



**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**For the Nine Months ended August 31, 2013  
(Unaudited)**

## **Notice of No Auditor Review**

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), the Company discloses that the unaudited condensed consolidated interim financial statements, and accompanying notes thereto, for the nine months ended August 31, 2013 have been prepared by and are the responsibility of the Company's management. They have been reviewed and approved by the Company's Audit Committee and the Board of Directors.

The Company's independent auditor, PricewaterhouseCoopers LLP, has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

**China Minerals Mining Corporation**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited - in Canadian dollars)

	August 31, 2013	November 30, 2012
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,274,665	\$ 2,143,684
Short-term investments	11,500	26,500
Other receivables	4,116	11,594
Prepaid expenses	48,105	164,086
Supplies inventory	35,544	36,479
	1,373,930	2,382,343
Property, plant and equipment (Note 4)	1,108,253	1,426,417
Reclamation bonds (Note 5)	349,444	349,444
Exploration and evaluation assets (Note 5)	19,019,042	18,480,553
	\$ 21,850,669	\$ 22,638,757
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 130,183	\$ 165,053
Asset retirement obligation (Note 5)	1,131,009	898,546
	1,261,192	1,063,599
<b>EQUITY</b>		
Share capital (Note 6)	51,550,715	51,550,715
Share-based payment reserve	9,763,205	9,754,913
Foreign currency translation reserve	(26,516)	(26,516)
Deficit	(40,697,927)	(39,703,954)
	20,589,477	21,575,158
	\$ 21,850,669	\$ 22,638,757

**Nature of operations** (Note 1)

**Commitments** (Note 8)

*The accompanying notes are an integral part of the consolidated financial statements.*

Approved on behalf of the Board:

"Harvey Brooks"

Chairman of the Audit Committee

"Ling Zhu"

Director

**China Minerals Mining Corporation**  
**Consensed Consolidated interim Statements of Comprehensive Loss**  
(Unaudited - in Canadian dollars)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>August 31,</i>		<i>August 31,</i>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Expenses</b>				
Accretion of asset retirement obligation	\$ 16,765	\$ 5,225	\$ 29,777	\$ 15,675
Amortization	1,166	1,684	3,500	5,052
Bank charges and financing interests	484	408	1,651	1,982
Director and executive fees	55,500	74,261	172,500	282,384
Filing fees and transfer agent	7,666	14,452	20,794	28,666
Investor relations	12,384	8,941	37,517	101,384
Loss from disposal of equipment	86,624	-	155,750	12,321
Professional and consulting fees	8,628	18,331	26,720	78,029
Project investigation	1,851	8,491	3,600	28,568
Rent and office expenses	124,877	179,604	432,125	552,388
Salaries and benefits	102,168	99,154	332,186	598,924
Shareholder information	220	5,177	3,637	11,300
Share-based payments (Note 6)	1,450	(34,753)	8,388	62,751
Travel	377	15,040	7,429	20,215
<b>Loss before the undernoted</b>	<b>(420,160)</b>	<b>(396,015)</b>	<b>(1,235,574)</b>	<b>(1,799,639)</b>
<b>Other income (expenses)</b>				
Interest income	5,411	25,896	13,433	78,986
Other income	53,096	60,744	171,937	174,194
Management fee income	38,500	-	38,500	-
Foreign exchange gain	4,278	826	17,731	1,108
<b>Other comprehensive loss</b>	<b>(318,875)</b>	<b>(308,549)</b>	<b>(993,973)</b>	<b>(1,545,351)</b>
Cumulative translation adjustments	-	(31,886)	-	(40,807)
<b>Net loss, being comprehensive loss for the period</b>	<b>(318,875)</b>	<b>(340,435)</b>	<b>(993,973)</b>	<b>(1,586,158)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>189,873,268</b>	<b>189,873,268</b>	<b>189,873,268</b>	<b>189,873,268</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**China Minerals Mining Corporation**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(Unaudited - in Canadian dollars)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>August 31,</i>		<i>August 31,</i>	
	2013	2012	2013	2012
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net loss for the period	\$ (318,875)	\$ (308,549)	\$ (993,973)	\$ (1,545,351)
Items not affecting cash:				
Accretion of asset retirement obligation	16,765	5,225	29,777	15,675
Amortization	1,166	1,684	3,500	5,052
Loss from disposal of equipment	86,624	-	155,750	12,321
Share-based payments	1,450	(34,753)	8,388	62,751
	(212,870)	(336,393)	(796,558)	(1,449,552)
Changes in non-cash working capital				
Other receivables and prepaid expenses	11,555	(404,876)	123,459	(625,308)
Supplies inventory	(3,214)	20,828	935	20,828
Accounts payable and accrued liabilities	35,814	29,326	(40,251)	(39,400)
Due to related parties	-	-	-	(174,601)
	(168,715)	(691,115)	(712,415)	(2,268,033)
<b>Investing activities</b>				
Proceeds from sale of equipment	15,860	-	39,640	-
Exploration and evaluation expenditures	(41,437)	(1,777,043)	(211,244)	(2,065,208)
Short-term investments	-	-	15,000	-
	(25,577)	(1,777,043)	(156,604)	(2,065,208)
<b>Financing activities</b>				
Repayment of mortgage	-	(26,839)	-	(78,172)
<b>Effect of exchange rate changes on cash and cash equivalents</b>				
	-	(31,886)	-	(40,807)
<b>Decrease in cash and cash equivalents</b>	(194,292)	(2,526,883)	(869,019)	(4,452,220)
<b>Cash and cash equivalents, beginning of period</b>	1,468,957	4,889,336	2,143,684	6,814,673
<b>Cash and cash equivalents, end of period</b>	\$ 1,274,665	\$ 2,362,453	\$ 1,274,665	\$ 2,362,453

*The accompanying notes are an integral part of the consolidated financial statements.*

**CHINA MINERALS MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
(Unaudited - in Canadian dollars)

	Number of Shares	Share Capital	Share-based Payment Reserve	Foreign Currency Translation Reserve	Deficit	Total Shareholders' Equity
<b>Balance, December 1, 2012</b>	189,873,268	\$ 51,550,715	\$ 9,754,913	\$ (26,516)	\$ (39,703,954)	\$ 21,575,158
Share-based payments expensed	-	-	8,388	-	-	8,388
Share-based payments capitalized	-	-	(96)	-	-	(96)
Net loss for the period	-	-	-	-	(993,973)	(993,973)
<b>Balance, August 31, 2013</b>	189,873,268	\$ 51,550,715	\$ 9,763,205	\$ (26,516)	\$ (40,697,927)	\$ 20,589,477
<b>Balance, December 1, 2011</b>	189,873,268	\$ 51,550,715	\$ 9,735,799	\$ -	\$ (37,824,246)	\$ 23,462,268
Share-based payments expensed	-	-	62,751	-	-	62,751
Share-based payments capitalized	-	-	9,493	-	-	9,493
Net loss for the period	-	-	-	-	(1,545,351)	(1,545,351)
Cumulative translation adjustment	-	-	-	(40,807)	-	(40,807)
<b>Balance, August 31, 2012</b>	189,873,268	\$ 51,550,715	\$ 9,808,043	\$ (40,807)	\$ (39,369,597)	\$ 21,948,354

