

Description of Business

Donner Metals Ltd. (the "Company"), was incorporated on June 28, 2005 pursuant to the Business Corporations Act of British Columbia, and was continued under the Canada Business Corporations Act on January 25, 2013. The Company is a reporting issuer in British Columbia, Alberta and Ontario and its shares are listed on the TSX Venture Exchange under the symbol DON. The Company is engaged in the acquisition, exploration and development of zinc, copper, silver and gold properties in Québec, Canada and is considered to be in the exploration and development stage as it has not placed any of its mineral properties into production as at February 28, 2013.

The Company is party to an option and joint venture agreement and a development and operating agreement with Glencore Xstrata plc ("Glencore Xstrata"), formerly Xstrata Canada Corporation – Xstrata Zinc Canada Division ("Xstrata"), concerning mineral right holdings in the Matagami Camp, Québec. In addition, the Company has an inactive project in the South Voisey Bay area of Labrador, Newfoundland. The Company's primary focus is the Matagami Project.

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Company's consolidated financial statements for the year ended February 28, 2013, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars unless otherwise stated.

Additional information about the Company may be found on SEDAR at www.sedar.com. Additional information relating to the Company's operations and activities can also be found by visiting the Company's website at www.donnermetals.com.

The technical information contained in this MD&A has been reviewed and verified by Donner's Vice President of Exploration, Robin Adair (P.Geo, B.Sc., M.Sc.), who is a qualified person for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects.

Glencore Xstrata is the project operator for the Matagami Project and all of the respective joint ventures. As operator, Glencore Xstrata is responsible for the execution of all development, production, processing and refining activities related to the Bracemac-McLeod Mine as well as with respect to the exploration programs conducted on the Matagami Project. This includes resource evaluation, sampling, submittal of samples for assay, assay verification, metallurgical evaluation and QA/QC.

The effective date of this MD&A is June 24, 2013.

Risks and Uncertainties

The Company's activities related to mineral exploration are considered to be high risk. The Company's development activities related to the Bracemac-McLeod Mine also carry risks and uncertainties typically present in the development of mineral deposits. Companies in this industry are subject to a variety of risks, including but not limited to, environmental issues, commodity prices, political and economic instability, with some of the most significant risks being:

1. Substantial expenditures are required to explore for mineral resources and the chances of identifying economical reserves are extremely remote;
2. Substantial expenditures are required to develop mineral reserves;

3. The junior resource market, where the Company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires them;
4. Although the Company has taken steps to verify ownership and legal title to the mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects; and
5. The Company is subject to the laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous materials and other matters. The Company conducts its exploration activities in compliance with applicable environmental protection legislation and is not aware of any existing environmental problems related to its properties that may cause material liability to the Company.
6. Subsequent to year end, market prices of zinc, copper, gold and silver declined significantly and were below levels used in our most recent annual review of impairment indicators. If metal prices remain at these levels for an extended period of time, we may need to reassess our long-term price assumptions, and a significant decrease in our long-term price assumptions would be an indicator of potential impairment. Also subsequent to year end, the trading price of the Company's shares declined and if such trends continue, the Company's carrying value of net assets may exceed its market capitalization, which is also an indicator of potential impairment. If these potential indicators of impairment exist at the end of our next reporting period, the Company could be required to conduct an impairment assessment.

Forward-Looking Statements

Certain phrases used in the public disclosure, including in this MD&A, of the Companies activities are "forward-looking statements." A review of forward-looking statements can be found on the Company's web site at www.donnermetals.com.

Information contained in the Company's press releases, web site information, corporate displays, and postings on "SEDAR", among others contain forward looking information and future-oriented financial information regarding results and financial projections contained in the feasibility study on the Bracemac-McLeod deposit. This study was produced by Genivar Limited Partnership ("Genivar") and Glencore Xstrata. Glencore Xstrata and its predecessors (Xstrata, Falconbridge Limited, Noranda Inc., among others) have been operating at Matagami since 1963.

The forward-looking information and future-oriented financial information related to the feasibility study are:

1. **Forecast mineral resources and reserves** are determined by standards governed under NI 43-101 and the experience of Glencore Xstrata as operator of the project. Measured and Indicated mineral resources and Proven and Probable mineral reserves were prepared by Glencore Xstrata mining group. The Proven and Probable reserves calculated in the feasibility study include two levels of confidence (Measured and Indicated based on density of drill hole intercepts). For the Upper Bracemac, Bracemac and Bracemac Key Tuffite zones, as well as the upper half of the McLeod zone, spacing of drill intercepts is approximately 25 metres, whereas the spacing of drill hole intercepts in the lower portion of the McLeod zone is at approximately 50 metres. The reader is cautioned that geometry of the mineralized zone and the distribution of grade within the zone may cause both the volume and grade of the mineral reserve to vary (either positively or negatively) from the calculation under the feasibility study.

Cut-off grade for mineral reserves was established by natural cut-off (mineralized versus unmineralized rock) and on a net smelter return ("NSR") basis. The use of an NSR cut-off is forward looking as it relies on

future looking metal prices, mill recoveries and smelting and treatment charges. These are discussed below.

Inferred resources for the McLeod Deep Zone and the West McLeod zone are reported in the feasibility study but are not a component of the financial analysis. The reader is cautioned that Inferred resources have the lowest level of confidence under NI 43-101 and future upgrading of the resource or incorporation of these resources in future mine planning have not been considered under the feasibility study. There is no certainty that these resources will be mined due to proximity to underground infrastructure planned under the Bracemac-McLeod feasibility study.

Mineral resources and reserves can be affected by obtaining grades different from expected grades, obtaining lower quantities of mineralization, encountering deposit geometries that vary from expectations and encountering higher than expected mine dilution rates.

2. **Forecast capital costs** under the feasibility study have been estimated by Genivar with the assistance of Glencore Xstrata. Cost estimates are based on expected capital charges and pricing with support from Glencore Xstrata's recent experience with the development of their wholly owned Perseverance deposit which was developed between 2006 and 2008. Realized capital costs for the Bracemac-McLeod project can vary (either positively or negatively) on the actual realized costs of equipment and materials purchased, development advancement rate, and overall efficiency of the development process. Ground conditions in particular can profoundly impact capital costs.
3. **Forecast operating costs** are provided by Genivar and estimated on the basis of Glencore Xstrata's experience with current mine and mill operations at Matagami. Variables which may affect operating costs (either positively or negatively) are mine and mill efficiencies, metallurgical variations as well as mine production rates, rates of mill throughput and transportation charges.
4. **Forecast metal prices** over the current 4-year life of mine for Bracemac-McLeod are based on industry consensus price based on published forecasts (Wood Mackenzie, Bloomberg and CRU); these forecasts do not necessarily reflect Glencore Xstrata's vision of long-term commodity prices. Metal prices can have a major impact (either positively or negatively) on the financial characteristics of the Bracemac-McLeod deposit as described under the base case analysis in the feasibility study. Constant metal prices are forecast over the life of mine, however these are expected to vary over the planned production period. Metal prices are not in the control of mine operations and are subject to changes in worldwide supply and demand.
5. **Forecast mill recoveries** are based on results of tests conducted at Glencore Xstrata's Process Control Group in Sudbury, Canada. Parameters that may affect mill recoveries (either positively or negatively) are changes to expected mineralogical characteristics of ore from Bracemac-McLeod and mill efficiencies.
6. **Forecast treatment charges** are based on industry consensus of anticipated treatment and refining charges ("TC/RC's") over the life of mine (Wood Mackenzie, Bloomberg and CRU); these forecasts do not necessarily reflect Glencore Xstrata's vision of long-term treatment and refining charges. TC/RC's can vary on the basis of realized TC/RC contract charges over the life of mine which are negotiated on an annual basis.
7. **Forecast exchange rates** are forecast over the current 4-year life of mine for Bracemac-McLeod on industry consensus rates and on published forecasts (Wood Mackenzie, Bloomberg and CRU). Exchange rates are not in the control of the mine and will fluctuate on the basis of forces external to those

controlled under the mine operation; these forecasts do not necessarily reflect Glencore Xstrata's vision of long-term foreign exchange rates.

