



# MISTANGO RIVER

R E S O U R C E S

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**June 30, 2012**

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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*This management discussion and analysis ("MD&A") has been prepared based on information available to Mistango River Resources Inc. ("Mistango" or the "Company") as at August 28, 2012. The MD&A of the operating results and financial condition of the Company for the three and six month period ended June 30, 2012, should be read in conjunction with the Company's unaudited interim financial statements for the three and six month periods ended June 30, 2012 and 2011 and the audited financial statements for the years ended December 31, 2011 and 2010. The accompanying financial statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

### **MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")**

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109.

### **CAUTIONARY NOTE**

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law. See the section entitled ***Risks and Uncertainties***.

### **Overview**

Mistango is a Canadian-based junior mining and exploration company incorporated under the Canada Business Corporations Act which currently holds a portfolio of exploration stage projects in Ontario and Quebec which Mistango continues to evaluate. Recent developments include the following:

- On August 22, 2012, the Company announced the results drilling its 100% owned Omega Gold Mine Property located in Larder Lake, Ontario. Drilling highlights included:
  - **OM-12-92:** 2.419 g/t Au over 19.5m
  - **OM-12-93:** 1.494 g/t Au over 55m
- On August 7, 2012, the Company announced the results drilling its 100% owned Omega Gold Mine Property located in Larder Lake, Ontario. Drilling highlights included:
  - **OM-12-80:** 1.113 g/t Au over 15m and 16m of 0.959 g/t Au and 17m of 1.248 g/t Au

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- **OM-12-81:** 1.259 g/t Au over 10m and 12m of 3.808 g/t Au
- **OM-12-84:** 1.060 g/t Au over 28m and 10m of 2.408 g/t Au
- **OM-12-88:** 0.810 g/t Au over 44 m
  
- On June 8, 2012, the Company completed a private placement totaling 8,000,000 flow-through units at \$0.25 each for an aggregate amount of \$2,000,000 and 2,500,000 units at \$0.20 each for an aggregate amount of \$500,000 for total proceeds for \$2,500,000. Each flow-through unit is comprised of one “flow-through” common share and one half of one common share purchase warrant. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.
  
- On April 30, 2012, the Company announced the results drilling its 100% owned Omega Gold Mine Property located in Larder Lake, Ontario. Drilling highlights included:
  - **OM-12-72:** 1.177 g/t gold over 59 metres (including 34 metres of 1.834 g/t gold)
  - **OM-12-76:** 0.946 g/t gold over 94 metres (including 18 metres of 1.360 g/t gold)
  
- On March 2, 2012, the Company announced the results drilling its 100% owned Omega Gold Mine Property located in Larder Lake, Ontario. Drilling highlights included:
  - **OM-12-67:** 1.787 g/t gold over 16 metres (including 2 metres of 5.84 g/t gold)
  - **OM-12-69:** 2.687 g/t gold over 12 metres (including 8 metres of 3.706 g/t gold)
  - **OM-12-70:** 0.997 g/t gold over 54 metres (including 10 metres of 2.421 g/t gold: Open Pit)
  
- On January 23, 2012, the Company announced the results drilling its 100% owned Omega Gold Mine Property located in Larder Lake, Ontario. Drilling highlights included:
  - **OM-11-63**
    - 2.66 g/t gold over 24 metres (including 13.44 g/t over 4 metres)
  
- On January 5, 2012, the Company announced the results drilling its 100% owned Omega Gold Mine Property located in Larder Lake, Ontario. Drilling highlights included:
  - **Hole OM-11-53**
    - From 492 m to 499 m 4.889 g/t Au over 7 metres (including 7.730 g/t Au over 4 m)
  - **Hole OM-11-64**
    - From 697 m to 709 m 1.845 g/t Au over 12 metres (including 2.354 g/t Au over 7 m)
  
- On December 21, 2011, the Company completed a private placement totaling 1,666,666 units at \$0.30 each for an aggregate amount of \$500,000. Each unit is comprised of one “flow-through” common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months. In connection with this financing, the Company issued 83,333 finder warrants. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.
  