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**CHINA MINERALS MINING CORPORATION**  
**Notes to Consolidated Financial Statements**  
**For the Nine Months ended August 31, 2013 and 2012**  
**(Unaudited – in Canadian Dollars)**

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**1. NATURE OF OPERATIONS**

China Minerals Mining Corporation (“China Minerals” or the “Company”) was incorporated in January 2006 under the laws of British Columbia, Canada as Hawthorne Resources Inc. and renamed as Hawthorn Gold Corp. in October 2006. In April 2011, the Company’s name was further changed to China Minerals. The Company’s registered office is Suite 490 – 1111 Melville Street, Vancouver, British Columbia, Canada. China Minerals is listed on the TSX Venture Exchange under the trading symbol “CMV”. The Company and its subsidiaries are in the business of acquisition, exploration and development of mineral properties.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations for the foreseeable future and meet its obligations and commitments in the normal course of business. At August 31, 2013, the Company had an accumulated deficit of \$40,697,927 (November 30, 2012 - \$39,703,954) and no sources of revenue. The ability of the Company to continue as a going concern is dependent upon the recoverability of the carrying values of its mineral property interests, the discovery of economically recoverable reserves and its ability to raise the necessary financing to successfully complete the exploration and development of its properties into profitable operations. Although the Company has been previously successful in raising the necessary capital to meet its obligations as they come due, there can be no assurance that the Company will have continual access to the financing market in the future or such financing will be on reasonable commercial terms to the Company.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of presentation**

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. They do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended November 30, 2012.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value; as well they are prepared on an accrual basis of accounting except for cash flow information.

These condensed consolidated interim financial statements were approved and authorized for issue in accordance with a resolution from the Board of Directors on October 10, 2013.

**(b) Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Cassiar Gold Corp. (“Cassiar”) and North American Mining Consulting Ltd. (“North American Mining”). The Company consolidates these subsidiaries on the basis that it controls these subsidiaries, through its ability to govern their financial and operating policies so as to obtain benefits from their activities. All intercompany transactions and balances have been eliminated on consolidation.

**(c) Accounting judgments and estimates**

The preparation of financial statements in accordance with IFRS requires management the use of certain critical accounting estimates and their exercise of judgment in applying the Company’s accounting policies.

Area that management judgments and estimates having the most significant effect on the

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**CHINA MINERALS MINING CORPORATION**  
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financial statements is:

*Impairment of exploration and evaluation assets*

The Company carries out impairment assessments on its exploration and evaluation assets when circumstances indicate their carrying values may exceed their recoverable amounts. The process of determining if an impairment indicator exists involves significant judgment and estimation on the recoverability of exploration and evaluation assets as it relies on both an interpretation of technical geological data as well as economic considerations including current and estimated future commodity prices, global market volatility and exploration activities. As new data or information comes up, the recoverable amounts of the assets and the impairment loss may be different from these judgments and estimates.

**(d) IFRS standards, amendments and interpretations**

The standards and interpretations that became effective or have not yet been effective up to the date of authorization of these condensed consolidated interim financial statements are disclosed below. The Company does not expect these standards having a material impact on the Company's consolidated financial statements.

*IFRS 9 - Financial Instruments*

The standard introduces new requirements for the classification and measurement of financial instruments. It is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

A financial asset will be classified on the basis of the Company's business model for managing the financial asset and the related contractual cash flow characteristics. This asset will be initially measured at fair value and subsequently measured at amortized cost or fair value. Gains and losses on investments in the instruments that are not held for trading may be presented in other comprehensive income if so elected at initial recognition.

Under the new standard, entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity. However, if presenting the change in fair value attributable to the credit risk of the liability in OCI would create an accounting mismatch in profit or loss, all fair value movements are recognised in profit or loss.

*IFRS 10 - Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10 replacing IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. The standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 defines the principle of control, such that the same consolidation criteria will apply to all entities. It lays out three elements of control: 1) power over the investee; 2) rights to variable returns from involvement with the investee; and 3) the ability to use power over the investee to affect the amount of investors' return. IFRS 10 also provides guidance on participating and protective rights, and brings the notion of "de facto" control within the standard.



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IFRS 11 - Joint Arrangements

In May 2011, the IASB issued IFRS 11 which replaces IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities*. The standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement requiring the unanimous consent of the parties sharing control. The focus is no longer on the legal structure of the joint arrangement but rather on how the rights and obligations are shared by the joint arrangement parties. IFRS 11 categorizes joint arrangements as joint operations or joint ventures.

The standard eliminates the existing policy choice of proportionate consolidation for jointly controlled entities and requires such entities to be accounted for using the equity method.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 outlines the disclosure requirements for entities reporting under IFRS 10 and IFRS 11 and has the same effective date as those standards. The standard establishes disclosure requirements for entities that have interests in other entities such as associates, joint arrangements and unconsolidated structured entities. The disclosures are to address the nature, risks and financial effects associated with the entity's interests in other entities. Specific disclosures include significant judgments made in determining control and entity's involvement with the investees.

IFRS 13 - Fair Value Measurement

In May 2011, the IASB issued IFRS 13 which is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. IFRS 13 sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurement. Its objective is to bring consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy.

**3. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents are denominated in Canadian dollar, U.S. dollar and Chinese renminbi and the details are as follows:

	August 31, 2013	November 30, 2012
Cash at bank and in hand - Canadian dollars	\$ 262,525	\$ 126,476
Cash at bank and in hand - U.S. dollars	182,002	380,111
Cash at bank and in hand - Chinese renminbi	13,865	8,872
Short-term deposits - Canadian dollars	816,273	1,628,225
Cash and cash equivalents	\$ 1,274,665	\$ 2,143,684

**CHINA MINERALS MINING CORPORATION**  
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**4. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Site</b>					<b>Office</b>	<b>Total</b>
	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Computers</b>	<b>Furniture</b>	
As at December 1, 2011	\$ 20,000	\$ 1,290,049	\$ 495,566	\$ 99,648	\$ 85,743	\$ 46,064	\$ 2,037,070
Additions	-	-	-	-	3,262	-	3,262
Disposals	-	-	-	-	(19,017)	-	(19,017)
As at November 30, 2012	20,000	1,290,049	495,566	99,648	69,988	46,064	2,021,315
Disposals	-	(65,638)	(413,035)	(53,648)	-	(20,000)	(552,321)
As at August 31, 2013	\$ 20,000	\$ 1,224,411	\$ 82,531	\$ 46,000	\$ 69,988	\$ 26,064	\$ 1,468,994
<b>Accumulated amortization</b>							
As at December 1, 2011	\$ -	\$ 40,783	\$ 225,464	\$ 29,462	\$ 61,422	\$ 32,386	\$ 389,517
Amortization	-	124,926	54,022	23,394	4,000	2,735	209,077
Disposals	-	-	-	-	(3,696)	-	(3,696)
As at November 30, 2012	-	165,709	279,486	52,856	61,726	35,121	594,898
Amortization	-	81,299	31,418	6,556	1,859	1,641	122,773
Disposals	-	(25,275)	(282,589)	(35,466)	-	(13,600)	(356,930)
As at August 31, 2013	\$ -	\$ 221,733	\$ 28,315	\$ 23,946	\$ 63,585	\$ 23,162	\$ 360,741
<b>Net book value</b>							
As at November 30, 2012	20,000	1,124,340	216,080	46,792	8,262	10,943	1,426,417
As at August 31, 2013	20,000	1,002,678	54,216	22,054	6,403	2,902	1,108,253

For the nine months ended August 31, 2013, amortization of \$119,273 (2012 - \$151,757) was capitalized to exploration and evaluation assets and \$3,500 (2012 - \$5,052) expensed to operations.

