Management's Discussion and Analysis

For the year ended December 31, 2012

March 11, 2013

Contents

This management's discussion and analysis of financial conditions and results of operations (the "MD&A"), has been prepared by management and provides a review of the activities, results of operations and financial condition of Oracle Mining Corp. and its subsidiaries. In this MD&A, the terms the "Company", "Oracle Mining", "we", our, and "us" refer to the consolidated operations of Oracle Mining Corp. and our subsidiaries unless otherwise specifically noted or the context requires otherwise.

The information in this MD&A is as of March 11, 2013 and complements and supplements the Company's audited consolidated financial statements and associated notes for the years ended December 31, 2012 and 2011 ("consolidated financial statements"). All financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") and reported in United States dollars, unless otherwise noted. See note 10 of our consolidated financial statements for information about the effect of changes in foreign exchange rates.

Additional information about the Company, including the Company's annual information form dated April 13, 2012, is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.oracleminingcorp.com.

Forward Looking Information

Information and statements contained in this MD&A that are not historical facts are "forward-looking information" within the meaning of Canadian securities legislation that involve risks and uncertainties. Forward-looking information included herein is made as of the date of this MD&A and Oracle Mining does not intend, and does not assume any obligation, to update forward-looking information unless required by applicable securities laws. Forward-looking information relates to future events or future performance and reflect management of the Company's expectations or beliefs regarding future events.

In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. Examples of forward-looking information in this document include, but are not limited to, statements with respect to: our plans and expectations for the Oracle Ridge project; the timing or completion of any work on the Oracle Ridge project; our belief that we have created a growth-orientated metals corporation; the potential for us to implement our growth strategy goals; the potential to use the lands adjacent to the project as a future tailings facility; our expectations regarding the use of 2012 drilling data; confirmation regarding the accuracy of the historical database; our plans to incorporate our drilling program results into a new technical report and as source data for our Project Development Studies (defined below); the results and parameters of the Project Development Studies including potential preliminary process flow sheet design, mill and tailings facility arrangements, preliminary equipment lists, initial trade-off studies, preliminary 10 million ton dry stack tailings design and incorporation therein of Best Available Demonstrated Controls and Technology and SAG and ball mill design criteria; our plans for advancing permitting and regulatory requirements related to any such plans; our Outlook in section 5 of this MD&A, including our ability to complete the specific objectives set forth therein; the potential for us to enter into a loan agreement with Credit Suisse AG on the *terms contemplated or at all; our need to obtain funding; and our belief that we will be successful in the outcome of our lawsuit alleging breach of contract. This forward-looking information is based, in part, on assumptions and factors that may change or prove to be incorrect, thus causing actual results, performance or achievements to be materially different from those expressed or implied by forward-looking information. Such factors and assumptions include, but are not limited to: our assumptions regarding copper, base metal and precious metal prices; the success of drill programs; reliability of drilling, sampling and assay data; representativeness of mineralization, accuracy of metallurgical testwork and preliminary process design work; and our ability to comply with current and future environmental, safety and other regulatory requirements and to obtain and maintain timely receipt of regulatory approvals; our ability to successfully raise capital.*

By its very nature, forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by forward-looking information. Such factors include, but are not limited to: risks related to the uncertainty of our exploration and development efforts; risk that we are unable to enforce our legal rights under existing agreements, permits or licences or are subject to litigation or arbitration that has an adverse outcome; risk there are changes in project parameters as plans continue to be refined; risks related to the uncertainty of timing of events; fluctuation in copper, base metal and precious metal prices; risk that we cannot obtain or maintain necessary permits or approvals from governmental authorities; we are affected by environmental, safety and regulatory risks, including increased regulatory burdens or delays, accidents, labour disputes and other risks inherent in the mining industry; delays in obtaining governmental approvals or financing or in the completion of Project Development Studies, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A and discussed in the Company's annual information form dated April 13, 2012, for the year ended December 31, 2012, filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated by such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information.

1. COMPANY OVERVIEW

Oracle Mining is an exploration and development stage company existing under the *Canada Business Corporations Act*. We are a reporting issuer in British Columbia, Alberta, Ontario and Quebec, and since January 13, 2012 our common shares have been listed on the Toronto Stock Exchange under the trading symbol "OMN". Prior to commencing trading on the Toronto Stock Exchange, our common shares were listed on the TSX Venture Exchange. The Company is involved in the acquisition, exploration, development and advancement of mineral resource projects.