8. **Forecast mine production rates** are determined by Genivar based on the reserve estimate and block model provided by Glencore Xstrata. Ground conditions, geometry of sulphide mineralization and changes in development patterns can impact mine production rates.
9. **Forecast impacts of permitting** on the development and mining of Bracemac-McLeod are determined by Genivar with input by Glencore Xstrata. Permitting requirements are not expected to change over the life of mine based on current regulations. However, changes in environmental and other laws and regulations, may impact construction and mining which could affect capital and operating costs. Adverse government policy changes with respect to mineral exploration and exploitation, including changes to taxes or royalties will negatively impact the project.

Note: Fluctuations in prices and unfavorable currency exchange rates constitute uncontrollable parameters.

The feasibility study on Bracemac-McLeod contains forecasts that can impact (either positively or negatively) the financial characteristics of the Bracemac-McLeod deposit as assessed under the feasibility study in terms of expected mine life, projected cash flows, projected internal rate of return, and realized value in relation to calculated Net Present Value ("NPV").

Further discussion of "forward looking statements" and the risks inherent to mineral exploration and development, in relation to the Company's activities, can be found on the Company's website at www.donnermetals.com. The reader is cautioned not to place any undue reliance on any forward-looking statement, reference to other properties or historical production from the Matagami Project area.

Matagami Project Overview

The Matagami Project is roughly centered on the town of Matagami in central Québec and includes 2,710 mineral claims covering 686 km². The area is serviced by mine support infrastructure as well as airport, highway, railway and power.

Matagami Project - Agreement Summary

The Company is party to an Option and Joint Venture Agreement ("OJVA") with Glencore Xstrata for the joint exploration of the Matagami Camp of Québec for volcanogenic massive sulphide ("VMS") deposits.

In April 2011, pursuant to the OJVA, the Company completed its option to earn a 50% participating interest in the joint venture areas that make up the Matagami Project by:

- 1) incurring a total of \$20 million of expenditures, exclusive of management fees, on exploration and related work by May 31, 2011;
- 2) incurring an additional expenditure of up to \$5 million, exclusive of management fees, towards establishing an Inferred resource on the Bracemac-McLeod discovery by May 31, 2011 which the Company completed in 2009; and
- 3) issuing to Glencore Xstrata 1 million common shares of its own stock, which were issued in September 2006.



Upon earn-in by the Company, an initial five joint venture areas were formed with initial interests of 50% Donner, 50% Glencore Xstrata. Under the OJVA, Glencore Xstrata has a separate right in each of the joint venture areas to increase its interest by an additional 15% by completing a bankable feasibility study or incurring a maximum of \$20 million towards a bankable feasibility study.

Glencore Xstrata earned an additional 15% interest in the South Flank joint venture area by completing a bankable feasibility study on Bracemac-McLeod in September 2010. A sixth joint venture area was created from the South Flank joint venture area to govern mine development at Bracemac-McLeod. Glencore Xstrata continues to hold the right to increase its interest to 65% in each of the North Flank, Central Camp, West Camp and East joint venture areas. Both parties will be responsible for their share of costs on the basis of the relative joint venture interests. As of May 31, 2013, the joint ventures do not have an area of mutual interest. The number of claims, and the area covered by those claims, in each of the joint ventures is summarized below:

Joint Venture	Number of Claims	Area Km ²	Donner Interest	Glencore Xstrata Interest	Agreement
Bracemac-McLeod JV	179	29	35%	65%	DOA
South Flank JV	644	113	35%	65%	OJVA
North Flank JV	792	128	50%	50%	OJVA
Central JV	754	279	50%	50%	OJVA
West Camp JV	178	77	50%	50%	OJVA
East JV	163	60	50%	50%	OJVA
	2,710	686			

The Bracemac-McLeod joint venture area, and the development and future production from the Bracemac-McLeod mine, is governed by a Development and Operating Agreement ("DOA") which supersedes the OJVA in the Bracemac-McLeod joint venture area. Under the DOA, Glencore Xstrata will process the Company's share of ores produced from the Bracemac-McLeod mine and purchase, net of benchmark smelting and refining charges, the Company's share of the concentrates. In addition to paying its share of costs for the development and operation of the Bracemac-McLeod mine, the Company 1) pays management fees to Glencore Xstrata for the development and operation of the mine; 2) pays for its share of equipment transferred to the mine from Glencore Xstrata's previously operating Persévérance mine; and 3) pays a capital recovery cost to Glencore Xstrata for the use of their mill and tailings facilities.

Under the OJVA and the DOA, Glencore Xstrata has the right to be operator of any mining operations or exploration programs provided it holds at least a 50% interest in the governing joint venture. Glencore Xstrata has a life-of-mine right to elect to process and treat the Company's share of any ore/concentrates produced from the Matagami property and to market the Company's share of any metals produced from the property.

In order to maintain its interest in each respective joint venture, the Company must finance its relative share of the programs approved by the joint venture management committees on which the Company has a vote proportional to its interest in the joint venture with Glencore Xstrata having the tie breaker. For the South Flank, North Flank, Central Area, West Camp and East joint venture areas, should the Company elect not to participate in a program, the Company will suffer dilution of its interest and should its interest reach 10%, the interest will be converted to a 2% NSR royalty, of which a 1% NSR royalty can be purchased by Glencore Xstrata for \$1 million. Should the Company agree to a program and not meet its funding obligations, the Company's interest will convert directly to a 2% NSR royalty, of which a 1% NSR royalty can be purchased by Glencore Xstrata for \$1 million. Failure to meet obligations on the Bracemac-McLeod joint venture under the DOA, up to the point of commercial production, will

result in direct conversion of the Company's interest to a 2% NSR royalty, of which a 1% NSR royalty can be purchased by Glencore Xstrata for \$1 million. Failure to meet obligations after the attainment of commercial production will result in Glencore Xstrata having the right to recoup any shortfall from Donner's proceeds of production. Should the proceeds from production be insufficient, Glencore Xstrata can elect to buy the Company's interest at fair market value or to forgive the amount owing and convert the Company's interest to a 2% NSR royalty, of which a 1% NSR royalty can be purchased by Glencore Xstrata for \$1 million.

Construction of the Bracemac-McLeod mine began in April 2010. Initial production from the mine began on May 15, 2013, however, pursuant to the terms of the DOA, commercial production will be deemed to have been attained when ores have been produced for a period of thirty (30) consecutive production days at a rate of not less than 60% of the mining rate specified in the feasibility study.