**5. EXPLORATION AND EVALUATION ASSETS**

**Cassiar Project, British Columbia**

The Company, through its subsidiary Cassiar Gold Corp., owns 100% of the Cassiar mineral assets. The Cassiar project, located in northern British Columbia, Canada, comprises approximately 58,900 hectares of mineral rights. The Cassiar project's two major areas of exploration and development activities to date are the Table Mountain and the Taurus properties.

*Table Mountain Property*

Table Mountain is a past-producing underground gold mine. The property has a fully permitted gold mill and tailings management facility which are available for future ore processing. In 2012, the Company carried out exploration activities on the property with 10 drill holes for 1,340 metres. The drilling activity was to explore the area named the Sky Vein prospect for possible gold-bearing veins.

*Taurus Property*

Taurus contains the Taurus gold deposit, a large gold system, located about 8 kilometres from the Table Mountain milling facility. A group of 10 claims comprising 250 hectares on the Taurus property is subject to a 2.5% net smelter return royalty held by Sable Resources Ltd.

In August 2013, the Company conducted a short surface exploration program at Cassiar mineral properties. Geological mapping, prospecting and silt-sampling were carried out over a 40-square kilometre area in the southeast part of the Cassiar property. The area is underlain by volcanic rocks which host local gold deposits and structurally covers the southern extension of the Table Mountain Gold vein system. The program was completed in September, 2013.

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In 2012, an exploration program was completed on the Taurus property. The drilling program focused on test for extensions of the Taurus deposit to the east and south of the known mineralization as well as on infilling the internal gaps within the Taurus deposit. The program completed 43 drill holes for 6,857 meters.

The Company's expenditures on its exploration and evaluation assets were as follows:

	Nine months ended August 31, 2013	Year ended November 30, 2012
<i>Costs, beginning of the period</i>	\$ 18,480,553	\$ 15,704,295
<i>Acquisition and maintenance of mineral claims</i>	116	2,162
<i>Exploration costs</i>		
Amortization	119,273	202,343
Asset retirement obligation	202,686	51,147
Camp and expediting	25,809	249,810
Drilling	-	1,061,110
Equipment rental and maintenance	6,876	102,440
Environmental and permits	1,581	4,203
Assaying	-	276,038
Geological and geophysics	11,776	448,278
Consulting and professional	90,883	54,629
Share-based payments	(96)	6,475
Travel and vehicle expenses	13,144	79,974
Property tax, insurance and others	20,675	29,095
Wages and benefits	45,766	208,554
<i>Costs incurred during the period</i>	538,489	2,776,258
<i>Costs, end of the period</i>	\$ 19,019,042	\$ 18,480,553

**Asset Retirement Obligation (“ARO”)**

The Company has future obligation in retiring its exploration and evaluation assets at the Cassiar Property including dismantling, remediation and treatment of the site. The exact nature and costs of the obligation are subject to change because of the ongoing changes of environmental requirements enacted by government agencies.

The Company prepares estimates of the timing and amount of expected cash flows when an ARO will be incurred. The ARO's net present value is initially recognized as a long-term liability and added to the exploration and evaluation assets and is subsequently re-measured at each reporting period.

A continuity of the asset retirement obligation relating to the exploration and evaluation assets is as follows:

	August 31, 2013	November 30, 2012
Asset retirement obligation - beginning balance	\$ 898,546	\$ 826,499
Change in estimate	214,770	51,147 <sup>(1)</sup>
Accretion expense	17,693	20,900
Asset retirement obligation - ending balance	\$ 1,131,009	\$ 898,546

*(1) The Company revised its estimates from previous years based on new information regarding the expected abandonment of its properties.*

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**CHINA MINERALS MINING CORPORATION**  
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The total undiscounted cash flow estimated to settle the obligations as at August 31, 2013 was \$1,153,138 which was adjusted for inflation at the rate of 2% and then discounted at a risk free rate of 2.29%.

At August 31, 2013, the Company has \$349,444 of reclamation bonds with the Ministry of Energy, Mines and Petroleum Services British Columbia as commitments to meet its regulatory obligations. The reclamation bonds are interest-bearing at prime rate less 1.8%. \$85,000 of the reclamation bond has a maturing date on February 13, 2014 and \$264,444 on August 15, 2014. The reclamation bonds are automatically renewed upon maturity.

**6. SHARE CAPITAL**

Authorized - unlimited number of common shares without par value

Issued and outstanding – see Condensed Consolidated Interim Statements of Changes in Equity

**Stock Option Plan**

The Company has adopted a stock option plan whereby the maximum number of common shares reserved for issue shall not exceed 10% of the total number issued and outstanding common shares of the Company as at the grant date. At August 31, 2013, the maximum number of shares that could be reserved for issuance was 13,647,727. The term of all option grants is generally 5 years to a maximum of 10 years. Options granted to investor relations consultants generally have one to two-year terms and are vested over a 12 month period with 25% vested every 3 months from the date of grant. Options granted to directors, officers, employees and consultants generally have a 5 year term and a vesting period of 18 months with 1/3 vested every 6 months from the date of grant.

**Share Purchase Options**

The continuity of the Company's share purchase options to August 31, 2013 is as follows:

	Number of options	Weighted average exercise price
Balance, December 1, 2011	9,825,000	\$ 0.29
Expired	(1,586,668)	(0.47)
Forfeited	(1,768,332)	(0.14)
Granted	1,810,000	0.10
Balance, November 30, 2012	8,280,000	\$ 0.24
Expired	(2,860,000)	(0.33)
Forfeited	(80,400)	(0.10)
Balance, August 31, 2013	5,339,600	\$ 0.20

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At August 31, 2013, the following share purchase options were outstanding:

Number of Options Outstanding	Weighted Average		Number of Options Exercisable	Weighted Average		Expiry Date
	Remaining Contractual Life (Years)	Exercise Price (Cdn\$)		Remaining Contractual Life (Years)	Exercise Price (Cdn\$)	
139,600	0.57	0.11	139,600	0.57	0.11	March, 2014
605,000	0.58	0.40	605,000	0.58	0.40	April, 2014
600,000	1.03	0.48	600,000	1.03	0.48	Sept., 2014
1,805,000	2.60	0.16	1,805,000	2.60	0.16	April, 2016
500,000	2.91	0.12	500,000	2.91	0.12	July, 2016
1,690,000	3.79	0.10	1,115,400	3.79	0.10	June, 2017
5,339,600	2.55	0.20	4,765,000	2.40	0.21	

**Share-based Payments**

During the nine months ended August 31, 2013 and 2012, the Company recognized share-based payments in the financial statements as follows:

	Nine months ended	
	August 31, 2013	August 31, 2012
Share-based payments capitalized in exploration and evaluation assets	\$ (96)	\$ 9,493
Share-based payments expensed	8,388	62,751
	\$ 8,292	\$ 72,244

**7. RELATED PARTY TRANSACTIONS**

For the nine months ended August 31, 2013, the Company was charged office rent of \$79,835 (2012 - \$165,672). As at August 31, 2013, no outstanding amount (August 31, 2012 - \$nil) was included in current liabilities payable to these related parties with regards to the office lease with Beijing Mansion No. 1 Real Estate Ltd.