Our primary focus is to return our principal property, the Oracle Ridge copper mine ("Oracle Ridge" or the "Mine"), located northeast of Tucson, Arizona, U.S.A., back into production. Before we acquired Oracle Ridge, it was a producing underground copper mine from 1991 through 1996, with approximately 17 kilometres of workings.

We also own a 640 hectare mining concession at the Barry-Souart property northeast of Val d'Or in the Province of Quebec, which we optioned to a third party in June 2012.

2. ORACLE RIDGE PROJECT ACTIVITIES

We believe that our acquisition of Oracle Ridge has created a growth-oriented metals corporation and our goal to return Oracle Ridge into production is an important step in our growth strategy to expand our Company.

The 100% owned Oracle Ridge project is located in the Santa Catalina Mountains northeast of Tucson, Arizona, and is the site of the previously operated Oracle Ridge Copper Mine. The Oracle Ridge project is comprised of 57 patented mining claims in 13 parcels, covering approximately 900 acres, in the Old Hat Mining District at Marble Peak (the "Mineral Rights"). The Mineral Rights are held by our indirect, wholly-owned subsidiary, Oracle Ridge Mining, LLC. Ownership of the Mineral Rights will revert to the previous owner in the year 2025; provided however, the Company has an option to extend its interest in the Mineral Rights to 2040 upon payment of additional consideration. We acquired surface rights in connection with the Mineral Rights pursuant to the terms of a surface lease. In addition, the Company has acquired 353 acres of existing tailings and adjacent property that it may use as a future tailings facility.

In November 2012, the Company entered into an investment agreement with MF2 Investment Company 1LP ("MF2") which includes, among other matters, an offtake agreement wherein MF2 agrees to purchase and Oracle Mining agrees to sell, 100% of the future annual copper concentrate production from Oracle Ridge, if any, for the life of the mine. The price payable for the material is to be based on prices set by the London Metal Exchange as published by the London Metal Bulletin. In addition, MF2 has also purchased a 3% net smelter returns royalty on the future sale of any metals and minerals derived from Oracle Ridge, for a gross purchase price of $10.0 million. See "Liquidity and Capital Resources – Financing Activities" for a description of the private placement with MF2.

Surface and Underground Drilling

During the fourth quarter of 2012, the Company continued a surface and underground drill program at Oracle Ridge. Below is a summary of project drilling to December 31, 2012:

Period	Footage (ft)	Number of Holes
Fourth quarter 2012	9,102	21
Year to date 2012	27,839	59
Total drilling to date	54,754	91

The 2012 drilling data are being used or are expected to be used, in the following studies:

- Historical drilling validation;
- Confirmation of specific gravity estimates;
- Mineral Resource definition;
- Geotechnical studies to support underground engineering;
- Metallurgical samples for process flowsheet design; and,
- Geochemical samples for environmental testing.

The historical drilling database on the Mine consists of 534 drill holes totaling more than 163,000 feet of drilling. In August 2012, we announced that SRK Consulting U.S., Inc. ("SRK") had confirmed the accuracy of the historical database using the results of the drill program.

In June 2012, we retained Boart Longyear Underground USA to begin an underground confirmation drill program at the Mine. Concurrently, we continued to open, inspect and refurbish the underground workings used during the past operation of the Mine to support the underground drilling program and help ensure safe access to drill locations, primarily on the 6,400ft level. We completed our underground drill program in December 2012 and we plan to add the assay results from the underground confirmation drilling program and the data from our surface drilling program, which was completed in December 2012, to the data from our historical database.

We are currently awaiting final assay results from our drilling program, which we expect to be incorporated into a new technical report in accordance with National Instrument 43-101 (“NI 43-101”). Due to the delay in receipt of assay results, the Company was unable to complete its resource validation program and file a NI 43-101 technical report by the end of 2012.