Underlying agreements to the OJVA:

PD-1 Deposit (West Camp Joint Venture): Phelps Dodge (now Freeport-McMoran Copper & Gold Inc.) holds a 15% net carried interest which shall increase to a 25% net carried interest after the first 1.6 million tonnes are mined on 9 mineral claims covering the PD1 Deposit. Net carried interest in this case is defined as Net Proceeds less capital expenditures, working capital and carrying charges. Net Proceeds is defined as gross revenue less operating costs and both transfer and processing charges. Phelps Dodge is entitled to \$400,000 in cash payments, paid in annual installments of \$100,000 during each of the first four years of production from the property. Following production of the first 1.9 million tonnes from the property, Phelps Dodge may elect, within one year, to participate at 40% in any further development of the property by foregoing its net carried interest from the point of election. Donner will be responsible for its pro rata share of payments to Phelps Dodge related to any production from the PD1 deposit.

An additional 178 claims in the West Camp joint venture area are subject to rights held by Phelps Dodge. Should a party's interest in the 178 claims decline to 10%, its interest will be converted to a 2% NSR royalty. Current interests in the 178 claims are 39.5% Donner, 39.5% Glencore Xstrata and 21.1% Phelps Dodge. Phelps Dodge has elected not to participate in any work plans proposed to date.

Matagami Project Exploration and Development

Glencore Xstrata (project operator) commenced exploration diamond drilling on the Matagami Project in late September 2006, which resulted in the discovery in 2007 of significant occurrences of zinc and copper mineralization in the Bracemac-McLeod area. Subsequent drilling further defined the discovery, and in September 2010 Glencore Xstrata completed a feasibility study on the Bracemac-McLeod deposit. A copy of the Genivar / Glencore Xstrata feasibility study is available on SEDAR and on the Company's website, www.donnermetals.com.

The mineral reserves and resources for the Bracemac-McLeod deposit from the feasibility study are summarized below.

Bracemac-McLeod Mineral resources							
Category	Zone	Tonnes (millions)	Zinc %	Copper %	Silver g/t	Gold g/t	Specific Gravity
Massive and Semi-massive Sulphides							
Total Measured resources		2.60	11.31	1.58	36.95	0.45	3.48
Total Indicated resources McLeod Zone (Lower Portion)		0.79	11.32	1.09	24.56	0.67	3.40
Total Measured and Indicated resources Massive and Semi-massive Sulphides		3.39	11.31	1.47	34.07	0.50	3.48

(Resources used in feasibility study)							
Stringer Sulphides (not included in feasibility study)							
Indicated	Copper Stringer Zone	0.24	0.96	1.25	7.80	0.19	3.15
Total Indicated and Measured resources (All mineralization types)		3.63	10.62	1.45	32.31	0.48	3.46
Inferred resources (not included in feasibility study)							
Inferred	West McLeod	0.16	2.17	2.63	23.76	0.19	3.29
Inferred	McLeod Deep	2.47	9.21	1.22	39.81	1.12	3.75
Total Inferred Resources		2.63	8.79	1.31	38.84	1.06	3.72

Based on the mining plan in the feasibility study the following mineral reserves were calculated:

Bracemac-McLeod Mineral reserves (Based on Massive-semi massive sulphides – Measured and Indicated resources)						
	Tonnes (millions) (diluted and recoverable)	Zinc %	Copper %	Silver g/t	Gold g/t	NSR (US\$/t)
Massive and Semi-massive Sulphides						
Proven	2.79	9.84	1.39	31.55	0.39	\$143.50
Probable	0.94	8.90	0.87	18.46	0.54	\$118.38
Total (Reserves used in feasibility study)	3.73	9.60	1.26	28.25	0.43	\$136.42

Summary of the results of the feasibility study:

- Proven and probable mineral reserves, including dilution, of 3.73 million tonnes grading 9.60% zinc, 1.26% copper, 28.25g/t silver and 0.43g/t gold based on Indicated and Measured resources (massive and semi massive sulphides) of 3.39 million tonnes grading 11.31% zinc, 1.47% copper, 34.07g/t silver and 0.50g/t gold.
- 4 year life of mine at a 2,500 tonnes per day production rate.
- Potential to expand mineral reserves and increase production rate.
- Production expected in early 2013 overlapping with the closure of Glencore Xstrata's Perseverance mine.
- Based on current mineral reserves, expected life of mine production is (accountable metals) 606 million pounds payable zinc, 83 million pounds payable copper, 1,497,000 ounces silver and 13,090 ounces gold.
- Total capital cost on a 65%/35% joint venture basis will be US\$164 million.
- Capital requirements are split with approximately US\$116 million (2010-2012) in preproduction development for the Bracemac zones followed by US\$48 million (2012-2014) to be incurred concurrently with production and cash flow from Bracemac as the McLeod zone is developed.
- Life of mine operating costs are estimated at an average of US\$73 per tonne of ore mined and include a capital recovery charge of US\$6.48 per tonne payable to Glencore Xstrata for use of the mill and tailings facility.
- Economic threshold analysis of the project on a joint venture basis (after tax) returns a 8.1% internal rate of return and an NPV at a discount rate of 7% of US\$3.4 million using: zinc US\$0.80/lb, copper US\$2.50/lb, silver US\$12.00/ounce and gold US\$1,000/ounce with an exchange rate of CDN\$1.04 to the US dollar.
- The project is sensitive to metal prices, exchange rate and capital cost as primary impacts. For example, a 10% increase in metal prices translates to a 12 fold increase in NPV and a 2 fold increase in internal rate of return.

- Exploration from underground will be conducted to evaluate Inferred resources and to investigate the extent of sulphide mineralization intersected in drilling that is not currently included in any resource category.
- Potential expansion of the mine with future development of McLeod Deep to be studied.

Xstrata in its annual report for the year ended December 31, 2012, published the following Mineral Resources and Ore Reserves:

Bracemac-McLeod Mineral Resources					
Category	Tonnes (millions)	Zinc %	Copper %	Silver g/t	Gold g/t
Measured Mineral Resources	2.70	10.1	1.58	36.9	0.45
Indicated Mineral Resources	1.0	8.9	1.1	21	0.6
Measured and Indicated Resources	3.7	9.8	1.5	33	0.5
Inferred Mineral Resources	2.6	9	1	40	1

Bracemac-McLeod Ore Reserves					
Category	Tonnes (millions)	Zinc %	Copper %	Silver g/t	Gold g/t
Proved Ore Reserves	2.80	9.8	1.4	31.5	0.40
Probable Ore Reserves	0.9	8.9	0.9	19	0.5
Total Ore Reserves	3.7	9.6	1.3	28	0.4

The Company has not been provided with a report or technical details related to the resources and reserves reported in the Xstrata annual report.

Current Development Status

Development of the Bracemac-McLeod mine began in April 2010. The mine design has been revised, from the original feasibility study plan, to access the McLeod Zone with two ramps at approximately the same time. This change reschedules production from the McLeod Zone to commence in late 2013 as opposed to mid 2014 under the original schedule. The new development plan improves the overlap and timing of production from both the Bracemac and McLeod zones. This important change to the mine plan will also provide earlier access for both delineation and exploration drilling on the McLeod Zone.

The Company and Glencore Xstrata are undertaking an aggressive 35,000 metre drill program on the McLeod Deep Zone discovery that is currently estimated to contain Inferred Mineral resources of 2.47 million tonnes grading 9.21% zinc, 1.22% copper, 39.81 g/t silver and 1.12 g/t gold (65% Glencore Xstrata, 35% Donner). Drilling will be conducted by multiple wedges from seven new pilot holes. The program will consist of both definition and exploration drilling designed to meet the following objectives:

- Meet the 50-metre drill hole spacing criteria for the estimation and classification of the McLeod Deep Zone as an Indicated resource.
- Assess the continuity and distribution of gold grades within the base metal sulphide mineralization.
- Identify possible extensions of mineralization to the southeast, northwest and down-dip.