Beijing Mansion No.1 Real Estate Ltd. is considered a company related by way of a director and shareholder in common. The related party expenses were recorded at the exchange amounts as determined and agreed to by the parties. Balances with related parties are non-interest bearing, unsecured and payable on demand.

**Key management compensation**

The Company's directors and officers are considered key management personnel and their compensation comprises the following:

	Nine months ended	
	August 31, 2013	August 31, 2012
Remuneration and short-term benefits	\$ 267,789	\$ 619,910
Share-based payments	6,816	(3,618)
Total compensation	\$ 274,605	\$ 616,292

**CHINA MINERALS MINING CORPORATION**  
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**(Unaudited – in Canadian Dollars)**

**8. COMMITMENTS**

The Company's commitments to office leases are: \$110,737 for the remaining fiscal year of 2013 and \$218,481 for fiscal year 2014. The lease commitments include the Company's 50% share of lease obligation of its former Vancouver office which has been subleased to June 2014, an office lease expiring August, 2014 and a one-year lease for its Chinese subsidiary ending December 31, 2013.

**9. SEGMENTED INFORMATION**

*Operating segment*

The Company has one operating segment, being the acquisition, exploration and evaluation of mineral assets.

*Geographic segments*

The Company has two geographic segments - Canada and China. Their assets, liabilities, expenses and other income are as follows:

	Nine months ended August 31, 2013		
	Canada	China	Total
Current assets	\$ 1,176,938	\$ 196,992	\$ 1,373,930
Property, plant and equipment	1,108,253	-	1,108,253
Reclamation bonds	349,444	-	349,444
Exploration and evaluation assets	19,019,042	-	19,019,042
<b>Total assets</b>	<b>\$ 21,653,677</b>	<b>\$ 196,992</b>	<b>\$ 21,850,669</b>
Current liabilities	\$ 121,789	\$ 8,394	\$ 130,183
Asset retirement obligation	1,131,009	-	1,131,009
<b>Total liabilities</b>	<b>\$ 1,252,798</b>	<b>\$ 8,394</b>	<b>\$ 1,261,192</b>
Expenses	\$ (1,005,276)	\$ (230,298)	\$ (1,235,574)
Other income	223,701	17,900	241,601
<b>Loss and comprehensive loss for the period</b>	<b>\$ (781,575)</b>	<b>\$ (212,398)</b>	<b>\$ (993,973)</b>
	Nine months ended August 31, 2012		
	Canada	China	Total
Current assets	\$ 2,696,876	\$ 475,373	\$ 3,172,249
Property, plant and equipment	1,478,424	-	1,478,424
Reclamation bonds	349,444	-	349,444
Exploration and evaluation assets	17,880,520	-	17,880,520
<b>Total assets</b>	<b>\$ 22,405,264</b>	<b>\$ 475,373</b>	<b>\$ 22,880,637</b>
Current liabilities	\$ 82,701	\$ 7,409	\$ 90,110
Asset retirement obligation	842,173	-	842,173
<b>Total liabilities</b>	<b>\$ 924,874</b>	<b>\$ 7,409</b>	<b>\$ 932,283</b>
Expenses	\$ (1,418,448)	\$ (381,191)	\$ (1,799,639)
Other income	253,138	1,150	254,288
Cumulative translation adjustments	-	(40,807)	(40,807)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (1,165,310)</b>	<b>\$ (420,848)</b>	<b>\$ (1,586,158)</b>



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Nine Months Ended**

**August 31, 2013**

**Management's Discussion and Analysis of Financial Position and Results of Operations  
For The Nine Months Ended August 31, 2013**

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## Management's Discussion and Analysis of Financial Position and Results of Operations For The Nine Months Ended August 31, 2013

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### GENERAL

This management's discussion and analysis ("MD&A") of the Company and its subsidiaries was prepared as of October 9, 2013 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the nine months ended August 31, 2013 as well as the audited financial statements for the year ended November 30, 2012.

The Company's financial statements are expressed in Canadian dollars except where indicated otherwise. The Company's shares are listed on the TSX Venture Exchange under the symbol "CMV", and quoted on the Pink Sheets in the United States under the symbol "HWTHF". Additional information about the Company is available on the Company's website at [www.chinamineralsmining.com](http://www.chinamineralsmining.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### FORWARD-LOOKING STATEMENTS

Certain of the statements and information contained in this MD&A that are not historical facts are forward-looking statements within the meaning of National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

This MD&A contains forward-looking statements, such as estimates and statements regarding the Company's goals and future plans, including words to the effect that the Company expects a stated result or event to occur. These forward-looking statements are subject to known or unknown risks and uncertainties which could cause actual results or performance of the Company to differ materially from results implied by such forward-looking information. Factors that could cause the actual results to differ include commodity price fluctuations, market capital access, global economy and politics, government regulations, environmental restrictions, exploration results, mineral title disputes, limitation on insurance coverage and availability of consultants delivering timely services, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A.

Although the Company has attempted to identify important factors that could affect the Company or may cause actual actions, events or results to differ, there may be other causing factors out of the Company's anticipation or estimation. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results otherwise. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

### DESCRIPTION OF BUSINESS

The Company and its wholly owned subsidiaries, Cassiar Gold Corp. ("Cassiar") and North American Mining Consulting Ltd., are engaged in the exploration and development of mineral properties. The Company's main asset is the Cassiar Gold Project comprising the Table Mountain Property ("Table Mountain") and Taurus Property ("Taurus"), of which it owns 100% through its subsidiary, Cassiar Gold Corp.

The Company has conducted an extensive review of its mineral assets at Table Mountain and Taurus. The evaluation suggests that intensive exploration expenditures are required to prove up the asset potential and to further advance the projects. In 2012, The Company conducted an exploration program of 8,200 metre campaign. The completed drilling program comprised 43 drill holes at Taurus and 10 drill holes at Table Mountain.

At Taurus, the 2012 drill holes were designed to a) test for down dip and along strike extensions to high-grade intercepts identified in the historic drill hole database, b) step-out into peripheral, open areas of the deposit and c) infill, internal gaps in the deposit. In general this program succeeded in demonstrating the

**Management's Discussion and Analysis of Financial Position and Results of Operations  
For The Nine Months Ended August 31, 2013**

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presence of gold-bearing veins and structures well outside the known deposit area. Drill-testing adjacent to high-grade intercepts, however, met with mixed success.

