the Company issued a note payable to Russell Mining Corp. ("RMC") for US$50,000. The principal and accrued interest are payable March 26, 2013. RMC was issued 100,000 shares as part of the consideration for the note and the note is convertible into common shares at $0.125 per share.

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 $42,000 during the nine months ended September 30, 2012 (2011- $109,000). $29,000 was payable to Norton Rose at September 30, 2012 (2011 - $15,000).

The Company utilizes the services of corporate office and accounting employees of St. Augustine Gold and Copper Limited ("SAGC"). The Company incurred approximately $109,000 in labor and other expense repayable to SAGC during the nine months ended September 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 September 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, accounts payable and notes payable 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 September 30, 2012, current liabilities exceeded current assets, resulting in negative working capital of $590,000 (December 31, 2011 – positive working capital of $9,000).

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	25,551,010 common shares
Securities convertible or exercisable into voting equity securities – stock options	Stock options to acquire up to 2,629,000 common shares
Securities convertible or exercisable into voting equity securities – warrants	Warrants to acquire up to 17,530,500 common shares

Risks and uncertainties

No history of earnings

The Company has no history of earnings. Additional external financing will be required to finish a feasibility study and 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 fines 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. The Company’s failure to raise capital when needed or on reasonable terms may have material adverse effects 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; the Company’s sole project is located in the United States.

Critical accounting policies and estimates

Details regarding the Company’s accounting policies are presented in Note 4 to the audited consolidated financial statements for the year ended December 31, 2011. 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 September 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 September 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 nine months ended September 30, 2012 were not reviewed by an independent reviewer.

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 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 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 has been used to update the Turner Gold Resource as of October, 2012 adding over an additional 1 Million tons (42% increase) in indicated resource. 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 completed in 2013. Additional information regarding the timing of the PFS will be announced by the Company as the resource update is completed.

As discussed in the Current Highlights section, Management's primary focus is on fundraising and completing the Turner acquisition. While no assurance can be provided whether the necessary funds will be raised, negotiations with potential lenders and investors are in process at the date of this document.