



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2012**

**Date of Report: April 29, 2013**

The following Management discussion and analysis (“MD&A”) provides analysis of Cadman Resources Inc. (“the Company”)’s financial results for the year ended December 31, 2012 with comparisons to 2011. This MD&A should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2012. Additional information relevant to the Corporation is available for review on SEDAR at [www.sedar.com](http://www.sedar.com).

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

**Forward-Looking Information**

Certain information included in this discussion may constitute forward-looking statements.

Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” or “continue” or the negative thereof or variations thereon or similar terminology. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. These factors include the inherent risks involved in the mining, exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated operating costs and expenses, uncertainties related to the necessity of financing, the availability of and costs of financing needed in the future and other factors described in the Company’s Annual Information Form under the heading “Risk Factors”. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. The reader is cautioned not to place undue reliance on forward-looking statements.

## DESCRIPTION OF BUSINESS

The Company was incorporated pursuant to the Business Corporation Act (British Columbia) on November 13, 2007. The Company was a "Capital Pool Company" ("CPC"), as defined in the policies of the TSX Venture Exchange (the "Exchange" or "TSX-V"). On December 23, 2010, the Company transferred the listing of the Company's share to the NEX Board. On July 6, 2012, the Company delisted from the NEX Board and began trading on the Canadian National Stock Exchange ("CNSX") under the symbol "CUZ".

The Company's main business involves the acquisition, exploration and development of mineral properties

## HIGHLIGHTS

- On November 9, 2012, the Company signed an option agreement with Bertrand Brassard to acquire 100 percent interest in the copper project located in the Gaspé Peninsula in the Province of Quebec. The Gaspé copper property is comprised of 56 permits totalling 3,192 Ha. Historical results showed trench samples up to 5.1% copper. Conditions permitting, management intends to begin work on the Property immediately.
- On March 26, 2013, the Company renegotiated with Shenba Resources Holdings Limited to acquire a 75% equity interest in Tung Wing Trading Co. Ltd., a Tanzania registered company. Tung Wing Trading Co. Ltd. has a letter of intent ("LOI") to acquire certain mineral interest in Tanzania. The Company will pay to Shenba the sum of US\$100,000 cash and issue a total of 10,000,000 common shares of the Company within 6 months of completion of the final purchase agreement and the receipt of approval by the CNSX. On signing of this LOI, the Company effectively terminated the previous LOI with Shenba to acquire 65 per cent of the Mbozi Copper project

## OUTLOOK

Throughout 2012 and thus far in 2013 the junior resource market has experienced a downturn. Overall share prices have declined and traditional sources of financings have weakened. The immediate future of the entire sector is somewhat diminished as demand for raw materials and prices fluctuate downward and the entire sector consolidates. In response to current events, Cadman has been seeking alternative sources financing in order to ensure the continuation of the Company. As a non-revenue generating entity, Cadman is dependant of external sources of funding to finance the Company's exploration activities and as such has placed a priority on securing foreign sources of funds.

**MINERAL PROPERTIES**

## Golden Star Block

On March 6, 2012 and amended on May 28, 2012, the Company entered into an option agreement to acquire a 55% undivided interest in 2 blocks of mining claims, leases and patents, known as the Golden Star Block and the Baseline/Nugget Block, that are located in Northwestern Ontario. The Company can acquire the interest by paying \$275,000 in cash, issuing 960,000 common shares of the Company and incurring \$600,000 exploration expenditures on the properties within two years as follows:

	Cash Payments	Share Issuance	Exploration Expenditures
	\$		\$
30 days after July 6, 2012 (paid)	25,000	–	–
5 days after July 6, 2012	–	960,000	–
3 months after July 6, 2012 (paid \$5,000)	100,000	–	–
12 months after July 6, 2012	150,000	–	250,000
24 months after July 6, 2012	–	–	350,000
	275,000	960,000	600,000

The property is subject to a 2% NSR. The Company may purchase one half of each of the NSR at any time for \$500,000.