The Company maintains a rigorous QA/QC protocol on all aspects of sampling and analytical procedure. Drill core is checked, logged, marked for sampling and sawn in half. One-half of each drill core is maintained for future reference and one-half of each drill core is sent for analysis. Half-core samples are shipped to Skyline Assayer and Laboratories ("Skyline"), an accredited laboratory in Tucson, Arizona, or SGS Minerals Services Geochemistry Vancouver (“SGS”), both ISO/IEC 17025 accredited laboratories. Each lab is contracted to complete all sample preparation and assaying and is independent of us. Samples are analyzed employing the appropriate methodology for analyses of copper, as well as fire assaying for silver and gold. For QA/QC purposes, Skyline and SGS run a series of standard and blank samples and provide the results of these assays to us. The Company periodically submits the pulps of the samples assayed by our primary labs to ALS Chemex Labs Ltd. in Reno, Nevada for check analysis.

Geological, Mining and Engineering Studies

In May 2012, we retained SRK to undertake certain geological, mining and engineering studies (the "Project Development Studies") and KD Engineering to complete engineering for the processing facility and Mine site infrastructure, as well as contribute to the Project Development Studies. These arrangements superseded and replaced the engagement we previously had with Lyntek Inc. The assay results gathered from our drill programs will be used as source data for the Project Development Studies.

The Project Development Studies assume a 2,000 tons-per-day processing plant and related facilities, a dry stack tailings impoundment, a wastewater treatment plant, office and dry facilities, conveyance corridor designs and project access. Geotechnical drilling has been completed on the proposed tailings and plant sites. Metallurgical samples were obtained from our drill program for process design and flowsheet development. The following processing plant and tailings impoundment activities have been completed or are in progress:

- preliminary process flow diagrams have been generated;
- potential general arrangements for the mill site and tailings facility have been determined;
- a preliminary equipment list for a nominal 2,000 tons-per-day processing plant has been compiled;
- initial trade-off studies for electrical power generation, ore transportation, mobile equipment and other processing components are complete;
- geotechnical sampling in the plant and tailings impoundment area has been completed;

- a preliminary design for a 10 million ton dry stack tailings impoundment has been completed; and
- metallurgical studies to confirm prior work and finalize semi-autogenous grinding ("SAG") and ball mill design criteria are completed.

The preliminary process flowsheet design was established from metallurgical test work completed in 2011 and 2012. The process is designed to utilize a SAG/Ball Mill grinding circuit followed by conventional froth flotation for recovery of copper and precious metals and assumes the tailings will be thickened and filtered for dry stack placement. Further, the design contemplates that the copper concentrate will be thickened and filtered for transport.

Preliminary design of a 10 million ton dry stack tailings impoundment facility is complete. The new design incorporates Best Available Demonstrated Controls and Technology, including a fully lined dry stack tailings impoundment designed to zero discharge standards, a storm water diversion system and monitoring wells.

If a current Mineral Resource estimate is established for Oracle Ridge, we intend to work towards completing a feasibility study in accordance with NI 43-101. To the extent possible, we plan to incorporate the Project Development Studies into such feasibility study.

Power

We have engaged Trico Electric Cooperative, in conjunction with Arizona Public Service, to review the proposed power line alignment and engineering for the Oracle Ridge project. This review is currently in the preliminary design phase.

Permitting and Regulatory Programs

We have made significant progress in advancing the permitting process which would be necessary to re-start production at Oracle Ridge, should a production decision be made.

In October 2011, we submitted an application to the Pima County Department of Environmental Quality ("PDEQ") for a Class II Air Quality Operating Permit (the "Air Permit"). A technical review with respect to the Air Permit was completed by PDEQ in March 2012. Subsequently, we held two general public meetings in the local communities of Oracle and Summerhaven in May to discuss various aspects of the Mine, including the Air Permit. Thereafter, PDEQ held an open house and a formal public hearing regarding the Air Permit. The public comment period for the Air Permit was completed in late June 2012 without comment, and on July 5, 2012, we announced that we received the Air Permit.

In January 2012, we submitted the Aquifer Protection Permit ("APP") amendment application under expedited review process of the Arizona Department of Environmental Quality ("ADEQ") and in March 2013, the amended APP was granted to the Company. The amendment to the existing APP for the project incorporates the proposed new tailings design for the site that is being evaluated. We posted financial assurance with the ADEQ in the amount of $2.1 million as a requirement to receive the amended APP. Financial assurance was provided through the issuance of a surety bond by a third-party insurer requiring a collateral deposit of 40% of the overall value of the financial assurance. In connection with the granting of the APP, a successful efforts payment of $0.2 million was awarded to a third party consultant.