- Confirm the presence of mineralization between the McLeod Deep Zone and the bottom of the McLeod Zone, which is currently under development.

This program will provide the technical information required to determine if the life-of-mine plan for Bracemac-McLeod should be expanded to include development of the McLeod Deep Zone.

On July 5, 2012, the Company reported that the mine design is being revised to allow production at a rate of 3,000 tonnes per day during the first two years of operation, compared to an average of 2,250 tonnes per day in the feasibility study. The mill has also been modified by the addition of a ball mill to allow production at 3,000 tonnes per day in the first two years. It will also provide for continued production at that rate to potentially handle McLeod Deep and any incremental tonnage identified in and around Bracemac-McLeod. The additional mining and milling rate will increase cash flows in each of the first two years of operation and beyond if additional tonnes are brought into the mine plan at McLeod Deep and in areas proximal to Bracemac-McLeod.

In September 2012 the stockpiling of development ore on surface began, with the objective of having 3 months of stockpiled and developed ore available to supply the mill at 3,000 tonnes per day in the second quarter of calendar 2013. Initial production from the mine began on May 15, 2013, however, pursuant to the terms of the DOA, commercial production will be deemed to have been attained when ores have been produced for a period of 30 consecutive production days at a rate of not less than 60% of the mining rate specified in the feasibility study. The Company anticipates that the remaining ore from Glencore Xstrata's now closed Persévérance mine will be processed by the mill for a period of two weeks in July 2013, during which time ore from the Bracemac-McLeod mine will be stockpiled.

Bracemac-McLeod area Exploration Drilling

On September 19, 2012 the Company reported that renewed exploration diamond drilling up-dip from the McLeod Zone has discovered new copper mineralization within a laterally extensive chlorite alteration zone, including 2.83% copper over 19.35 metres intersected in hole MCL-12-16, drilled 45 metres up-dip from previous drilling on the McLeod Zone. Six additional follow-up holes have been drilled and were reported on in news releases dated October 31 and December 18, 2012.

On March 2, 2013, the Company reported important high-grade sulphide mineralization was discovered in drill hole MCL-13-25 between the Mineral Reserves in the McLeod Zone and the Inferred Mineral Resources in the McLeod Deep Zone. The hole intersected massive and semi-massive sulphides that returned 12.80 metres (7.33 metres estimated true width) grading 9.42% zinc, 2.51% copper, 35.71g/t silver, and 0.81g/t gold from 932.40 to 945.20 metres.

On May 22, 2013, the Company reported that important high-grade sulphide mineralization continues to be intersected at the McLeod Deep Zone. The drilling results include an intercept grading 9.49% zinc, 1.75% copper, 52.96g/t silver, and 1.03g/t gold over 34.80 metres (15.65 metres true width) intersected within the McLeod Deep Zone. This program, to be completed in 2013, is designed to both expand and confirm mineral resources down-dip from planned development in the McLeod Zone with the goal of establishing an Indicated Mineral Resource.

PD1 deposit Resources and Feasibility Study

The PD1 deposit is located 36 kilometres from the Matagami Mill Complex within the West Camp joint venture area. Near surface in-fill and definition drilling was conducted in 2009 and 2010 which led to the completion of a mineral resource estimate for the deposit.

PD1 Measured and Indicated mineral resources							
Category	Tonnes	Zinc %	Copper %	Silver g/t	Gold g/t	Specific Gravity	Vertical Depth metres
Measured	596,193	4.34	0.83	19.59	0.12	4.26	25 to 100
Indicated	262,387	4.26	0.91	19.95	Not sampled	4.33	100 to 200
Indicated	528,925	4.25	1.59	21.13	Not sampled	4.30	200 to 300
Indicated	272,211	5.48	1.41	20.27	Not sampled	4.30	300 to 400
Indicated	71,895	6.32	0.77	12.44	Not sampled	4.30	400 to 500
Indicated	5,762	2.64	0.19	8.14	Not sampled	4.30	500 to 515
Total Measured and Indicated resources	1,737,373	4.55	1.16	19.88	-	4.29	25 to 515

Following the completion of the definition drilling, Glencore Xstrata notified the Company that it will conduct a feasibility study on the PD1 deposit to evaluate the open pit potential of the deposit between 25 and 100 metres vertical depth, as incremental feed to the Matagami mill that, if needed, could supplement production from the Bracemac-McLeod deposit between 2013 and 2016, or beyond if the life of mine is extended. The remainder of the deposit will be assessed in a scoping study that will investigate the viability of further exploitation of the deposit by underground development. The feasibility study and scoping study will be funded by Glencore Xstrata and upon delivery to the Company would increase Glencore Xstrata's interest in the West Camp joint venture area to 65%. The studies have not been completed and are currently on hold.

Regional exploration drilling on the Matagami Property

Taking advantage of Glencore Xstrata's extensive historical database, the Company and Glencore Xstrata are using a combination of 3D data integration, innovative advanced data interpretation technologies, new concepts and diamond drilling to explore for new deposits in this prolific mining camp. The Company's strategy is to explore for and discover zinc-copper deposits in the Matagami Camp and to leverage the general infrastructure and existing processing facilities within a known and well-established cost structure for developing VMS-deposits. The Company's exploration objective is to investigate multiple stratigraphic horizons with potential for VMS mineralization, including the prolific Key Tuffite horizon, throughout the Matagami Camp.

The Matagami Camp is a world-class mining district, with 18 known VMS deposits, including 10 past producers of varying sizes, including the giant Mattagami Lake deposit (25.64 million tonnes of 8.2% zinc, 0.56% copper, 20.91 g/t silver and 0.41 g/t gold) discovered in 1957 and mined from 1963 to 1988. The area is host to historical production of 8.6 billion pounds of zinc and 853 million pounds of copper and has established infrastructure including the town of Matagami, an airport, a railway, a paved road, and a 3,000 t/day mill owned by Glencore Xstrata.

The development of new exploration techniques and concepts has led directly to numerous discoveries in the Matagami Camp. In 1957, as a result of the newly developed airborne EM system, the Mattagami Lake deposit was discovered and within the next two and a half years, six more major deposits were identified. Between 1985 and 1992, four new deposits were discovered, and in 1999 a new EM system was flown over the Matagami Camp, which led to the discovery of the Persévérance deposit in 2000. Glencore Xstrata has published a Measured and Indicated resource at Persévérance of 5.12 million tonnes of 15.82% zinc, 1.24% copper, 29.00 g/t silver and 0.38 g/t gold. The Persévérance deposit has been in production by Glencore Xstrata since July 2008. Initial production from Bracemac-McLeod began on May 15, 2013, replacing production from Persévérance.

Regional drilling on the Matagami Project properties continues on an ongoing basis with the objective of identifying new zinc and copper occurrences. The objective of all exploration programs is to identify a long-term supply of ore for the Matagami mill. Exploration programs target massive sulphide mineralization that occurs within the Matagami Camp at or near the contact between felsic and mafic volcanic rocks commonly marked by "tuffite" horizons and in particular the Key Tuffite marker horizon that hosts the majority of the deposits in the Matagami Camp.