The Company made deposit of \$25,000 in 2011 and made \$5,000 payment in 2012 on the property. The Company did not issue the 960,000 common shares as required in the option agreement. Management has determined not to pursue any further exploration in the property. Consequently, the \$30,000 deferred acquisition cost balance was charged to net loss in 2012.

## Mbozi Copper

On July 10, 2012 the Company entered into a letter of intent with Shenba Resources Holdings Limited (“Shenba”) to acquire a 65% interest in the Mbozi Copper project located in the United Republic of Tanzania. During the year ended December 31, 2012, the Company paid \$55,000 as a deposit and incurred \$41,132 for geology related expenses.

This Option Agreement was terminated on March 12, 2013 when the Company signed a new letter of intent with Shenba to acquire a 75% ownership interest in Tung Wing Trading Co. Ltd., a registered company in the United Republic of Tanzania. As a result, the \$55,000 deposit was recorded as impairment expense and the \$41,132 exploration and evaluation expenditures were charged to net loss in 2012.

On March 26, 2013, the Company renegotiated with Shenba Resources Holdings Limited to acquire a 75% equity interest in Tung Wing Trading Co. Ltd., a Tanzania registered company. Tung Wing Trading Co. Ltd. has a letter of intent (“LOI”) to acquire certain mineral interest in Tanzania. The Company will pay to Shenba the sum of US\$100,000 cash and issue a total of 10,000,000 common shares of the Company within 6 months of completion of the final purchase agreement and the receipt of approval by the CNSX. On signing of this LOI, the Company effectively terminated the previous LOI with Shenba to acquire 65 per cent of the Mbozi Copper project

A director of Shenba who owns 15% equity interest in Shenba is related to an officer of the Company who was appointed Chief Financial Officer of the Company on March 7, 2013.

### Gaspe Copper

On November 9, 2012, the Company signed an option agreement with Bertrand Brassard to acquire 100 percent interest in the copper project located in the Gaspe Peninsula in the Province of Quebec. The Gaspe copper property is comprised of 56 permits totalling 3,192 Ha. Historical results showed trench samples up to 5.1% copper. To exercise the option and earn 100 percent interest in the property the company is required to deliver 100,000 shares of Company common stock upon signing of the option agreement and to deliver a further 1,000,000 shares of Company common stock on or prior to December 31, 2013. The Company has made a cash payment of \$5,000 at the signing of the LOI and must make a further cash payment of \$25,000 on or prior to December 31, 2013. The Company also has a work commitment of \$300,000, \$100,000 of which must be incurred by June 1, 2013 and the remaining \$200,000 must be incurred by December 31, 2013.

The property is subject to a 2% net smelter return (“NSR”). The Company has the right, at any time and at its sole discretion, to purchase one of the two percentage points of the NRR on the property by paying to the optionor the sum of \$1,000,000.

### OVERALL PERFORMANCE

As at December 31, 2012, the Company had cash and other current assets totalling \$157,165 (December 31, 2011; \$252,273) and working capital of \$19,888 (December 31, 2011 working capital of \$220,377). For the year ended December 31, 2012, the Company incurred \$349,372 (December 31, 2011; \$356,903) in general and administrative expenses.

### Selected Annual Information

The following table shows the financial results derived from the Company’s financial statements for the years December 31, 2012 and December 31, 2011:

	December 31, 2012		December 31, 2011	
Total Revenues	\$	-	\$	-
Net Profit (Loss)	\$	(433,465)	\$	(355,237)
Basic and diluted loss per share	\$	(0.04)	\$	(0.03)
Total Assets	\$	186,993	\$	277,273
Total Long Term Liabilities	\$	20,033	\$	-
Cash dividends declared per share	\$	-	\$	-

In the current year, the Company incurred a net loss of \$433,465 compared to a net loss of \$355,237 for the year ended December 31, 2011. The net loss was due in large part to professional fees, management fees, exploration expenses and impairment of exploration and evaluation assets and deposits. The Company had a loss per share of \$0.04 in 2012 compared to \$0.03 in 2011. Total assets at the end of 2012 amounted to \$186,993 as compared to total assets of \$277,273 in 2011. The decrease of total assets was mainly due to the impairment of deposits.