- On November 21, 2011, the Company announced the results drilling its 100% owned Omega Gold Mine Property located in Larder Lake, Ontario. Drilling highlights included:
  - **OM-11-40**
    - From 25 to 28 metres returned 30.06 g/t gold over 3 metres which includes 88.26 g/t Au over 1.0 metres in the open pit area.
  - **OM-11-41**
    - From 110.5 to 122.0 metres assayed 2.242 g/t Au over 11.5 metres in the open pit area.
  - **OM-11-42**
    - From 93.0 to 98.0 metres assayed 3.516 g/t Au over 5.0 metres in the 1-2 zone
  - **OM-11-44**
    - From 64.0 to 65.5 metres assayed 18.55 g/t Au over 1.5 metres and from 168.5 to 175.0 metres assayed 3.342 g/t Au over 6.5 metres.

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- On October 25, 2011, the Company announced the results drilling its 100% owned Omega Gold Mine Property located in Larder Lake, Ontario. Drilling highlights included:
  - **OM-11-19**
    - From 328 to 337.2 metres returned 8.056 g/t gold over 9.2 metres at a vertical depth of 276 metres below surface in the No. 1-2 zone.
  - **OM-11-20**
    - From 386.5 to 395.0 metres returned 3.071 g/t gold over 8.5 metres at a vertical depth of 354 metres below surface in the No. 14 zone.
- On October 13, 2011, the Company completed a private placement totaling 6,200,000 units at \$0.25 each for an aggregate amount of \$1,550,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months. In connection with this financing, the Company issued 367,000 finder units. Each finder unit is exercisable at \$0.25 for a period of 24 months. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.
- On October 13, 2011, the Company completed a private placement totaling 600,000 units at \$0.25 each for an aggregate amount of \$150,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.
- On October 4, 2011, the Company announced the results from drilling its 100% owned Omega Gold Mine Property. Drilling highlights included:
  - **OM-11-15**
    - 3.131 g/t Au over 7.8 metres in the 1 and 2 zones at a vertical depth of 315 metres.
  - **OM-11-34**
    - 2.445 g/t Au over 24 metres in 1 and 2 zones at a vertical depth of 60 metres.
- On September 13, 2011, the Company announced the results from drilling its 100% owned Omega Gold Mine Property. Drilling highlights included:
  - **OM-11-11**
    - From 455M to 467.95 returned 4.505 g/t gold over 12.95 metres including 5.85 g/t gold over 5 metres and 6.56 g/t gold over 4.0 metres.
- On August 30, 2011, the Company announced the results from drilling its 100% owned Omega Gold Mine Property. Drilling highlights included:
  - **OM-11-14**
    - 32 metres of 1.413 g/t gold
  - **OM-11-21**
    - 19.3 metres of 2.844 g/t gold( including 11 metres of 3.558 g/t gold)
  - **OM-11-23**
    - 22 metres of 2.690 g/t gold
- On August 3, 2011, the Company announced the results from drilling its 100% owned Omega Gold Mine Property. Drilling highlights included:
  - **OM-11-08**
    - 2.33 g/t over 8 metres in the No. 14 zone at a vertical depth of 350 metres; and
    - 3.438 g/t over 10 metres including 7.045 g/t over 4 metres in the No. 1-2 zones at a vertical depth of 435 metres.
  - **OM-11-09**
    - 4.205 g/t over 6 metres 1 and 2 zones

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- On July 26, 2011, the Company announced the results from drilling its 100% owned Omega Gold Mine Property. Drilling highlights included:
  - **OM-11-04**
    - 1.24 g/t over 13.2 metres
  - **OM-11-05**
    - 5.37 g/t over 14 metres
  
- On July 14, 2011, the Company announced the results from drilling its 100% owned Omega Gold Mine Property. Drilling highlights included:
  - **OM-11-02**
    - 1.42 g/t Au over 6 metres (including 2.6 g/t over 3 metres); and
    - 15.50 g/t Au over 6 metres (including 45.57 g/t Au over 1 metre).
  - **OM-11-03**
    - 3.12 g/t Au over 4.5 metres (including 7.10g/t Au over 1.5 metres); and
    - 1.14 g/t Au over 12 metres (including 3.05 g/t over 3 metres).
  
- On June 30, 2011, the Company completed a private placement totaling 750,000 units at \$0.20 each for an aggregate amount of \$150,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 12 months and then \$0.45 for the ensuing 12 month period.
  