At Table Mountain, the 2012 drill holes tested the Sky Vein prospect – a little-drilled but significant east-west trending structure known to contain gold-bearing veins in a setting very similar to the past-producing vein deposits on the property. Five of the ten drill holes encountered significant (> 10 m true width) veins below the Table Mountain thrust. However, assays are variable and inconclusive.

## **EXPLORATION AND EVALUATION ASSETS**

Darcy Baker, Ph.D., P.Geo., the Company's advisor and a Qualified Person as defined by National Instrument ("NI") 43-101, has reviewed and approved the technical information contained in this MD&A.

### **Cassiar Gold Project, British Columbia**

The Cassiar Gold Project is located in northern British Columbia. It comprises approximately 58,900 hectares (including two placer claims) of which the Company has 100% interest, which comprise the Table Mountain and Taurus Properties in the Liard Mining Division. The area is easily accessible by all-weather road along Highway 37, which runs through the center of the Cassiar properties, and by subsidiary roads which allow easy access to many parts of the projects. The area also can be accessed via fixed-wing aircraft flights to the Cassiar airstrip which lies immediately to the west of the Taurus Property near the old Cassiar town site. The Company owns an accommodation facility on Highway 37 in Jade City, British Columbia located between Table Mountain and Taurus that can accommodate up to 70 people. An office and core logging facility are located to the southwest of the camp area.

Approximately 425,000 ounces of gold have historically been produced from the Cassiar district, mainly from underground mines on the Company's current land holdings on the Table Mountain Property. Gold mineralization is of the orogenic (mesothermal) gold type, and has many similarities in mineralization style and geological controls to the Cariboo Gold district in British Columbia, the Mother Lode belt of California, and to gold deposits of the Abitibi Greenstone belt in Ontario. Mineralization occurs in mafic volcanic-hosted, steeply dipping quartz-sulphide-carbonate vein systems which splay off shear zones that are developed in stacked thrust fault surfaces localized along carbonate altered ultramafic rocks and carbonaceous sedimentary rocks.

The Company has entered into a Resource Funding Agreement with the First Nation Kaska Dena Council on behalf of the BC Kaska in connection with the continued exploration and development of the Cassiar Gold Camp. Under the Agreement, China Minerals has agreed to provide resource funding to the BC Kaska to contribute to the cost of negotiating a Traditional Knowledge Protocol (the "TK Agreement") and a Socio-Economic Participation Agreement (the "SEPA"). The TK Agreement will assist the parties in establishing the appropriate traditional knowledge protocols for the exploration and development of the Property. The SEPA would include environmental, cultural and socio-economic and business opportunities and benefits for members of the BC Kaska and their businesses.

In January 2012, the Company initiated a systematic compilation and evaluation of the data available for the Cassiar Gold Project. In spite of gaps in historic reporting, the Company amassed a coherent database comprising 2,418 drill hole collar locations (521 Taurus; 1,897 Table Mountain), 48,862 drill hole lithological intervals (15,486 Taurus; 33,376 Table Mountain) and 84,466 gold assay results (54,424 Taurus; 27,042 Table Mountain). Collectively, this database represents 259,814 m of drilling including 201,187 of surface and underground drilling at Table Mountain and 58,627 m of surface drilling at Taurus.

This database formed the basis for target evaluation and recommendation for the 2012 summer drilling program. Additionally, areas for historic core re-sampling and re-logging were identified.

**Table Mountain Property**

The Table Mountain Property is located south of Highway 37 within the southern portions of the Cassiar Gold Project and contains the Main (formerly Erickson), Bain, Cusac and Vollaug mines which are past producing underground high-grade gold mines. A permitted 270 tonne per day gravity/flotation mill, power plant, assay lab and tailings impoundment facility are located on the property, and were put under care and maintenance by previous owners in October 2007. Thirteen adits/portals, approximately 25 km of underground workings, and more than 23 km of surface access roads occur on the property.

Table Mountain contains several areas hosting NI 43-101 compliant resources supported by a technical report (the "Table Mountain Report") titled, "Technical Report on the Table Mountain Property, Liard Mining District, British Columbia" prepared by Clifford A. Pearson, P. Geo and Finley J. Bakker, P. Geo, which was filed at [www.sedar.com](http://www.sedar.com) May 26, 2010. Resources occur principally in the Bain and Cusac mine areas, and include an indicated resource of 21,471 tonnes at an average grade of 18.02 g/t Au (approximately 12,440 troy ounces of gold) and an additional inferred resource of 19,306 tonnes at an average grade of 31.76 g/t Au (approximately 19,714 troy ounces of gold) in the East Bain system. Additional resources occur in the Cusac mine, mainly in the Eileen vein system. A summary of resources on the Table Mountain property that are derived from the Table Mountain Report are summarized in the table below:

Category	Tonnes	Au uncut g/t	Au cut g/t	Density
Indicated Total	21,471	18.02	16.24	2.70
Inferred Total	65,757	24.30	20.12	2.70

A feasibility study has not been completed on the Table Mountain property and there is no certainty that economically viable mining is possible.

During the year ended November 30, 2012, ten exploration drill holes for 1,340 metres were completed at the Sky Vein prospect ("Sky Vein"). Sky Vein is hosted in a steeply-dipping fault / shear structure which splays from the shallowly dipping Table Mountain Thrust. The thrust structure separates overlying argillite sedimentary rocks from underlying basalt and locally the thrust contains strongly hydrothermally altered ultramafic rocks (listwanite). This is a similar geological setting to the veins exploited, for example, at the Main and Cusac mines. Sulphide-bearing quartz veins from 8.30 to 30.10 metres true width were encountered in five of the ten 2012 drill holes. Assay results were generally low from these quartz intersections, however, wallrock adjacent to this vein returned up to 1.91 g/t Au over 12.50 metres.

**Taurus Property**

The Taurus Property is located north of Highway 37 within the northern portions of the Cassiar Gold Project. The Property contains the Taurus Gold Deposit ("Taurus Deposit"), a large gold system which has been the focus of recent exploration on the project. The Taurus Deposit is located approximately eight kilometres from the company's milling facility, and is located along the main access road to the former town of Cassiar. It lies low in the valley in an area of subdued topography, allowing year round exploration and ease of access. The Taurus underground mine produced approximately 35,000 ounces of gold from eastern portions of the Taurus Deposit in the 1980s. The Taurus Deposit was explored by previous operators with the objective of evaluating the potential for both large tonnage open pit and high grade underground mines. Sable Resources Ltd. holds a 2.5% Net Smelter Return Royalty (NSR) on a group of ten claims (Mack 1 to 4, Hopeful 1 to 4, Hillside and Highgrade) on the Taurus Property which cover a portion of the Taurus Deposit.

The Taurus Deposit hosts an inferred resource of 1.06 million ounces of gold comprising of 33.1 million tonnes at an average capped grade of 0.99 g/t Au using a cut-off grade of 0.50 g/t Au. This resource is supported by the NI 43-101 technical report titled "Updated Resource Report on the Taurus Deposit – Liard Mining District, B.C." prepared by Thomas C. Stubens and Morinus Andre de Ruijter of Wardrop

## Management's Discussion and Analysis of Financial Position and Results of Operations For The Nine Months Ended August 31, 2013

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Engineering Inc. which was filed at [www.sedar.com](http://www.sedar.com) on March 11, 2009.