## FINANCIAL RESULTS

### Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company.

Quarterly Information	Revenue	Net Profit (Loss)	Basic and diluted loss per common share
December 31, 2012	\$ -	\$ (218,988)	\$ (0.02)
September 30, 2012	\$ -	\$ (86,734)	\$ (0.01)
June 30, 2012	\$ -	\$ (102,129)	\$ (0.01)
March 31, 2012	\$ -	\$ (25,614)	\$ (0.00)
December 31, 2011	\$ -	\$ (132,392)	\$ (0.01)
September 30, 2011	\$ -	\$ (59,661)	\$ (0.01)
June 30, 2011	\$ -	\$ (128,729)	\$ (0.01)
March 31, 2011	\$ -	\$ (34,455)	\$ (0.00)

## Comparison of operating results

	Three Months Ended December 31		Twelve Months Ended December 31	
	2012	2011	2012	2011
<b>REVENUE</b>	\$ -	\$ -	\$ -	\$ -
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Consulting	17,100	\$ -	34,300	-
General exploration expense	6,032	-	41,132	-
Management and director's fees	55,500	-	55,500	-
Marketing	2,700	5,454	12,615	21,784
Office and miscellaneous	8,394	6,287	18,933	18,751
Professional fees	31,231	27,622	118,153	173,632
Rent	6,730	9,550	26,843	16,168
Share-based compensation	-	44,450	-	44,450
Transfer agent and filing fees	4,141	2,440	31,226	12,442
Travel and promotion	2,169	37,142	10,670	69,676
	<b>133,997</b>	<b>132,945</b>	<b>349,372</b>	<b>356,903</b>
<b>OTHER INCOME (EXPENSES)</b>				
Interest and other income	1,805	(351)	907	(1,666)
Impairment of exploration and evaluation assets	(30,000)	-	(30,000)	-
Impairment of deposit	(55,000)	-	(55,000)	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ (217,192)</b>	<b>\$ (133,296)</b>	<b>\$ (433,465)</b>	<b>\$ (355,237)</b>

For the three months ended December 31, 2012 the Company's general and administrative expenses were increased by \$1,052 compared to the same period last year, mainly due to the following:

- the Company incurred \$17,100 on consulting fees, \$6,000 on director's fee and \$49,500 on management fees compared to \$Nil in 2011 due to directors' compensation resolutions and new consulting agreements signed in 2012
- the Company incurred \$6,032 in exploration on the Mbozi Copper project due to the new acquisition agreement signed on July 26, 2012
- there is no share based compensation since no options were issued in 2012
- travel and promotion expenses were \$34,973 lower due to less travel required from the completion of a qualifying transaction
- \$30,000 and \$55,000 were written off due to the impairment of exploration and evaluation assets and deposits

For the twelve months ended December 31, 2012 the Company's general and administrative expenses were reduced by \$7,531 compared to the same period last year, mainly due to the following:

- the Company incurred \$34,300 on consulting fees, \$6,000 on director's fee and \$49,500 on management fees compared to \$Nil in 2011 due to directors' compensation resolutions and new consulting agreements signed in 2012
- the Company incurred \$41,132 in exploration on the Mbozi Copper project due to the new acquisition agreement signed on July 26, 2012
- professional fees are \$55,479 lower due to the qualifying transaction in 2011
- the administration fee is similar to last year

- the transfer agent fee is \$18,784 higher due to the delisting in NEX Board and listing in CNSX
- the rent is \$10,675 higher due to additional rent in the Toronto office
- there is no share based compensation since no options were issued in 2012
- travel and promotion expenses are \$59,006 lower due to less travel required in 2012
- \$30,000 and \$55,000 were written off due to the impairment of acquisition and exploration

### **Liquidity and Capital Resources**

As of December 31, 2012, the Company had cash and cash equivalents of \$142,874 compared to \$217,511 at December 31, 2011. Working capital was \$19,888 compared to \$220,377 at December 31, 2011.