In July 2012, we announced that we had signed a Memorandum of Understanding (the "MOU") with Pima County for the development of the Mine. On July 10, 2012, the county Board of Supervisors unanimously approved a resolution in support of our proposal to re-open the Mine, and also approved and ratified the MOU.

In December 2012, pursuant to the MOU, we exchanged with Pima County approximately 133 acres of private land for certain Pima County land that lies between the Mine site and the historical tailings facility. In addition, the Company provided at least an additional 300 acres of land to Pima County as mitigation for potential disturbances related to the operation of the Oracle Ridge project.

During the fourth quarter of 2012, Oracle Mining received a Right of Way from the Arizona State Land Department that provides the Company access along the Black Hills Road to the mining operation from San Manuel.

A preliminary draft Environmental Assessment was submitted to the U.S. Forest Service ("USFS") during the fourth quarter of 2012 in support of the Application for Transportation and Utility Systems and Facilities on Federal Lands (SF-299) permit. This permit is necessary to allow us the use of a portion of Forest Service lands.

The project Preliminary Jurisdictional Delineation ("PJD") was approved by the US Army Corp. of Engineers ("USACE") on February 6, 2013. An approved PJD is a step toward securing a Clean Water Act Section 404 permit. If the project moves toward a construction decision, final construction drawings will be compared to the PJD by USACE to determine the amount of disturbance and the permitting path forward.

We have not made a production decision with respect to Oracle Ridge. A decision to proceed with production will be based upon the Company establishing a current Mineral Resource estimate and the results of a future Feasibility Study demonstrating economic and technical viability.

Qualified Person

The technical information in this MD&A has been prepared in accordance with Canadian regulatory requirements set out in NI 43-101 and reviewed and approved for inclusion in this MD&A by Kevin Francis, SME RM, Vice President Technical Services for Oracle Mining Corp., a Qualified Person under NI 43-101.

3. REVIEW OF FINANCIAL RESULTS

Selected Annual Information

In thousands of US Dollars	**2012**	**2011**	**2010**
Net income (loss) income	(21,665)	(16,040)	3,012
Basic and diluted (loss) gain per share	*(0.55)*	*(0.51)*	*0.18*
Total assets	26,762	30,782	46,498
Total Liabilities	3,532	4,710	15,506

For the year ended December 31, 2012, the Company had a net loss of $21.7 million compared to net loss of $16.0 million in the 2011 comparative period. Net loss in the current period is primarily due to exploration and evaluation expenditures of $14.0 million at the Oracle Ridge copper project, $6.8 million in general and administrative costs, and $0.4 million in other costs.

The increase in general and administrative expenses of $1.1 million for the current year compared to the equivalent 2011 period consisted of increased salaries and benefits of $0.4 million, increased professional and consulting fees of $0.3 million, increased investor relations costs of $0.3 million, and increased travel expenses of $0.2 million, slightly offset by decreased share-based payment expenses of $0.1 million.

The increase in exploration and evaluation expenditures of $3.9 million for the year compared to the equivalent 2011 period consisted of increased design and technical studies costs of $2.0 million, increased site and safety services costs of $0.3 million, increased site and advisory costs of $1.1 million, and increased underground exploration and development of $1.4 million, partially offset by decreased permitting costs of $0.4 million and decreased drilling costs of $0.5 million. The increased costs compared to prior year are due to increased activities as the Company works toward completing a technical report and advancing Project Development Studies.

As at December 31, 2012, total assets were $26.8 million compared to $30.9 million as at December 31, 2011. The difference resulted from increased expenditures relating to the ongoing development of the Oracle Ridge copper project, including the exploration program, technical studies and permitting activities.

As at December 31, 2012, total liabilities were $3.5 million compared to $4.7 million as at December 31, 2011. Liabilities at December 31, 2012, mainly consist of trade and other payables. Prior year's balance included $2.9 million in promissory notes payable that were secured by the Oracle Ridge copper property. In May 2012, the Company paid $0.5 million of principal owing under the promissory notes. In November 2012, the Company paid the full outstanding balance on the promissory notes payable plus accrued interest of $2.7 million.