After a review of the Taurus database in early 2012, the Company developed a three dimensional model of the major planar fault and shear structures and identified several target areas. The Taurus deposit is open in many directions around the periphery of the deposit but also internal to the known deposit footprint. Additionally, several targets were identified to have potential for higher-grade mineralization.

Between June and August 2012, the Company completed 43 drill holes for 6,857 metres of drilling at Taurus utilizing a single, skid-mounted drill. These holes targeted open areas of the Taurus deposit and potential higher-grade zones. Concurrent with the drilling, geological crews re-logged 69 historic drill holes within and proximal to drill targets to better refine structural models.

Drill results announced in the Company's news releases dated September 18, October 2 and October 24, 2012 from Taurus include several holes designed to test open areas of the Taurus Deposit which intersected ankerite altered basalt with veins, associated sulphide mineralization and gold mineralization. Some of the highlighted results include:

- Holes TA12-16 and TA12-19 intersected, respectively, 8.80 m at 5.05 g/t Au and 19.00 m at 2.13 g/t Au outside previous eastern boundary of Taurus deposit
- A high grade vein grading 8.77 g/t Au over 1.80 m in hole TA12-24 demonstrates that gold mineralization at the Sable Zone extends to the south-east
- Wide gold intersections of 23.00 m grading 3.83 g/t Au and 10.45 m grading 4.42 g/t Au in holes TA12-38 and TA12-40, respectively, show new opportunity in the 88 Hill / Highway Gap

### OUTLOOK

After the completion of the 2012 drilling program, the Company continued with data assessment work by compiling geological information from the 53 drill holes conducted at the Taurus and Table Mountain properties, as well as by reviewing geological models and concepts developed from the drill core re-logging program. Through on-going compilation and interpretation of historic geochemical, geophysical and drilling data and through re-logging of drill core, high priority drill targets will be defined for future exploration activities. In addition, new prospective areas will be identified to expand the exploration boundaries beyond existing Table and Taurus properties.

In 2013, the Company carried out a short surface exploration program at its Cassiar properties where geological mapping, prospecting and silt-sampling were conducted. A geologist and a crew of three technicians completed the short field program under the supervision of Chief Geologist Michael Guo. A total of 150 silt samples and 83 soil samples were taken as well as 22 outcrop rock samples showing alteration and/or veining.

The purpose of the field exploration program was to search for more Table Mountain style gold vein systems on the 50 square kilometre Hunter-Pooley claims area. Some low grade veins are known to exist in the north western portion of the claims, but much of this area is under explored. The work will also be applied for assessment credits. All samples have been submitted to the assay labs and results are awaited.

During the year, the Company has engaged Dale Sketchley, a specialist in gold resource evaluation with experience in the Cassiar Gold camp, to have an in-depth evaluation on the Taurus gold deposit. His assessment report was to evaluate resource opportunity at Taurus and determine if further work could increase gold resources on the complex Taurus gold deposit. The results and conclusions of the report are currently being reviewed.

The Company continues to review and assess projects for potential merger and acquisition opportunities.

**Management's Discussion and Analysis of Financial Position and Results of Operations  
 For The Nine Months Ended August 31, 2013**
**SUMMARY OF QUARTERLY RESULTS (UNAUDITED)**

The following table highlights the Company's unaudited quarterly results for the last eight quarters. The financial information below has been prepared in accordance with IFRS as of December 1, 2010, the transition date.

	2013			2012			2011
	Aug 31	May 31	Feb 28	Nov 30	Aug 31	May 31	Nov 30
	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-
Net loss	(308,616)	(301,283)	(373,815)	(334,357)	(308,549)	(478,061)	(11,435,423)
Net loss per share - basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.06)

The Company's expenditures have been decreasing quarter over quarter since 2011. In March 2011, the Company completed an equity financing with SkyOcean Venture Investment Limited ("SkyOcean") for gross proceeds of \$7.5 million. Following the completion of the financing with SkyOcean, a new Chief Executive Officer was appointed and an administrative office was set up in Beijing, China. The higher costs in the last quarter of 2011 reflected the incremental expenses in connection with the Beijing administration. In addition, during the fourth quarter of 2011, the Company wrote down its Cassiar exploration and evaluation assets by \$10.6 million to its estimated recoverable amount. In the first quarter of 2012, the higher loss was a result of a severance payment to an officer. From 2012 and continuing to 2013, the Company has been maintaining a tight grip in its administrative overhead.

**REVIEW OF FINANCIAL RESULTS**

(Rounded to the nearest thousand ('000))

**Net Loss**

For the three and nine months ended August 31, 2013, the Company incurred net losses of \$309,000 and \$984,000 respectively as compared to \$309,000 and \$1,545,000 for the respective periods in 2012. The decreased net loss in 2013 was attributable to reduced business activities and cost controls in administrative expenses.

**Expenses**

Administrative expenses for the three and nine months ended August 31, 2013 were \$410,000 and \$1,225,000 (2012 - \$396,000 and \$1,800,000) respectively. Excluding non-cash expenses for accretion and amortization (2013 - \$7,700 and \$23,000; 2012 - \$6,900 and \$20,700), loss from disposal of equipment (2013 - \$87,000 and \$156,000; 2012 - \$nil and \$12,000) and share-based payments (2013 - \$1,500 and \$8,400; 2012 - (\$35,000) and \$63,000) the administrative (cash) expenses for the three and nine months ended August 31, 2013 were \$314,000 and \$1,038,000 (2012 - \$424,000 and \$1,704,000) respectively.

Areas of decreased administrative (cash) expenses for the nine months period of 2013 over 2012 were: director and executive fees (2013 - \$173,000; 2012 - \$282,000), investor relations (2013 - \$38,000; 2012 - \$102,000), professional and consulting fees (2013 - \$27,000; 2012 - \$78,000), rent and office (2013 - \$432,000; 2012 - \$552,000) and salaries and benefits (2013 - \$332,000; 2012 - \$599,000).

Share-based payments were \$8,000 and \$63,000 for the respective periods of 2013 and 2012. The decreased expense is due to the decreasing amortization from vested share purchase options granted in July 2011 and June 2012. There were no new option grants in current fiscal year.

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For The Nine Months Ended August 31, 2013**

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**Other Income (Expenses)**

For the three and nine months ended August 31, 2013, other income and expenses included: interest income \$5,000 and \$13,000 (2012 – \$26,000 and \$79,000); other income \$53,000 and \$172,000 (2012 - \$61,000 and \$174,000). Other income was related to the rental income from the subleasing of the Company's former Vancouver offices.

**Exploration and Evaluation Assets (“E&E”)**

The Company capitalizes expenditures incurred in connection with the acquisition and exploration of its mineral properties. At August 31, 2013, the carrying value of the Cassiar mineral assets was \$19,031,000 (November 30, 2012 - \$18,481,000). For the nine months ended August 31, 2013, \$217,000 (cash) expenditures were incurred on the Cassiar projects as compared to \$2,539,000 (cash) for the year ended November 30, 2012. During the second quarter of 2013, the Company revised the estimate of asset retirement obligation (“ARO”) on its Cassiar properties. As a result, both the E&E assets and the ARO liability were increased by \$215,000. Details of the exploration and evaluation expenditures are disclosed in Note 5 of the unaudited condensed consolidated interim financial statements as at August 31, 2013.