The Company reported its most recent regional exploration drilling results on May 22, 2013 and December 18, 2012.

The Company and Glencore Xstrata are currently carrying out a 28,000 metre exploration drill program for 2013. A total of \$1,575,060 was spent on regional exploration during the year ended February 28, 2013. The majority of these expenditures were for drilling and geology.

South Voisey Bay Project, Labrador

The South Voisey Bay Project is located in central Labrador, in the province of Newfoundland and Labrador. The South Voisey Bay Project covers legacy claims in which the Company has varying interests.

There are no plans to explore any of these properties during fiscal 2014. The Company anticipates that its interests in the mineral properties will lapse or be disposed of in fiscal 2014.

International Financial Reporting Standards – Changes in Accounting Policies

There were no changes to the accounting policies applied by the Company to each of the 2013 quarterly unaudited condensed interim consolidated financial statements compared to those applied by the Company to the consolidated financial statements for the year ended February 28, 2013.

Results of Operations

For the year ended February 28, 2013, the Company reported a loss of \$5,220,811 (2012 - \$5,887,331) and a comprehensive loss of \$5,220,811 (2012 - \$5,846,532). The Company's loss per share was \$0.02 (2012 - \$0.04).

Mine Development Costs

The Company has capitalized the following costs to property, plant and equipment that directly relate to the development of the Bracemac-McLeod mine and further exploration on the Bracemac-McLeod mine property.



	Year Ended February 28, 2013	Year Ended February 29, 2012
Mine development costs		
Beginning balance	\$ 25,032,144	\$ -
Surface infrastructure	2,904,092	6,216,097
Underground infrastructure	3,992,726	3,323,119
Mine development	11,937,328	9,995,176
Mobile and operating equipment	2,951,924	2,605,143
Buildings	460,600	-
Reclamation and environmental costs	739,594	354,529
Borrowing costs	182,602	577,766
Operator and technical fees	2,686,917	1,960,314
Transfer to stockpiles inventory	(1,743,569)	-
Ending balance	49,144,357	25,032,144
Exploration costs		
Beginning balance	-	-
Drilling	555,690	-
Geology	71,455	-
Geophysics	30,787	-
Other	1,409	-
Operator and technical fees	23,423	-
Property acquisition and maintenance	1,348	-
Ending balance	684,111	-
Total mine development and exploration costs	\$ 49,828,468	\$ 25,032,144

Exploration and Evaluation Expenditures

During the year ended February 28, 2013, the Company incurred \$1,575,060 (2012 - \$2,008,780) of exploration expenditures on the Matagami Project. In addition to exploration in proximity to Bracemac-McLeod and at Deep McLeod, the Company and Glencore Xstrata are continuing with a regional exploration program focusing on areas outside of the Bracemac-McLeod area.

	Year Ended February 28, 2013	Year Ended February 29, 2012
Matagami		
Drilling	\$ 728,868	\$ 2,024,657
Geology	333,121	256,806
Geophysics	81,428	250,918
Operator fees	300,531	181,479
Other	74,823	6,996
Property acquisition and maintenance	25,501	50,553
Technical geological services	82,300	56,375
	1,626,572	2,827,784
Refundable tax credits	(51,512)	(753,296)
Mining duties refund	-	(65,708)
Total exploration and evaluation expenditures	\$ 1,575,060	\$ 2,008,780

Refundable Tax Credits and Mining Tax Refund

The Company accrued \$51,512 (2012 - \$819,004) of recoverable tax credits relating to exploration expenditures on the Matagami Project. Refundable tax credits and mining tax refund correspond to the amounts spent on Canadian Exploration Expenditures ("CEE") during the period less any CEE renounced to flow-through share subscribers.

The Company accrued \$1,175,662 (2012 - \$1,962,814) of recoverable tax credits relating to development expenditures on the Bracemac-McLeod mine. These refundable tax credits are composed solely of mining tax refund and they correspond to the amounts spent on CEE during the period less any CEE renounced to flow-through share subscribers.

Refundable tax credits and mining tax refund are mineral exploration incentive programs offered by the Province of Québec.

General and Administrative

Differences in general and administrative expenses incurred during the year ended February 28, 2013 and February 29, 2012 are as follows:

- The Company paid an arms-length private company \$299,250 (2012 - \$206,500) for accounting, secretarial and general administrative services. The Company's costs in this area have increased considerably as the Company's business operations have become more complex.
- Management billed the Company \$297,550 (2012 - \$504,593) for management services during the year ended February 28, 2013. As of March 1, 2012, the Company's Chairman is being paid a monthly salary. Previously, the Company's Chairman invoiced the Company for monthly management fees. The CEO and VP of Exploration continue to invoice the Company for monthly management fees and will continue to do so for the foreseeable future.
- The Company incurred \$175,000 (2012 - \$76,277) in consulting fees. The fees incurred were principally for financial advisory services concerning potential financing options in order to fund its share of the Bracemac-McLeod mine development costs.
- The Company incurred \$443,944 (2012 - \$577,012) in promotion expenditures. Amounts included in promotion are monthly investor relations fees, printing and internet advertising costs, web site updates, and investment and geological conference attendance fees. The Company made a concerted effort during 2012 to promote the Company's Matagami Project and facilitate the exercise of outstanding warrants.
- The Company incurred \$250,563 (2012 - \$143,069) in rent of office space. The Company signed a one year lease of office space in Vancouver starting February 1, 2012 at \$17,400 per month and a lease of office space in Montreal starting May 10, 2012 at \$2,655 per month. In December 2012, the Company signed a 66 month lease of office space in Vancouver starting February 1, 2013 at \$15,900 per month. During the year, the Company extended its lease of Montreal office space to December 31, 2013 at \$2,700 per month.
- The Company incurred \$687,040 (2012 - \$1,546,670) in salaries, benefits and share-based payments. In 2012, the Company did not have any salaried employees. As of March 1, 2012, the Company's Chairman is being paid a monthly salary. Previously, the Company's Chairman invoiced the Company for monthly management fees. The Company is also paying its new President a monthly salary and has added some more full time and part time employees to help with investor relations, bilingual corporate communications and events planning, and geological work. Included in the total are share-based payments of \$126,675 (2012 - \$1,546,670), discussed in greater detail below.

Share-based Payments

The Company accounts for all stock-based awards at fair value using the Black-Scholes option pricing model.

During the year ended February 28, 2013, the Company 1) granted 3,337,500 stock options to officers and directors at an exercise price of \$0.18 with an expiry date of January 14, 2014; and 2) granted 1,650,000 stock options to employees and consultants at an exercise price of \$0.18 with an expiry of January 29, 2014. Of the 4,987,500 stock options granted, 4,587,500 vested immediately and 400,000 are vesting over a one year period at 25% every three months from the date of grant. The Company recognized \$126,675 for share-based payments.

During the year ended February 29, 2012, the Company 1) granted 8,775,000 stock options to officers, employees, directors, and consultants at an exercise price of \$0.30 with an expiry date of March 3, 2014; and 2) granted 750,000 stock options to consultants at an exercise price of \$0.25 with an expiry of September 6, 2012. Of the 9,525,000 stock options granted, 8,575,000 vested immediately and 950,000 are vesting over a one year period at 25% every three months from the date of grant. The Company recognized \$1,546,670 for share-based payments.

Other Revenues and Expenses

The Company's interest income has increased by \$53,343 in 2013 due to more cash on hand to invest in interest bearing financial assets.