Summary of Quarterly Results

The following table presents our quarterly results of operations for each of the last eight quarters.

In thousands of US Dollars	**Dec 31, 2012**	**Sept 30, 2012**	**Jun 30, 2012**	**Mar 31, 2012**	**Dec 31, 2011**	**Sept 30, 2011**	**Jun 30, 2011**	**Mar 31, 2011**
Interest income	14	21	47	39	26	18	26	12
Net loss	(6,581)	(5,412)	(4,783)	(4,889)	(5,273)	(3,218)	(3,621)	(3,928)
Basic and diluted loss per share	(0.17)	(0.14)	(0.12)	(0.12)	(0.16)	(0.10)	(0.12)	(0.13)

For the three months ended December 31, 2012, the Company had a net loss of $6.6 million compared to net loss of $5.4 million in the three months ended September 30, 2012. The increase in net loss compared to the prior quarter is primarily due to an increase of $0.3 million in exploration and evaluation expenditures, $0.6 million increase in general and administrative costs, $0.2 million in financing charges during the fourth quarter.

The increase in exploration and evaluation expenditures is primarily due to an increase of $0.6 million in underground exploration and development, offset by a decrease in design & technical service costs of $0.2 million and a decrease in permitting costs of $0.1 million.

The increase in general and administrative costs is primarily due to an increase of $0.4 million in in professional and consulting fees and $0.2 million in share-based payment costs. The increase in professional and consulting fees is mainly attributable to fees incurred in connection with a proposed prospectus offering which we later elected not to proceed with in November 2012. The increase in share-based payment costs is due to an option grant in November.

4. OUTLOOK

We are working towards advancing the following objectives:

- establishing a Mineral Resource estimate and finalizing a technical report in accordance with the requirements of NI 43-101 for Oracle Ridge;
- should a Mineral Resource estimate be established in accordance with NI 43-101, we intend to work towards commencing a project feasibility study ("Feasibility Study") for Oracle Ridge; and
- advancing and obtaining regulatory permits and approvals necessary to allow for a re-start of the Mine should a future Feasibility Study have a positive result and a production decision be made.

To the extent possible, we intend to incorporate the Project Development Studies currently underway into a future Feasibility Study. There is no assurance that a current Mineral Resource will be established for Oracle Ridge and, additionally, that a Feasibility Study will be completed or, if completed, that the outcome will be positive.

We have not made any production decision with respect to Oracle Ridge. A decision to proceed with production will be based upon the Company establishing a current Mineral Resource estimate and the results of a future Feasibility Study demonstrating economic and technical viability.

To meet the corporate objectives stated above, additional funding will be required. Please refer to the "Continuing Operations" section below.

5. RISKS AND UNCERTAINTIES

For a comprehensive discussion of risk factors, readers are referred to the Company's annual information form for the year ended December 31, 2012, dated April 13, 2012, which is available on SEDAR at www.sedar.com.

Continuing operations

As at December 31, 2012, the Company had cash and cash equivalents of $11.1 million, working capital of $8.9 million, and long-term debt of $0.5 million. During 2012, we were successful in raising net proceeds of $26.3 million through financing and investing activities as described in section 6 of this MD&A. Future financial needs and the continuity of the entity as a going concern will be dependent on the Company's ability to raise sufficient capital to fund ongoing operations.

Significant additional funding will be required to achieve our objectives for the next 12 months as discussed above. The Company's continuing operations, as intended, are dependent on management's ability to raise funding through future equity issuances, debt financing, assets sales or a combination thereof. The ability to raise additional funding for future activities may be impaired, or such financing may not be available on favourable terms, due to conditions beyond the control of the Company, such as uncertainty in the capital markets or depressed commodity prices. This is discussed in more detail below.

While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in obtaining financing in the future. Management has been actively communicating with various financial institutions and potential investors, including signing a non-binding, indicative term sheet for project financing with Credit Suisse AG for a secured term loan of up to $70 million in order to advance the restart of the Oracle Ridge project.

Industry and economic factors affecting the Company's performance

a) Dependence on Oracle Ridge

We are an exploration and development stage company and as such do not anticipate receiving revenue from our mineral properties for some time. We are primarily focused on the exploration and development of the Oracle Ridge project.