**LIQUIDITY AND CAPITAL RESOURCES**

At August 31, 2013, the Company's cash and cash equivalents were \$1,275,000 compared with \$2,144,000 at November 30, 2012, and its working capital at August 31, 2013, was \$1,244,000 as compared to \$2,217,000 at November 30, 2012. The Company has no long-term debt obligations or off-balance sheet arrangements.

The Company has projected and budgeted \$1.4 million for its administrative expenses in fiscal year 2013. As at August 31, 2013, the Company has sufficient working capital to operate as a going concern to meet its general obligations for 2013. However, management continues evaluating its operations, mineral assets and business opportunities which might require future equity issuance, debt financing or asset sales. For the activities of its exploration and evaluation assets, the Company has been assessing the results of its 2012 drilling program to determine a future exploration plan and at the same time sourcing joint venture partners to continue exploration activities for its mineral properties.

Under operating activities, the Company used \$712,000 of its cash for the nine months ended August 31, 2013 compared with \$2,268,000 for the same period in 2012.

In the investing activities, the Company expended \$211,000 in 2013 on the exploration and evaluation assets as compared with \$2,065,000 in 2012. In the summer of 2013, the Company conducted a short surface exploration program in the southeastern part of the Cassiar property. In 2012, a more extensive drilling program was carried out on Cassia's Taurus and Table Mountain areas completing 43 drill holes for 6,857 meters.

To keep the Company's minerals claims in good standing and to maintain rights to explore in the Cassiar properties, the Company has obligations to make cash payments to the government.

In addition to the mineral claim obligations, the Company has annual office lease commitments for its offices in Vancouver, Canada and Beijing, China (see Commitments below).

The Company's exploration and evaluation assets are at the exploration stage and will not generate cash flow in the near term; accordingly, the Company will depend on equity/debt financings to continue its exploration activities and general administrative requirements. There is no assurance that the Company could raise such financings and on reasonable economic terms.

**Management's Discussion and Analysis of Financial Position and Results of Operations  
 For The Nine Months Ended August 31, 2013**


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**COMMITMENTS**

The Company has entered into operating lease agreements for its offices in Vancouver and Beijing. The remaining lease terms are between four and twelve months. The commitments to these office rentals as of August 31, 2013 are: \$110,737 for the remaining fiscal year of 2013 and \$218,481 for fiscal year 2014.

The office lease commitments include the Company's 50% share of a lease obligation of its former Vancouver office which has been subleased to June 2014, an office lease expiring August, 2014 and a one-year lease for its Chinese subsidiary ending December 31, 2013.

**CHANGES TO CORPORATE MANAGEMENT**

In March 2013, Mr. Liang Shi resigned as a Director and a member of the Audit Committee.

**OUTSTANDING SHARE DATA**

As at October 9, 2013, the date of this MD&A, the Company's issued and outstanding common shares were 189,873,268; its share purchase options granted to directors, employees and consultants were 5,339,600 with a weighted average exercise price at \$0.20. For additional details on share capital, see Note 6 of the unaudited condensed consolidated interim financial statements for the nine months ended August 31, 2013.

**RELATED PARTY TRANSACTIONS**

For the nine months ended August 31, 2013, the Company was charged \$79,835 (August 31, 2012 - \$165,672) regarding office rental from Beijing Mansion No.1 Real Estate Ltd., a related party by way of a director and shareholder in common. The related party expenses were recorded at the exchange amounts as determined and agreed to by the parties. Balances with the related party are non-interest bearing, unsecured and payable on demand. As at August 31, 2013, there was no outstanding amount (August 31, 2012 - \$nil) payable to the related party.

**Key management compensation**

The Company's directors and officers are considered key management personnel and their compensation comprises the following:

	Nine months ended	
	August 31, 2013	August 31, 2012
Remuneration and short-term benefits	\$ 267,789	\$ 619,910
Share-based payments	6,816	(3,618)
<b>Total compensation</b>	<b>\$ 274,605</b>	<b>\$ 616,292</b>

**FINANCIAL INSTRUMENTS AND RELATED RISKS**

The Company's financial instruments comprise cash and cash equivalents, short-term investments, other receivables, accounts payable and accrued liabilities and due to related parties. The fair values of the financial instruments referred above approximate their carrying value due to their short term maturity.

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For The Nine Months Ended August 31, 2013**

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The Company is exposed to a variety of financial instrument related risks as follows:

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations and commitments as they come due. As of August 31, 2013, the Company has accumulated a deficit of \$41 million and no sources of revenue.

The Company manages its liquidity risk with an annual budget to identify the timeline and amounts of its financial requirements. By monitoring the monthly actual expenditures against the budget, the Company ensures it has the control and flexibility to meet its operating obligations. Based on the 2013 operational budget authorized by the Board of Directors, the Company has sufficient cash reserves to meet its general operational obligations for the remaining 213 fiscal year and the first six months of 2014. The Company continues to source funding for its exploration activities via equity/debt financings and/or joint venture partners. See Note 1 to the unaudited condensed consolidated interim financial statements for the nine months ended August 31, 2013.

As at August 31, 2013, the Company had cash resources of \$1,275,000 to settle current liabilities of \$130,000. Management believes the Company has sufficient liquidity to meet its commitments and general operational needs for the next ten months.

**Credit risk**

Credit risk arises from cash and cash equivalents and short-term investments held with financial institutions as well as credit exposure on outstanding receivables.

The Company's cash and cash equivalents, including guaranteed investment certificates, are held at high-credit rating financial institutions. The Company's maximum exposure to credit risk is the carrying amounts of cash and receivables on its consolidated financial statements.

**Foreign currency risk**

The Company is exposed to foreign currency risk arising from fluctuations in foreign exchange rates among the Canadian dollar, U.S. dollar and Chinese renminbi. The Company raises its equity and incurs expenditures in Canadian dollars but provides funding to its Chinese subsidiary in U.S. dollar which is converted to Chinese renminbi for the subsidiary's expenditures.

The Company estimated that a 1% increase or decrease in the US dollar and Chinese renminbi in relation to the Canadian dollar would have an effect of approximately \$1,875 increase or decrease to the Company's 2013 financial results based on the foreign currency financial instruments held at August 31, 2013.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company earns its majority of interest income from short-term investments invested in guarantee investment certificates. Fluctuations in interest rates will have a corresponding effect on the Company's interest income.

**Price risk**

The Company is exposed to price risk with respect to equity price. Equity price risk is the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in



## **Management's Discussion and Analysis of Financial Position and Results of Operations For The Nine Months Ended August 31, 2013**

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the stock market. The Company does not hold any financial instruments that have direct exposure to other price risks and volatilities as at August 31, 2013 and 2012.

### **CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of the Company's financial position and operating results. The Company considers the following policies to be critical in understanding the estimates and judgments that are used in the preparation of these financial statements. Due to the uncertainties and continual changes in the business environment, actual results could differ from the management's estimates which could impact significantly the Company's financial position, operational results and cash flows.