The Company received gross proceeds of \$42,000 and \$206,700 from two non brokered private placements in August and December 2012 compared to \$600,000 at December 31, 2011.

In order for the Company to earn its interest in mineral properties under the option, the Company must meet certain exploration spending thresholds.

In management's view, given the nature of the Company's operations, which consists of exploration, mining and evaluation of mining properties, the most relevant financial information relates primarily to current liquidity, solvency and planned property expenditures. The Company's financial success will be dependent upon the extent to which it can discover mineralization and the economic viability of developing its properties. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

### **LATEST OUTSTANDING SHARE DATA**

The following is the latest share data as of April 29, 2013.

Common shares – 15,557,833

Stock Options – 280,000

Warrants – 4,377,599

### **OFF BALANCE SHEET TRANSACTIONS**

The Corporation has not entered into any off balance sheet agreements.



## RELATED PARTY TRANSACTIONS

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the years ended December 31, 2012 and 2011. Short-term key management compensation consists of the following for the years ended December 31, 2012 and 2011:

	2012		2011	
Director fees, paid to a Company with a common director	\$	6,000	\$	-
Management fees, paid to 3 Officers and/or Directors	\$	49,500	\$	-
Consulting fees, paid to a Company with a common director	\$	2,100	\$	-
<b>Total key management compensation</b>	<b>\$</b>	<b>57,600</b>	<b>\$</b>	<b>-</b>

During the year ended December 31, 2012, the Company also paid consulting fees of \$3,000 to an officer of the Company who was appointed as CFO on March 7, 2013.

Included in prepaid and accounts payable was \$177 and \$40,413 due from and to these related parties respectively (2011 - \$1,790). These amounts are unsecured and non-interest bearing.

## FINANCING

### Non-Brokered Private Placement

On March 3, 2011, the Company closed a non-brokered private placement to issue 4,000,000 common shares at a price of \$0.15 per share for gross proceeds of \$600,000. The Company paid \$18,000 and issued 270,000 common shares as finders' fees. The shares issued are subject to a 4 month hold period until July 4, 2011.

On August 9, 2012, the Company closed a non-brokered private placement of 280,000 units at a price of \$0.15 per unit for gross proceeds of \$42,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is entitled the holder to purchase one common share at a price of \$0.20 per share for a period of 18 months. The Company incurred cash commission of \$3,360 and granted 8,000 common share purchase warrants as finders' fees. The Company recorded \$259 in non-cash share issue costs related to the 8,000 warrants. These warrants have the same term and exercise price as the private placement warrants.

On December 22, 2012, the Company closed a non-brokered private placement of 2,003,333 flow-through units at a price of \$0.06 per unit for gross proceeds of \$120,200. Each unit consisted of one flow through common share and one non-flow through common share purchase warrant. Each whole warrant is exercisable to one common share at a price of \$0.09 per share for a two year term. In connection with the flow-through share issuance, the Company recorded a \$20,033 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The Company incurred cash commission of \$8,176 and granted 136,226 common share purchase warrants as finders' fees. The Company recorded \$1,483 in non-cash share issue costs related to the 136,226 warrants. These warrants have the same term and exercise price as the private placement warrants.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Management has identified deferred mineral property acquisition, mineral property acquisition and exploration costs. Please refer to Note 3 of the Company’s audited financial statements of the Company for a description of all of the significant accounting policies.

Under IFRS, the Company defers all costs relating to the acquisition and exploration of its mineral properties (“exploration and evaluation” assets). Any revenues received from such proper ties are credited against the costs of the property. When commercial production commences on any of the Company’s properties, any previously capitalized costs would be charged to operations using a unit-of-production method. The Company reviews when events or changes in circumstances indicate the carrying values of its properties to assess their recoverability and when the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value. IFRS also allows the reversal of impairments if conditions that gave rise to those impairments no longer exist.