We have not yet identified mineral resources or mineral reserves in accordance with NI 43-101 for the Oracle Ridge project, which will be required as a basis for determining if the Oracle Ridge project has bodies of commercial mineralization. The existing information about the Oracle Ridge project is largely historical and is not NI 43-101 compliant. There may be significant costs, timing issues and complexities associated with confirming and upgrading the existing historical data for the Oracle Ridge project and the results of the confirmation and upgrading process may not be satisfactory or result in identified mineral resources or mineral reserves. As a result, unless we acquire additional property interests which can generate cash flow, any adverse developments affecting the Oracle Ridge project could have a material adverse effect upon the Company and would materially and adversely affect our potential mineral production, profitability, financial performance and results of operations.

b) Exploration and development

The property interests owned by the Company are in the exploration stage and have not been identified as mineral resources or mineral reserves in accordance with NI 43-101. Mineral exploration involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The Company's mineral exploration activities may not result in discovery of mineralization that can be technically and economically extracted. If the Company's efforts do not result in discovery of mineralization that can be technically and economically extracted, the Company will be forced to look for other exploration projects or cease operations.

Substantial expenditures are required to establish mineral resources and mineral reserves through drilling and the estimation of mineral resources or mineral reserves in accordance with NI 43-101. Although substantial benefits may be derived from the discovery of a major mineralized deposit, the Company may not discover minerals in sufficient quantities or grades to justify commercial operation and the funds required for development may not be obtained on a timely basis.

Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with advice from consultants and others as required. The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

Estimates of mineral reserves and mineral resources can also be affected by environmental factors, unforeseen technical difficulties and unusual or unexpected geological formations. In addition, the grade of mineral ultimately mined may differ from that indicated by drilling results. Material changes in mineral reserve or mineral resource estimates, grades, stripping ratios or recovery rates may affect the economic viability of any project.

c) Litigation

We are subject to litigation risks. All industries, including the mining industry, are subject to legal claims, with and without merit. In December 2012, the Company received notification of a lawsuit against the Company for an alleged breach of contract. We may also be involved in disputes with other parties in the future which may result in litigation. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which we are or may become subject could have a material effect on our financial position, results of operations or our mining and project development operations.

d) Titles to property

There may be challenges to the title to the mineral properties in which the Company holds a material interest. If there are title defects with respect to any of its properties, the Company might be required to compensate other persons or perhaps reduce its interest in the affected property. Also, in any such case, the investigation and resolution of title issues would divert management's time from ongoing exploration and development programs.

e) Permits and licenses

The Company is required to obtain and renew licenses and permits from various government authorities for existing operations and any ultimate development, construction and commencement of mining operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations at its projects. Further, the cost to obtain or renew permits may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

f) Metal prices

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any minerals discovered. The Company's revenues, if any, are expected to be in a large part derived from the mining and sale of copper and other precious and non-precious metals. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and worldwide production levels. The effect of these factors cannot be accurately predicted, but they may adversely affect the Company's operation and its ability to raise capital.

g) Historical production may not be indicative of the potential for future development

The Oracle Ridge project was previously an operating mine. However, historical production may not be indicative of the potential for future development of the property. Due to the uncertainties associated with exploration and development, including variations in geology and structure, there is no assurance that the Company's development efforts will be successful or that prior operating results are reflective of additional or economically developable deposits. Investors in the Company's securities should not rely on historical operations as an indication that the Company's mining properties will be placed into commercial production again or that such properties will produce revenues or be profitable.

h) Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests, for equipment required to conduct its activities, as well as for recruitment and retention of qualified employees.

In addition, there is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of the Company may affect the marketability of any minerals discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its invested capital.

i) Environmental regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving toward stricter standards in which enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

j) Stage of development

The Company does not have a history of earnings or the provision of return on investment, and in the future there is no assurance that it will produce revenue, operate profitably, or provide a return on investment. The Company has limited financial resources and its ability to achieve and maintain profitability and positive cash flow is dependent upon the Company being able to: (i) locate a profitable mineral property; (ii) generate revenues in excess of expenditures; and (iii) reduce exploration and administrative costs in the event revenues are insufficient.