#### *Exploration and evaluation ("E&E") assets and Impairment assessment*

Costs related to acquisition, exploration and development are capitalized to the E&E assets until economical recoverable mineral reserves are determined. The capitalized costs are then reclassified as mining assets and amortized on a unit-of-production basis.

The process of determining if an impairment indicator exists involves significant judgment and estimation on the recoverability of exploration and evaluation assets as it relies on both an interpretation of technical geological data as well as economic considerations including current and estimated future commodity prices, global market volatility and exploration activities. As new data or information comes up, the recoverable amounts of the assets and the impairment loss may be different from these judgments and estimates.

When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

### **CHANGES TO ACCOUNTING STANDARDS**

The International Accounting Standards Board ("IASB") issues new accounting standards, amendments and interpretation from time to time that may impact the Company's future financial statements. The standards and interpretations that become effective or have not yet been effective up to the date of authorization of these unaudited condensed consolidated interim financial statements are disclosed below. The Company does not expect they have a material impact on the Company's financial statements.

#### *IFRS 9 - Financial Instruments*

The standard is effective for annual periods beginning on or after January 1, 2015. It introduces new requirements for the classification and measurement of financial instruments. A financial asset will be classified on the basis of the Company's business model for managing the financial asset and the related contractual cash flow characteristics. This asset will be initially measured at fair value and subsequently measured at amortized cost or fair value. Gains and losses on investments in the instruments that are not held for trading may be presented in other comprehensive income if so elected at initial recognition.

Under the new standard, entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity. However, if presenting the change in fair value attributable to the credit risk of the

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liability in OCI would create an accounting mismatch in profit or loss, all fair value movements are recognised in profit or loss.

**Accounting standards effective for annual periods beginning on or after January 1, 2013****IFRS 10 - Consolidated Financial Statements**

In May 2011, the IASB issued IFRS 10 replacing IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 defines the principle of control, such that the same consolidation criteria will apply to all entities. It lays out three elements of control: 1) power over the investee; 2) rights to variable returns from involvement with the investee; and 3) the ability to use power over the investee to affect the amount of investors' return. IFRS 10 also provides guidance on participating and protective rights, and brings the notion of "de facto" control within the standard.

**IFRS 11 - Joint Arrangements**

In May 2011, the IASB issued IFRS 11 which replaces IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities*.

IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement requiring the unanimous consent of the parties sharing control. The focus is no longer on the legal structure of the joint arrangement but rather on how the rights and obligations are shared by the joint arrangement parties. IFRS 11 categorizes joint arrangements as joint operations or joint ventures.

The standard eliminates the existing policy choice of proportionate consolidation for jointly controlled entities and requires such entities to be accounted for using the equity method.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

**IFRS 12 - Disclosure of Interests in Other Entities**

IFRS 12 outlines the disclosure requirements for entities reporting under IFRS 10 and IFRS 11. The standard establishes disclosure requirements for entities that have interests in other entities such as associates, joint arrangements and unconsolidated structured entities. The disclosures are to address the nature, risks and financial effects associated with the entity's interests in other entities. Specific disclosures include significant judgments made in determining control and entity's involvement with the investees.

**IFRS 13 - Fair Value Measurement**

IFRS 13 sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurement. Its objective is to bring consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy.

## **RISKS AND UNCERTAINTIES**

Due to nature of the Company's business in mineral exploration and development, it is subject to various risks and uncertainties associated with the mining and extraction industry. If any of the following risks occur, the Company's going concern, operating results and financial position could be adversely impacted.

### *Exploration Risk*

Mineral exploration activities are inherently risky. Few properties that are explored are eventually developed into producing mines. Exploration activities on the Company's Cassiar mineral properties have not yet resulted in discoveries of commercial mineralization to take the Company to the producing stage. If there are no further discoveries of mineral reserves, the Company may be forced to look for other exploration projects and abandon the existing properties.

### *Titles to Mineral Properties*

While the Company exercises due diligence with respect to determining titles to its mineral properties it has interests in and claims in good standing, there is no guarantee that titles to such properties will not be challenged or expropriated. The Company's properties may be subject to prior unregistered agreements or transfers, indigenous or government land claims. Any of which could result in the total loss of the Company's mineral property interests.

### *Mineral Resources*

The mineral resource figures disclosed in the MD&A are estimates only and the Company cannot be certain that specific quantities of gold or other minerals will be realized. These estimates are subject to the assumptions and judgments used in the geological interpretations. Any material changes in the mineralization, grade, metal prices and market conditions could have a serious adverse effect on the economic viabilities of the Company. Until the estimated deposits are mined and processed, the mineral resources and its grades remain estimates only.

### *Commodity Prices*

The Company's future viability depends largely on the movement of the price of gold as the Company's mineral resources are primarily of gold. Gold prices have historically been volatile reacting to conditions beyond the Company's control, including international politics, economic crisis, global production, consumption pattern and speculative activities. These uncertainties and volatility could affect negatively the Company's ability to raise capital and its continual operation.

### *Global Economy and Financial Markets*

The Company relies on the capital markets to raise equity financings for its exploration activities, operating expenses and business development. The continued mounting national debts in Europe and United states have led to serious damages to the global financial system and tightened credit facilities. This has increased difficulties for the Company to access to the financial markets and the resulting higher capital costs.

### *Share Price Volatility*

The debt crisis in Europe and the slowdown of growth in China have resulted in reduced demand of base and precious metals and a general drop in the share prices of many companies in the mining industry. As a junior mineral explorer, the Company's share price has been unavoidably affected by such volatile market conditions, which may not be necessarily related to the financial condition and the Company's underlying assets. For the Company's ongoing operations and exploration activities, it relies on the issuance of

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common shares. The Company's depressed share price will cast a doubt on its ability to raise future equity financing.

*Government and Environmental Regulations*

The Company's operations are subject to various regulations governing prospecting, permitting, mine safety, labour standards, explosive storage, reclamation, spills, tailings disposal and any other environmental issues. There is no guarantee that new rules and compliances will not be enacted or existing regulations will not be changed and applied in such a way that they may adversely impact the Company's operations. Environmental legislation has becoming more stringent and penalties are enforced for non-compliance. Compliance with existing and evolving regulations means increasing costs to the Company.

*Competition*

The Company is in competition with all of its mining counterparts which may have greater financial resources and expertise. It competes with them in the acquisition of quality mineral properties, recruitment of qualified technical and geological employees in addition to the attraction of investors and joint venture partners. All these competitions create uncertainties to the Company's ongoing operations.

*Foreign Operation*

The Company's mineral properties are in Canada with the executive administration in China. This operation in the foreign country may expose the Company to local political and economic risks such as risks of nationalization or expropriation, changes in taxation rules, controls in capital flow in and out of the country, restrictions on currency exchange. Any changes in the local government's policies and politics could result in the executive management's business decisions on the Company's operating activities.

*Key Personnel*

The Company's success is substantially dependent on the performance and intangible qualities of its key officers and the Board of Directors – their experience, judgment, discretion and integrity. The termination of any of their services could have a material adverse effect on the Company's continual operations.