- On June 14, 2011, the Company entered into a property option agreement to acquire a 100% interest in six claims in close proximity to the Company's Omega property in Larder Lake, Ontario. To acquire a 100% interest the Company will pay cash of \$150,000 as follows: \$25,000 on signing, \$25,000 on or before June 30, 2012, \$50,000 on or before June 30, 2013, and \$50,000 on or before June 30, 2014 and issue 300,000 common shares as follows: 50,000 on signing, 50,000 on or before June 30, 2012, 100,000 on or before June 30, 2013, and 100,000 on or before June 30, 2014. In addition, the Company is required to carry out \$500,000 in work expenditures on these claims by June 30, 2014. The vendor will retain a 3% NSR.
  
- On June 3, 2011, the Company completed a private placement totaling 2,200,000 units at \$0.25 each for an aggregate amount of \$550,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 12 months and then \$0.45 for the ensuing 12 month period.
  
- At a Special Meeting of shareholders held on March 17, 2011, the shareholders approved the consolidation of its Class A Voting Common Shares on the basis of one new common share for four old common shares and change the Company's name to Mistango River Resources Inc. On March 20, 2011 the Company's shares commenced trading on the CNSX under the symbol MIS.
  
- On January 27, 2011, Brigus Gold Corp. ("Brigus") and Mistango reached an agreement regarding the reimbursement by Brigus to Mistango. Pursuant to the agreement, as amended, Brigus issued to GLR 1,396,134 common shares of Brigus valued at \$2,443,235 based on a deemed price of \$1.75 per share and is making cash payments aggregating US\$60,000. The agreement was subject to receipt of requisite regulatory approvals and discontinuance of the outstanding legal action between Brigus and Mistango.

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### Selected Annual Financial Information

Expressed in Canadian dollars, except share amounts	June 30, 2012	December 31, 2011	December 31, 2010
	\$	\$	\$
Cash	2,499,957	1,036,190	210,139
Property, plant and equipment	116,674	130,898	105,062
Total assets	2,786,222	1,885,357	599,053
Working capital (deficiency)	1,805,457	1,232,000	(187,827)
Long-term liabilities	-	16,131	31,879
Cash used in operations	(1,526,006)	(3,316,364)	(1,253,308)
Common shares issued for cash	2,500,000	2,900,000	-
Common shares outstanding*	37,921,481	27,371,481	15,904,815
Operating expenses	1,753,390	3,377,055	1,379,302
Net loss	(1,584,016)	(1,271,654)	(1,579,322)
Other comprehensive loss (income)	25,600	(61,496)	185,371
Net loss per share- basic and diluted *	(0.06)	(0.07)	(0.10)
Dividends paid	0.00	0.00	0.00

\* Number of shares outstanding is post four for one share consolidation of the Company's issued and outstanding share

### Selected Quarterly Information

	2012 Q2	2012 Q1	2011 Q4	2011 Q3
	\$	\$	\$	\$
Revenues	-	-	-	-
Expenses	679,663	1,073,727	1,327,749	1,320,994
Net loss	(632,563)	(951,453)	(1,465,062)	(1,374,807)
Basic and fully diluted loss per share	(0.02)	(0.03)	(0.06)	(0.07)

	2011 Q2	2011 Q1	2010 Q4	2010 Q3
	\$	\$	\$	\$
Revenues	-	-	-	-
Expenses	579,666	148,646	302,022	131,169
Net income (loss)	(425,519)	1,993,734	(302,022)	(131,169)
Basic and fully diluted income (loss) per share *	(0.03)	0.13	(0.02)	(0.01)

\* Number of shares outstanding is post four for one share consolidation of the Company's issued and outstanding share

### Results of Operations

#### Three months ended June 30, 2012 and 2011

For the three months ended June 30, 2012, the Company posted net loss of \$632,563 compared to \$425,519 in the same period in 2011. Net loss per share was 2¢ (2011 – 3¢). The current period net loss is mainly a result of an increase in exploration and evaluation expenditures.