Fourth Quarter Operations

During the three months ended February 28, 2013 (Q4/2013), the Company reported a loss of \$874,767 compared to a loss of \$1,762,132 during the three months ended February 29, 2012 (Q4/2012). Other expenses incurred and significant discrepancies between Q4/2013 and Q4/2012 are as follows:

- The Company incurred \$346,187 (Q4/2012 - \$770,087) for exploration expenses in Q4/2013. The Company was involved in a larger drilling program on the Matagami Project during Q4/2012 compared to Q4/2013 and incurred \$851,867 in drilling costs during Q4/2012 compared to \$182,037 in drilling costs during Q4/2013.
- The Company accrued \$51,512 (Q4/2012 - \$146,612) of recoverable tax credits relating to exploration expenditures on the Matagami Project in Q4/2013. The amount is smaller in Q4/2013 because the Company renounced more Canadian Exploration Expenditures ("CEE") to flow-through share subscribers during Q4/2013 compared to Q4/2012.
- The Company incurred \$40,000 (Q4/2012 - \$nil) for consulting fees in Q4/2013. The fees incurred were principally for financial advisory services concerning potential financing options in order to fund its share of the Bracemac-McLeod mine development costs as well as business consulting services.
- The Company incurred \$79,000 (Q4/2012 - \$45,000) for administrative fees in Q4/2013. The increase in fees during this period is due to increasing complexity of the Company's business operations.
- The Company incurred \$56,500 (Q4/2012 - \$140,700) for management fees in Q4/2013. This amount is smaller in Q4/2013 because as of March 1, 2012, the Company's Chairman is being paid a monthly salary whereas previously the Company's Chairman invoiced the Company for monthly management fees.
- The Company incurred \$132,766 (Q4/2012 - \$134,651) for promotion during Q4/2013.
- The Company incurred \$75,335 (Q4/2012 - \$85,551) for travel during Q4/2013. Travel expense were slightly higher in Q4/2012 due to numerous visits by management to the Matagami Project site and to the Montreal offices of Glencore Xstrata, as well as fundraising trips to facilitate the exercise of outstanding warrants and the financing of the Bracemac-McLeod mine development.
- The Company incurred \$283,241 for salaries, benefits and share-based payments during Q4/2013 compared to realizing a credit of \$2,161 during Q4/2012. The cost incurred in Q4/2013 is composed of salaries and benefits of \$160,586 and share-based payment of \$122,655. The credit realized in Q4/2012 relates to the vesting of 312,500 options where the exercise price exceeded the market price on the day of vesting. The Company did not have any salaried employees in Q4/2012.



Use of Financing Proceeds and deposits from Sandstorm

<u>Description of Financing</u>	<u>Closing date</u>	<u>Proceeds</u>	Use of proceeds	
			<u>as at</u>	<u>Note</u>
			<u>February 28, 2013</u>	
41,071,500 Flow-Through common shares	March 2012	\$ 11,500,020	\$ 11,500,020	1
Sandstorm 2nd upfront deposit	June 2012	\$ 5,121,500	\$ 5,121,500	2
Sandstorm 3rd upfront deposit	November 2012	\$ 9,939,000	\$ 6,480,111	2
25,052,500 Flow-Through common shares	November 2012	\$ 5,010,500	\$ 2,524,657	3

- 1) In March 2012, the Company issued 41,071,500 flow-through common shares at a price of \$0.28 per share for gross proceeds totalling \$11,500,020. As at February 28, 2013, all of these proceeds had been spent on qualifying Canadian Exploration Expenditures pursuant to the development of the Bracemac-McLeod mine.
- 2) In June 2012 and November 2012, the Company received a 2nd and 3rd upfront deposit from Sandstorm (see Metal Purchase Agreement below). These funds have been and will be used for the continued development of the Bracemac-McLeod Mine and general working capital. As at February 28, 2013, there remained approximately \$3.5 million of the 3rd upfront deposit to be spent on development costs of the Bracemac-McLeod mine. This amount has subsequently been spent on the development of the Bracemac-McLeod mine.
- 3) In November 2012, the Company issued 25,052,500 flow-through common shares at a price of \$0.20 per share for gross proceeds totalling \$5,010,500. As at February 28, 2013, the Company has spent \$2,524,657 on qualifying CEE pursuant to the development of the Bracemac-McLeod mine, surface exploration of the Bracemac-McLeod and McLeod Deep areas, and regional surface exploration of the Matagami area. The Company is committed to incur the remaining \$2,485,843 on qualifying Canadian Exploration Expenditures on or before December 31, 2013.

Financial Condition, Liquidity and Capital Resources

The Company's working capital position at February 28, 2013 was \$1,605,802 compared to \$3,214,254 at February 29, 2012.

Major sources of cash during the year ended February 28, 2013 were 1) issuance of common shares pursuant to the completion of a private placements for net proceeds of \$18,577,882; 2) receipt of upfront purchase deposits from Sandstorm Metals & Energy (TSXV-SND) ("Sandstorm") in the amount of \$15,060,500; 3) receipt of \$953,635 of refundable tax credits; and 4) interest income of \$136,249.

Major uses of cash during the year ended February 28, 2013 were approximately \$4.2 million on operating activities and approximately \$24 million on investing activities (Bracemac-McLeod development).

During the year ended February 28, 2013, the Company has issued a total of 80,874,000 common shares for aggregate net proceeds of \$18,577,882. The net proceeds from the sale of common shares have been and will be used by the Company to fund expenditures on construction of the Bracemac-McLeod mine, for exploration expenditures on the Matagami Project, and for other general corporate and working capital purposes. The gross proceeds from the sale of the flow-through shares will be used by the Company to fund exploration and development expenditures which qualify as 100% Canadian Exploration Expense.

The Company will be required to meet its share of ongoing capital and operating costs of the Bracemac-McLeod mine, which the Company estimates will average approximately \$3.8 million/month from July 2013 to December 2013.

The Company estimates that it will incur on average \$360,000 per month on its exploration programs from July 2013 to December 2013.

At current market zinc and copper prices, the Company expects to generate negative free cash flow in the year ending February 28, 2014. This is primarily due to the expected total capital expenditures to complete the development of the Bracemac-McLeod mine and to working capital deficiency requirements, including the monthly capital and operating cash call for the Bracemac-McLeod mine. The Company has also guaranteed to Sandstorm that Sandstorm will receive minimum cash flow from the purchase of copper and precious metals of US\$6.5 (CDN\$6.7) million in calendar 2013 and US\$9.5M (CDN\$9.8) million in calendar 2014 that will also impact the Company's overall liquidity.

See below for a description of the principal terms and conditions of the Metal Purchase Agreement with Sandstorm.

The Company's primary source of liquidity will be operating cash flow. The Company's options to enhance liquidity include the issuance of new debt or equity instruments, reducing exploration and evaluation expenditures and administration costs, disposition of assets and conversion of mining interest to a net smelter return royalty. The Company is currently assessing various financing scenarios in order to raise funds to continue to fund its share of mine capital and operating costs until such time as metal prices recover.

On June 24, 2013, the Company reported that it entered into an agreement with Secutor Capital Management Corp. and Marquest Capital Markets (collectively, the "Agents") under which the Agents have agreed to act as agents for a private placement, on a best efforts agency basis, for up to \$3,000,000 units in the capital of the Company (the "Units") at a price of \$0.10 per Unit (the "Unit Price"), and for up to \$1,500,000 of flow-through units of the Company (the "FT Units") at a price of \$0.115 per FT Unit (the "FT Unit Price").