The existence of uncertainties during the exploration stage and the lack of definitive empirical evidence with respect to the feasibility of successful commercial development of any exploration property do create measurement uncertainty concerning the estimate of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

Under IFRS 2 - Share-based Payments, stock options are accounted for by the fair value method of accounting. Under this method, the Company is required to recognize a charge to the statement of loss based on an option-pricing model based on certain assumptions including dividends to be paid, historical volatility of the Company’s share price, an annual risk free interest rate, forfeiture rates, and expected lives of the options.

## RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective. These include:

### IAS 1

“Presentation of Financial Statements” retains current IAS 1 presentation standards, but requires disclosure of Other Comprehensive Income (Loss) items distinguishing between those that are recycled to profit and loss and those that are not recycled. Retrospective application is required, and the standard is effective for annual periods beginning on or after July 1, 2012, with early application permitted.

### IFRS 9

The Company will be required to adopt IFRS 9 “Financial Instruments”, which replaces the current standard, IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value, and is effective for annual periods beginning on or after January 1, 2015, with early application permitted.

**IFRS 11**

“Joint Arrangements” establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

**IFRS 12**

“Disclosure of Involvement with Other Entities” requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

**IFRS 13**

“Fair value measurement” replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at December 31, 2012, the Company’s financial instruments consist of cash and cash equivalents and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair values of these financial instruments approximate their carrying values.

IFRS 7 “Financial Instruments – Disclosures”, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS 7 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company’s financial instruments measured at fair value on a recurring basis at December 31, 2012 is as follows:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalent	\$ 142,874	\$ -	\$ -	\$ 142,874

## IFRS 13

Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

## RISK AND UNCERTAINTIES

Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure or easy access.

The economics of developing gold and other mineral properties are affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Depending on the price of gold or other minerals produced, which have fluctuated widely in the past, the Company may determine it is impractical to commence or continue commercial production.

### Reserves and resource estimates

The mineral and resources estimates disclosed in the Company's public filings are only estimates and no assurances can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially minerable deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual mineral recoveries may exceed or fall short of projected laboratory test results. As stated previously, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions among other things. Short-term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under onsite conditions or in production scale operations. Material changes in proven and probable reserves or resource grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources disclosed in the Company's public filings should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources and project engineering. The Company believes these experts are competent and that they have carried out their work in accordance with internationally recognized standards. If, however, the work conducted by these experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs.

**Foreign countries, laws and regulations**

If the Company signed definite agreement with Shenba Resources Holdings Limited ("Shenba") who has the property in United Republic of Tanzania and is exposed to the laws governing the mining industry in United Republic of Tanzania.

**Commodity prices**

The profitability of the Company's operations, if established, will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, sales of gold by central banks, forward sales by producers, production, industrial and jewellery demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political development. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production of the Company's properties to become impracticable.

A reduction in the price of gold and copper may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices.

The price of gold and copper may also have a significant influence on the market price of the Company's common shares.

**DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's Chief Financial Officer and Chief Executive Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("the Procedures") which provide reasonable assurance that information required to be disclosed by the Company under provincial or territorial securities legislation (the "Required Filings") is reported within the time periods specified. Without limitation, the Procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely decisions regarding the Required Filings.

The Company's Certifying Officers are also responsible for establishing and maintaining internal controls over financial reporting ("Internal Controls") and have designed such Internal Controls, or caused it to be designed under their supervision, which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During 2012, there were inherent weaknesses in the Internal Controls due to the small size of the Company and its inability to segregate incompatible functions. The Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the weakness at this time.

The Certifying Officers evaluate the Company's Internal Controls on a regular basis and have certified that there were no change in the Company's Internal Controls during the period ended December 31, 2012 that materially affected, or is reasonably likely to materially affect, the Company's Internal Controls.

## **APPROVAL**

The Board of Directors of the Company Resource Inc. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be obtained along with additional information, on the SEDAR website at [www.sedar.com](http://www.sedar.com).