General office expenses decreased in the three months ended June 30, 2012 to \$21,445 (2011 - \$33,328), shareholder information expenses increased in the three months ended June 30, 2012 to \$54,026 (2011 - \$22,547) and professional fees and consulting were decreased in the three months ended June 30, 2012 to \$27,365 (2011 - \$34,160) due to new investor relation agreements entered into and more activity in the quarter as the Company continued to advance its Omega property.

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Salaries, fees and benefits were reduced in the three months ended June 30, 2012 to \$41,969 (2011 - \$48,802) as management of Mistango continues to take action to reduce all expenses to focus as much resources on exploring its mineral properties and \$12,500 (2011 - \$Nil) of the President's salary was recorded under evaluation and expenditures based on his time spent on the properties. These fees are expected to be consistent quarter to quarter.

Exploration and evaluation expenditures increased in the three months ended June 30, 2012 to \$514,032 (2011 - \$269,676) as management continued to advance its Omega property and meet its flow-through share commitments.

The Company incurred stock-based compensation during the three months ended June 30, 2012 of \$13,000 compared to \$165,000 for the same period in 2011. Stock-based compensation expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model.

The Company incurred a flow-through share premium recovery during the three months ended June 30, 2012 of \$55,000 compared to \$34,000 for the same period in 2011. This recovery is a result of flow-through shares that were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers during the prior year and the reversal of this premium resulting from flow-through funds spent.

### Six months ended June 30, 2012 and 2011

For the six months ended June 30, 2012, the Company posted net loss of \$1,584,016 compared to net income of \$1,568,215 in the same period in 2011. Net loss per share was 6¢ (2011 – net income 10¢). The current period net loss is mainly a result of an increase in exploration and evaluation expenditures. The prior period net income was a result of a gain on sale of property, plant and equipment of \$2,504,350 in regards to a settlement reached in the period with Brigus in regards to post-closing reimbursement of deposits made by the Company in respect of certain equipment contracts which were assigned to a wholly-owned subsidiary of Brigus as part of a transaction entered into in 2009.

General office expenses increased in the six months ended June 30, 2012 to \$60,694 (2011 - \$20,268), shareholder information expenses increased in the six months ended June 30, 2012 to \$110,161 (2011 - \$40,861) and professional fees and consulting were decreased in the six months ended June 30, 2012 to \$48,211 (2011 - \$51,038) due to new investor relation agreements entered into and more activity in the quarter as the Company continued to advance its Omega property.

Salaries, fees and benefits were reduced in the six months ended June 30, 2012 to \$95,118 (2011 - \$110,054) as management of Mistango continues to take action to reduce all expenses to focus as much resources on exploring its mineral properties and \$12,500 (2011 - \$Nil) of the President's salary was recorded under evaluation and expenditures based on his time spent on the properties. These fees are expected to be consistent quarter to quarter.

Exploration and evaluation expenditures increased in the six months ended June 30, 2012 to \$1,362,242 (2011 - \$296,357) as management continued to advance its Omega property and meet its flow-through share commitments.

The Company incurred stock-based compensation during the six months ended June 30, 2012 of \$58,000 compared to \$165,000 for the same period in 2011. Stock-based compensation expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model.

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The Company incurred a flow-through share premium recovery during the six months ended June 30, 2012 of \$149,000 compared to \$34,000 for the same period in 2011. This recovery is a result of flow-through shares that were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers during the prior year and the reversal of this premium resulting from flow-through funds spent.

### Capital Resources and Liquidity

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and on the assumption that Mistango will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business as a going concern. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing and reach positive cash flows from operations.

### Capital Resources

As at June 30, 2012, the Company had working capital of \$1,805,457 (December 31, 2011 – \$1,232,000). The Company will use this working capital and seek additional financing as needed to fund its on-going operations. Management believes the Company has sufficient funds or access to sufficient funds to cover planned operations throughout the next twelve month period. However, management plans on securing additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful.

On June 8, 2012, the Company completed a private placement totaling 8,000,000 flow-through units at \$0.25 each for an aggregate amount of \$2,000,000 and 2,500,000 units at \$0.20 each for an aggregate amount of \$500,000 for total proceeds for \$2,500,000. Each flow-through unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.

On December 21, 2011, the Company completed a private placement totaling 1,666,666 units at \$0.30 each for an aggregate amount of \$500,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months. In connection with this financing, the Company issued 83,333 finder warrants. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.