Each Unit will consist of one common share in the capital of the Company and one common share purchase warrant (a "Unit Warrant"). Each Unit Warrant will entitle the holder to acquire one Common Share at a price of \$0.15 per Common Share for a period of 5 years from the closing date. Should the closing price of the Company's common shares on the TSX Venture Exchange be equal to, or above \$0.20, on 20 consecutive business days, the term of the Unit Warrant will be reduced to 30 days from the 20th day.

Each FT Unit is comprised of one common share in the capital of the Company designated as a flow-through share for purposes of the Income Tax Act (Canada) and one half of one common share purchase warrant (each whole warrant, a "FT Warrant"). Each FT Warrant will entitle the holder to acquire one Common Share at a price of \$0.15 per Common Share for a period of 3 years from the closing date. Should the closing price of the Company's common shares on the TSXV be equal to, or above \$0.20, on 20 consecutive business days, the term of the FT Warrant will be reduced to 30 days from the 20th day.

The Company has also granted the Agents an option, exercisable in whole or in part by the Agents at any time up to the closing date, to sell up to an additional \$1,500,000 of FT Units at the FT Unit Price and up to an additional \$3,000,000 of Units at the Unit Price.

The net proceeds from the Units will be used by the Company to fund its share of the capital and operating expenditures at the Bracemac-McLeod Mine, for exploration expenditures at its projects in Québec, and for other general corporate and working capital purposes. The Company anticipates requiring the proceeds from this financing in order to meet near term capital and operating expenditures at the Bracemac-McLeod mine. The gross proceeds from the sale of the FT Units will be used by Donner to fund exploration and development expenditures which qualify as 100% Canadian Exploration Expense at its projects in Québec.

The closing of the financing is subject to the completion of formal documentation, receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange, and other customary conditions. As of the date of this report, the financing has not closed.

Metal Purchase Agreement

The Company and Sandstorm are party to the Sandstorm Metal Purchase Agreement covering a region defined by a circle with a radius of 3.2 kilometres, centered on the Bracemac-McLeod mine. This region covers a portion of the Bracemac-McLeod mine area and a portion of the South Flank JV area.

Under the terms of the Metal Purchase Agreement, which was signed on July 12, 2011 and amended on November 1, 2012, the Company has received upfront purchase deposits from Sandstorm amounting to US\$32.75 (CDN\$32.08) million (2013 – US\$15 (CDN\$15.06) million; 2012 – US\$17.75 (CDN\$17.02) million). In July 2011, Sandstorm subscribed for 6,428,571 common shares of the Company at a price of US\$0.35 (CDN\$0.34) per share, for gross proceeds of US\$2.25 million (CDN\$2.16 million).

Upon receipt of the second upfront purchase deposit in June 2012 and as per the agreement signed in July 2011, the Company issued to Sandstorm 7,431,759 common shares at a price of \$0.19 per share.

The Metal Purchase Agreement, as amended, provides for the sale of metal by the Company to Sandstorm equal to 24.5% of the copper and precious metals (gold and silver) from the Bracemac-McLeod mine. The Company will receive US\$0.80 (CDN\$0.83) per pound of delivered copper if the spot price of copper per pound as quoted on the London Metal Exchange is above US\$2.75 (CDN\$2.84) per pound, otherwise, the lesser of US\$0.55 (CDN\$0.57) and the prevailing spot price of copper per pound. Once Sandstorm has purchased 14.8 million pounds of copper, the Company will receive US\$1.05 (CDN\$1.08) per pound of delivered copper, if the spot price of copper per pound is above US\$2.75 (CDN\$2.84) per pound, otherwise, the lesser of US\$0.80 (CDN\$0.83) and the prevailing spot price of copper per pound. The Company will receive for gold or gold equivalent ounces, in the case of silver ounces that are produced, the lesser of US\$350 (CDN\$361) per ounce and the prevailing spot price for gold per ounce as quoted by the London Bullion Market Association.

Pursuant to the terms of the Metal Purchase Agreement, the Company must demonstrate to Sandstorm by the 10th day of each month that the Company has sufficient funds to meet the next month's capital and operating cash call for the Bracemac-McLeod mine. Should the Company have insufficient funds it would trigger a default under the Metal Purchase Agreement, which default if not waived by Sandstorm, would result in the Company's interest in the Bracemac-McLeod mine converting to an amount equal to a 2% net smelter return royalty. The 2% net smelter return royalty can be reduced by Sandstorm to a 1% net smelter return royalty by the payment of US\$1 million to the Company.

Pursuant to the Metal Purchase Agreement, the Company has guaranteed to Sandstorm that Sandstorm will receive minimum cash flow from the purchase of copper and precious metals of (i) US\$6.5 (CDN\$6.7) million in calendar 2013, (ii) US\$9.5 (CDN\$9.8) million in calendar 2014, (iii) US\$10.0 (CDN\$10.3) million in calendar 2015, (iv) US\$7.0 (CDN\$7.2) million in calendar 2016, and (v) US\$2.0 (CDN\$2.06) million in calendar 2017.

Sandstorm has no other rights in the remainder of the Matagami Project. The Company has pledged its interest in its share of the revenues from the Bracemac-McLeod mine to Sandstorm as security for liabilities pursuant to the Metal Purchase Agreement.

Sandstorm has also agreed to provide Donner a working capital line of credit in an amount up to US\$4 (CDN\$4.1) million, of which US\$2 (CDN\$2.1) million could be available under certain conditions. The line of credit will bear 7.0% annual interest, compounded monthly and payable on the maturity date of February 1, 2014. A 1% stand by

fee, also payable on February 1, 2014, will be charged on the unused portion. As at February 28, 2013, the Company has not drawn down any of the line of credit and has accrued \$13,167 of interest pursuant to the 1% stand by fee. As of the date of this report, the Company has not drawn on the working capital line of credit.

Financial Instruments

a) Financial risk factors

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's Management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risks exposure and its financial policies are as follows:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. Management believes the credit risk on cash is small because the counterparties are chartered Canadian banks.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as cash only comprised bank balances as of February 28, 2013. The Company had no interest rate swaps or financial contracts in place as at or during the year ended February 28, 2013.

iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's trade and other payables are all current and due within 90 days of the statement of financial position date. The Company seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its exploration, development, and operating obligations and cash on hand. The timing of the commencement of commercial production from the Bracemac-MacLeod mine is uncertain. The Company anticipates seeking additional financing in order to fund initial mine operating costs, general and administrative costs, ongoing mine development costs, and Matagami Project exploration costs.

The ability of the Company to explore and develop its mineral properties and the future profitability of the Company are directly related to the market prices of zinc, copper, gold and silver and the fluctuations of exchange rates between Canadian and US dollars as the Company's future sales of concentrates and payments to be made to and received from Sandstorm will be priced in US dollars. The Company's future cash flows from product sales will therefore be impacted by fluctuations in commodity prices and foreign exchange rates.

At current market zinc and copper prices, the Company expects to generate negative free cash flow in the year ending February 28, 2014. This is primarily due to the expected total capital expenditures to complete the development of the Bracemac-McLeod mine and to working capital deficiency requirements, including the monthly capital and operating cash call for the Bracemac-McLeod mine. The Company has also guaranteed to Sandstorm that Sandstorm will receive minimum cash flow from the

purchase of copper and precious metals of US\$6.5 (CDN\$6.7) million in calendar 2013 and US\$9.5M (CDN\$9.8) million in calendar 2014 that will also impact the Company's overall liquidity.