On October 13, 2011, the Company completed a private placement totaling 6,200,000 units at \$0.25 each for an aggregate amount of \$1,550,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months. In connection with this financing, the Company issued 347,000 finder units. Each finder unit is exercisable at \$0.25 for a period of 24 months. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.

In addition, on October 13, 2011, the Company completed a private placement totaling 600,000 units at \$0.25 each for an aggregate amount of \$150,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.

On June 30, 2011, the Company completed a private placement totaling 750,000 units at \$0.20 each for an aggregate amount of \$150,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 12 months and then \$0.45 for the ensuing 12 month period.



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On June 3, 2011, the Company completed a private placement totaling 2,200,000 units at \$0.25 each for an aggregate amount of \$550,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 12 months and then \$0.45 for the ensuing 12 month period.

### Liquidity

#### *Future Sources of Funds*

The exploration and development of the Company's properties depends on the ability of the Company to obtain financing. If the Company's exploration programs are successful, additional funds will be required to develop Mistango's properties and, if successful, to place them in commercial production. The only sources of future funds available to the Company are further offerings of either debt or equity capital of the Company, or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

There are no other statement of financial position conditions that would adversely affect the Company's liquidity.

#### *Commitments and Contingencies*

The Company may become subject to tax audits of the flow-through expenditures renounced to investors; however, the Company believes that all Canadian Exploration Expenditures were effected and renounced in compliance with the prescribed regulations of the *Income Tax Act (Canada)*.

The Company has entered into a one-year lease extension for its current location in Kirkland Lake with a Company owned by the President of the Company.

During the six month period ended June 30, 2012, 8,000,000 flow-through shares were issued pursuant to the private placements for gross proceeds of \$2,000,000. As at June 30, 2012, the Company is committed to spending approximately \$1,766,000 on Canadian exploration costs by December 31, 2013 as part of its 2012 flow-through funding agreements the Company has expended all of these flow-through funds. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscribers as a result of the Company failing to meet its expenditure commitments.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Mineral properties

The following table summarizes the Company's exploration activity during the six month periods ended June 30, 2012 and 2011:

	Six month period ended		Cumulative
	June 30, 2012	June 30, 2011	to date *
Baldwin, Ontario	\$ 1,466	\$ 1,007	\$ 596,219
Casa Berardi, Quebec	-	3,295	684,807
Goldie, Ontario	-	-	511,825
Kirkland West, Ontario	1,209	-	255,490
Omega Property, Ontario	1,356,199	14,815	3,820,674
Sackville, Ontario	8,188	6,131	565,955
General and other	(4,820)	1,433	112,501
<b>Exploration and evaluation expenditures</b>	<b>\$ 1,362,242</b>	<b>\$ 26,681</b>	<b>\$ 6,547,471</b>

\* Only properties currently under exploration are included in this figure.

### Baldwin/Omega Property

Line cutting has now been completed and deep penetrating induced polarity survey (IP) commenced during March 2011. Mistango considers the Omega property to have excellent potential to host an economic gold deposit.

The following is excerpted from a report prepared by Guy Hinse P.Eng. and dated May 7 1986:

"Historic production from the previous owner Omega Gold Mines was 1,584,264 tons with an average grade of 0.158 ounces gold per ton from 1936 to 1947. None of the forgoing is 43-101 compliant and should not be relied on. It is presented as historical information only. The property lies along the Larder Lake "break", a major structure defined by the presence of carbonate rocks. This structure is highly favourable to economic concentrations of gold values.

Using a cut off grade of 0.10 ounce per ton, a minimum mining width of 4 feet and all assays cut to 1 ounce. Drill indicated reserves were estimated at 269,934 tons of 0.160 oz Au/ton (5.48 g/t Au) mostly above the 300 foot level. This estimate is non 43-101 compliant and is not to be relied upon. Undoubtedly there remains an unknown quantity of low grade material in the wall and peripheries of the mined out ore zones."

On June 14, 2011, the Company entered into a property option agreement to acquire a 100% interest in six claims in close proximity to the Company's Omega property in Larder Lake, Ontario. To acquire a 100% interest the Company will pay cash of \$150,000 as follows: \$25,000 on signing (paid), \$25,000 on or before June 30, 2012 (paid), \$50,000 on or before June 30, 2013, and \$50,000 on or before June 30, 2014 and issue 300,000 common shares as follows: 50,000 on signing (issued with a fair value of \$8,000), 50,000 on or before June 30, 2012 (issued with a fair value of \$10,000), 100,000 on or before June 30, 2013, and 100,000 on or before June 30, 2014. In addition, the Company is required to carry out \$500,000 in work expenditures on these claims by June 30, 2014. The vendor will retain a 3% NSR.

### Kirkland West Property

The Company is reviewing all its historical work on this property to outline an exploration program to be executed late in 2012.

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### **Sackville Property**

Mistango holds a 100% interest in the Sackville Property with RJK Explorations Ltd. retaining a 1% NSR. Mistango has now received all the geochemistry samples undertaken during 2010. Upon reviewing this data and older data, there appears to be a significant area of high enzyme leach geochemistry results in an area of low magnetics. This is an area yet to be tested by any drilling and has been tested only partially by geophysics. The property could potentially be the host of the high grade gold/silver/zinc boulders discovered previously. In 2010, Mistango completed a 43-101 report on the property which can be reviewed on [www.sedar.ca](http://www.sedar.ca) or the company's website at [www.mistangoriverresources.com](http://www.mistangoriverresources.com).

### **General**

The Company has no exploration or evaluation work planned for its other exploration properties during 2012. Timing of receipt of proceeds from the sale of Brigus shares and/or participation in a flow-through share arrangement will affect timing of exploration and development of each of Baldwin/Omega and Sackville properties during 2012.

### **Dividend Record**

There are no restrictions that prevent the Company from paying dividends. The Company has not paid any dividends on its common shares during the last 5 fiscal years. The Company currently has no intention of paying any dividends on its Class A common shares. The Board of Directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with IFRS 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 reported amounts of revenue and expenditures during the reporting period.

### **Mineral properties**

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write-off the cost of PPE, less their estimated residual value, using the declining balance method or unit-of-production method over the expected useful lives at the following rates:

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• Exploration equipment	20%
• Office furniture	20%

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# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

### **Decommissioning, restoration and similar liabilities (“Asset retirement obligation” or “ARO”)**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

### **Share based payments**

#### ***Share based payment transactions***

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share based payment.

#### ***Equity-settled transactions***

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

### **Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

#### ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

#### ***Deferred income tax***

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the three and six month periods ended June 30, 2012 and 2011 all of the outstanding stock options and warrants were antidilutive.

### Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and marketable securities are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's investments are classified as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

### Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables, promissory notes payable and current and long-term portions of long-term debt are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At June 30, 2012, the Company has not classified any financial liabilities as FVTPL.

### **Impairment of financial assets**

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

#### ***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

#### ***Available-for-sale***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

### **Impairment of non-financial assets**

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprises cash at banks and on hand and short-term guaranteed investment certificates with maturities of less than 90 days.

### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

### Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

### Flow-through Shares

The obligation to renounce tax deductions at the time of issuance of flow-through shares is recorded as a liability in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" measured using a residual or a relative fair value method. This obligation is released into the statement of comprehensive income as a gain as and when the Company incurs qualifying expenditures (i.e. fulfilling its obligation to renounce tax attributes).

### Comparatives

Certain prior year amounts have been reclassified to conform to account presentation in the current year. The net loss stated in prior year has not been affected by these changes.



# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Related Party Transactions and Key Management

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management during the six month periods included:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Balances:</b>		
Short-term employee benefits	\$ 146,000	\$ 103,000
Share based payments - options	-	165,000
Total compensation paid to key management	<u>\$ 146,000</u>	<u>\$ 268,000</u>

Certain corporate entities and consultants that are related to the Company's officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other services to Mistango. All transactions were conducted in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties and are as follows:

During the six month period ended June 30, 2012, the Company was charged \$11,000 (2011 - \$11,000) for administrative costs are comprised of rent paid to a company controlled by the President of the Company (See Note 17-Commitments and Contractual Obligations).