The Company's primary source of liquidity will be operating cash flow. The Company's options to enhance liquidity include the issuance of new debt or equity instruments, reducing exploration and evaluation expenditures and administration costs, disposition of assets and conversion of mining interest to a net smelter return royalty.

Refer to note 1 of the audited consolidated financial statements for the year ended February 28, 2013 for a discussion of whether the going concern assumption is appropriate.

The following table summarizes the carrying amounts (which equals the contractual cash flows) and contractual maturities of financial liabilities as at February 28, 2013:

	Total	Less than 1 year	One to two years	More than two years
Trade and other payables	\$ 1,738,275	\$ 1,738,275	\$ -	\$ -

- b) Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments. As at February 28, 2013, the Company's financial instruments are cash and trade and other payables. The amounts reflected in the consolidated statement of financial position are carrying amounts and approximate their fair values due to their short-term nature.

Off-Balance Sheet Arrangements

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

Selected Annual Information

The following selected consolidated financial data has been prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company's audited consolidated financial statements. All dollar amounts are in Canadian dollars.



Management's Discussion and Analysis
Year Ended February 28, 2013

	February 28, 2013	February 29, 2012	February 28, 2011
Financial Results			
Interest income	\$ 136,249	\$ 82,906	\$ 28,101
Loss attributable to owners of the Company	\$ (5,649,469)	\$ (5,887,078)	\$ (4,883,614)
Basic and diluted loss per share attributable to owners of the Company	\$ (0.02)	\$ (0.04)	\$ (0.04)
Total comprehensive loss attributable to owners of the Company	\$ (5,649,469)	\$ (5,846,279)	\$ (5,872,474)
Financial Position			
Working capital	\$ 6,801,459	\$ 3,214,254	\$ 5,707,813
Total assets	\$ 61,922,718	\$ 30,648,570	\$ 6,735,025
Total non-current financial liabilities	\$ 37,347,682	\$ 19,554,243	\$ -
Total equity	\$ 23,765,333	\$ 10,745,293	\$ 6,249,313
Distributions or cash dividends declared per share	\$ -	\$ -	\$ -

The Company's loss attributable to owners of the Company has remained high each year as the Company spends funds to explore the other areas of its Matagami Project. Total assets increased significantly in 2013 and 2012 as the Company started to capitalize development costs on its Bracemac-McLeod deposit. As the Company is reliant on equity financings to provide the necessary cash to continue its operations, its total equity has steadily increased over the three years.

Selected Quarterly Information

The following table presents selected financial information for each of the most recent eight quarters:

	Fiscal 2013				Fiscal 2012			
	28/Feb/13	30/Nov/12	31/Aug/12	31/May/12	29/Feb/12	30/Nov/11	31/Aug/11	31/May/11
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Exploration	346,187	661,697	298,088	269,088	770,087	574,577	464,478	199,637
Share-based payments	122,655	(1,428)	(9,391)	14,839	(2,161)	23,759	19,830	1,505,242
General & administrative	781,312	789,812	602,805	522,472	566,309	530,988	398,810	622,928
Loss attributable to owners of the Company	874,756	1,791,665	1,273,685	1,280,587	1,455,840	1,103,911	756,213	2,264,878
Loss per share attributable to owners of the Company	0.01	0.01	0.01	0.01	0.01	0.01	-	0.02
Working capital	1,605,802	14,296,078	9,281,594	10,981,462	3,214,254	9,222,403	13,362,210	8,889,592
Total assets	63,426,589	61,495,527	47,850,496	43,931,730	30,648,570	29,768,060	28,677,703	9,821,006

Starting in the quarter ended August 31, 2011, total assets have increased significantly due to the capitalization of the Bracemac-McLeod mine development costs.

Although the Company is incurring significant mine development costs, it continues to explore other parts of the Matagami Project outside of the Bracemac-McLeod mine property. Over the last eight quarters, these costs have fluctuated with exploration budgets and the seasonality of the exploration work.



General and administrative costs have gradually increased during the four quarters of fiscal 2013 as the Company has hired more employees and consultants in order to manage the growth related to putting the Bracemac-McLeod mine into production.

The other main contributor to the losses is non-cash share-based payments incurred on the grant, amendment, and vesting of stock options over the last eight quarters.

Related Party Transactions

The Company's directors and officers are as follows:

David Patterson	Director and Chairman
Harvey Keats	Director and CEO
Normand Champigny	Director, President and CFO
Kerry Sparkes	Director
Ken Thorsen	Director
Laurie Sadler	Director
Robin Adair	Vice President of Exploration
Ron Tessier	Vice President of Engineering

For the year ended February 28, 2013, the Company incurred the following fees and expenses in the normal course of operations at amounts agreed upon between the parties to key management and directors and to companies owned by key management and directors.

	Salaries	Management Fees	Directors and Committee Fees	Technical Geological Services	Share-based Payments
Keats Consulting Inc. ¹	\$ -	\$ 194,950	\$ -	\$ 113,550	\$ -
Zorayda Consulting Ltd. ²	\$ -	\$ 72,600	\$ -	\$ 137,300	\$ -
Thorsen Consulting Ltd. ³	\$ -	\$ -	\$ 18,000	\$ -	\$ -
Timeout Holdings Inc. ⁴	\$ -	\$ -	\$ 18,000	\$ -	\$ -
Sparkes Consulting Ltd. ⁵	\$ -	\$ -	\$ 18,000	\$ -	\$ -
Knight Resources Ltd. ⁶	\$ -	\$ 15,000	\$ -	\$ -	\$ -
Champigny Barcelos & Associates Inc. ⁷	\$ -	\$ 15,000	\$ -	\$ -	\$ -
Robin Adair	\$ -	\$ -	\$ -	\$ -	\$ 20,281
Ron Tessier	\$ -	\$ -	\$ -	\$ 22,700	\$ 16,500
David Patterson	\$ 290,000	\$ -	\$ -	\$ -	\$ -
Normand Champigny	\$ 197,219	\$ -	\$ -	\$ -	\$ 55,000
	\$ 487,219	\$ 297,550	\$ 54,000	\$ 273,550	\$ 91,781

¹Keats Consulting Inc., a private company controlled by Harvey Keats.

²Zorayda Consulting Ltd., a private company controlled by Robin Adair.

³Thorsen Consulting Ltd., a private company controlled by Ken Thorsen.

⁴Timeout Holdings Inc., a private company controlled by Laurie Sadler.

⁵Sparkes Consulting Ltd., a private company controlled by Kerry Sparkes.

⁶Knight Resources Ltd., a private company controlled by David Patterson.

⁷Champigny Barcelos & Associés Inc., a private company controlled by Normand Champigny.



Outstanding Share Data

As at June 24, 2013, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common shares	255,280,993	n/a	n/a
Warrants	7,375,000	\$0.32	March 6, 2014
Agent's options	3,907,505	\$0.25	March 6, 2014
Agent's options	1,071,450	\$0.20	November 5, 2014
Agent's options	431,700	\$0.20	November 13, 2014
Stock options	3,337,500	\$0.18	January 14, 2014
Stock options	1,650,000	\$0.18	January 29, 2014
Stock options	2,345,000	\$0.285	February 23, 2014
Stock options	8,775,000	\$0.30	March 3, 2014
Fully Diluted	284,174,148		