In 2011, the Company entered into a short-term loan agreement with the President of the Company to provide a loan facility of up to \$200,000. The company used \$104,000 of this line during the year ended December 31, 2011 and then repaid it in full during the same period. Interest on this loan during the six month period ended June 30, 2012 was \$Nil (2010 - \$664) and is included in office, general and administrative.

Trade and other payables at June 30, 2012 includes \$Nil (December 31, 2011 - \$1,000) owing to officers, directors and companies controlled by officers and directors.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

### Share Capital

Mistango's share capital consists of an unlimited number of Class A voting common shares and an unlimited number of non-voting, redeemable Class B Preferred Shares, Series A. This series of shares is redeemable by Mistango, in whole or in part, at the rate of \$1,000 per Series A share. The holders of Series A shares are not entitled to receive dividends. There were no Class B, Series A Preferred Shares issued as at the date of this MDA.

<u>As at August 28, 2012</u>	<u>Outstanding</u>
Class A common shares issued	37,921,481
Shares issuable pursuant to:	
Warrants	11,592,166
Stock options	2,890,000
<b>Fully diluted</b>	<u>52,403,647</u>

On March 17, 2011, the shareholders approved the consolidation of its Class A Voting Common Shares on the basis of one new common share for four old common shares and change the Company's name to Mistango River Resources Inc. Fractional shares remaining after giving effect to the consolidation will be cancelled such that shareholdings of each shareholder were rounded down to the nearest whole number of post-consolidation common shares.

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Additional Disclosure for Venture Companies without Significant Revenue

	Six Month Period Ended June 30, 2012	Year Ended December 31, 2011
<b>Exploration and evaluation expenditures in the year/period</b>		
		\$
Government fees	\$ 4,489	7,068
Acquisition/staking	39,000	41,000
Geo Reporting and Geophysics	-	59,324
Prospecting	-	14,116
Drilling	1,068,167	1,959,923
Assays, surveys, maps	153,404	221,174
Line cutting	-	55,102
Travel	17,998	36,190
Equipment rental	22,147	11,384
Project administration	48,900	112,460
Other	8,137	47,054
	\$ 1,362,242	\$ 2,564,795

### Risks and Uncertainties

#### Operational

There is uncertainty about the Company's ability to realize the carrying value of its assets and discharge its liabilities as they come due. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing and reach positive cash flows from operations.

The Company's assets are subject to the risk of increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations. Operational risks include finding and developing economic ore reserves. Financial risks include interest and U.S. dollar exchange rates, which are beyond the control of the Company. The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of exploited minerals and metals. The Company is subject to various regulatory risks, many of which also are beyond the control of the Company.

The Company is considered to be in the exploration stage and has not yet recorded any revenues from its on-going operations nor has the Company commenced commercial production on any of its properties. There can be no assurance that the Company will generate any revenues or that the assumed levels of expenses will prove to be accurate.

The Company expects to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require substantial resources to complete the development of its properties. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future.

The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of on-going development, the results of consultant's analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

The Company's vulnerability to changes in metal prices may cause its share price to be volatile and may affect the Company's operations and financial results.

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Changes in the market price of precious and base metals will significantly impact the ability of the Company to finance its operations and, indirectly, its share price. The Company's financial results will be very sensitive to external economic factors related to metal prices. A major risk will arise if there is a prolonged period of lower metal prices. Many factors beyond the Company's control influence the market price of the metals the Company seeks on its mineral properties. These factors include: global supply and demand; availability and costs of metal substitutes; speculative activities; international political and economic conditions; and production levels and costs in other gold-producing countries.

The Company is subject to extensive environmental legislation and the costs of complying with these regulations may be significant. Changes in environmental legislation could increase the costs of complying with applicable regulations and reduce levels of production. Environmental legislation relating to land, air and water affects nearly all aspects of the Company's operations. This legislation requires the Company to obtain various operating licenses and also imposes standards and controls on activities relating to exploration, development and production of gold and other precious metals. The cost of obtaining operating licenses and abiding by standards and controls on its activities may be significant. Further, if the Company fails to obtain or maintain such operating licenses or breaches such standards or controls imposed on its activities, it may not be able to continue its operations in its usual manner, or at all, or the Company may be subject to fines or other claims for remediation which may have a material adverse impact on its operations or financial results. The Company will be responsible for all costs of closure and reclamation at the Goldfields Mine. While the Company is unaware of any existing material environmental liabilities, it cannot guarantee that no such liabilities currently exist or will occur in the future.

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of protecting human health and the environment. Some of the issues currently under review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company expects that capital and operating expenditures will increase as a result of compliance with the introduction of new more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean-up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is now in material compliance with existing environmental legislation, it cannot give assurances that it will, at all future times, be in compliance with all federal and provincial environmental regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations. The mining industry is intensely competitive and the Corporation must compete in all aspects of its operations with a substantial number of other junior mining companies, some of which have greater technical and financial resources. The Company may be at a disadvantage with respect to some of its competitors in the acquisition and/or development of high potential mining properties throughout the principal markets and geographical areas in which the Company carries on its business activities.

### Financing risk

There can be no assurance that any funding required by the Company will become available, and, if so, that it will be offered on reasonable terms or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects or that they can be secured on competitive terms.

### Political Risk

All of the Company's properties are located in Canada. Accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in Canada. The Company's mineral exploration activities could be affected in varying degrees by such political instability, aboriginal land claims and government regulation relating to foreign investment and the mining business. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation.

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Acquisition**

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

### **Segregation of duties**

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its financial statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

### **Competition**

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

### **Reliance on Management**

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business.

### **Financial Instruments**

#### *Fair value*

The Company's financial instruments as at June 30, 2012 include cash, marketable securities, trade and other receivables, investments, trade and other payables, and long-term debt. The Company has designated its cash and marketable securities as FVTPL, which are measured at fair value cash and is determined based on transaction value and is categorized as Level 1 measurement. The Company has designated its investments as available-for-sale, which are measured at fair value cash and is determined based on transaction value and is categorized as Level 1 measurement. Fair value of trade and other receivable and trade and other payables, promissory notes payable and long-term debt are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Interest-rate risk*

The Company has cash balances bearing fixed interest rates and no interest bearing debt. The Company's current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits and short-term guaranteed investment certificates, which have been invested in a Canadian chartered bank, from which management believes the risk of loss is remote. As at June 30, 2012, the Company's receivables primarily consist of amounts due from the Canadian government. The Company's receivables are normally collected within a 60-90 day period. The Company has not experienced any significant collection issues to June 30, 2012. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims filed.

The Company's maximum exposure to credit risk as at June 30, 2012 is the carrying value of cash and cash equivalents and trade and other receivables.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2012, the Company had current assets of \$2,569,355 (December 31, 2011 - \$1,683,466) to settle current liabilities of \$763,878 (December 31, 2011 - \$451,466). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Company's financial liabilities (other than long-term debt) have contractual maturities of less than 30 days and are subject to normal trade terms. As at June 30, 2012, the Company had working capital of \$1,805,457 (December 31, 2011 - \$1,232,000).

### *Price risk*

The Company holds common shares of TSX and TSXV-traded companies. The Company has classified some of these investments as FVTPL and others as available-for-sale and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions

## **Internal Control over Financial Reporting**

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The Company's President and Chief Executive Officer and Chief Financial Officer have ensured the design of internal control over financial reporting.

During the most recent year, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

# Mistango River Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Other Information

This MD&A of the financial position and results of operation as at June 30, 2012, should be read in conjunction with the unaudited interim financial statements and related notes for the three and six month periods ended June 30, 2012 and 2011 and the audited financial statements and related notes for the years ended December 31, 2011 and 2010. Additional information will be accessible at the Company's website [www.mistangoriverresources.ca](http://www.mistangoriverresources.ca) or through the Company's public filings at [www.sedar.com](http://www.sedar.com).

### Management's Responsibility

Management is responsible for all information contained in this MD&A. The financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee has reviewed the unaudited interim financial statements with management. The Board of Directors has approved these unaudited interim financial statements on the recommendation of the Audit Committee.

External auditors, appointed by the shareholders, have not audited or reviewed the unaudited interim financial statements for the three and six month periods ended June 30, 2012 and 2011 and did not performed the tests deemed necessary to enable them to express an opinion on these unaudited interim financial statements.

"Robert J. Kasner"  
President and Chief Executive Officer

August 28, 2012