k) Dividends

The Company has never declared or paid any dividends on its common shares. Currently, the Company intends to retain its earnings, if any, to finance the growth and development of the business and does not expect to pay dividends or to make any other distributions in the future, which may limit the way in which investors may realize any returns on their investment.

l) Industry conditions

The Company's assets and activities are subject to laws and regulations governing various matters, including, but not limited to:

- exploration, development of mines, production and post-closure reclamation;
- price controls;
- taxation;
- expropriation of property;
- environmental protection;
- use of toxic substances and explosives;
- management of natural resources;
- exports;
- development criteria or changes in conditions under which minerals may be mined, milled or marketed;
- labour standards and occupational health and safety, including mine safety; and
- historic and cultural preservation.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits against the Company based upon damage to property and injury to persons resulting from the environmental, health and safety impacts of the Company's past and current operations, or possibly even those actions of parties from whom the Company acquired its properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. It may be difficult to strictly comply with all regulations imposed on the Company. The failure to comply with all applicable laws could lead to financial restatements, fines, penalties and other material negative impacts on the Company.

m) Uninsured hazards

Mineral exploration involves risks, including unusual geological conditions, which, even with a combination of experience, knowledge and careful evaluation, mineral exploration companies may not be able to overcome. The Company may become subject to liability for damage to property, environmental damage or other damage, which cannot be insured against, or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

n) Future financing

Completion of future programs may require additional financing. However, there is no certainty the Company will be able to raise funds in the event it needs to do so. Any successful future financing may dilute the interests of existing shareholders, and securities issued by the Company may grant rights, preferences or privileges senior to those of the Company's common shareholders.

Sales of a substantial number of common shares (including shares issuable upon the exercise of stock options and the exercise of warrants), or the perception that such sales could occur, could materially adversely affect prevailing market prices for the common shares and the ability of the Company to raise equity capital in the future.

o) Key employees

The Company's performance is substantially dependent on the performance and continued efforts of the Company's key officers. The loss of the services of any of the Company's key officers could have a material adverse effect on the Company business, results of operations and financial condition. The Company currently does not carry any key person insurance on any of its officers. The Company has limited resources and may be unable to compete with larger organizations with respect to compensation and perquisites.

p) Conflicts of interest

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

6. LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern. The Company's future liquidity will depend upon its ability to develop and finance future profitable business opportunities.

			As at		
In thousands of US$	**Dec 31, 2012**	**Sept 30, 2012**	**June 30, 2012**	**Mar 31, 2012**	**Dec 31, 2011**
Cash and cash equivalents	11,051	2,539	6,959	12,492	7,942
Working capital	8,849	659	5,738	10,553	6,000

Cash and cash equivalents as at December 31, 2012 were $11.1 million compared to $7.9 million as at December 31, 2011. Working capital was $8.9 million as at December 31, 2012, compared to working capital of $6.0 million as at December 31, 2011. The increase in both cash on hand and working capital is primarily due to financing and investing activities as detailed below.

Significant additional funding will be required to achieve our objectives as described herein. Management is currently reviewing several funding options including equity and debt financing. While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in obtaining financing in the future.

Financing activities

Year-end December 31, 2012

On February 28, 2012, the Company completed a private placement for 7,800,000 common shares of the Company at a subscription price of C$1.25 per share raising gross proceeds of C$9.8 million ($9.8 million). The Company paid a finder's fee to an arm length's party in the aggregate amount of C$0.6 million ($0.6 million) and incurred expenses of C$86,000 ($86,000).

On March 12, 2012, the Company announced that it had entered into a non-binding, indicative term sheet for project financing with Credit Suisse AG ("Credit Suisse") for a secured term loan of up to $70.0 million in order to advance the Oracle Ridge Mine development. The project financing remains subject to a number of conditions, including completion of a positive Feasibility Study, due diligence, the receipt of internal credit committee approvals by Credit Suisse, and the negotiation and execution of definitive documentation.

In May 2012, the Company paid $0.5 million of principal owing under the promissory notes relating to Oracle Ridge. In November 2012, the Company paid the full outstanding balance on the promissory notes payable, plus accrued interest, for a total of $2.7 million.

On November 21, 2012, the Company completed an additional private placement for 9,800,000 units of the Company at a subscription price of C$0.85 per unit raising gross proceeds of C$8.3 million ($8.3 million). Each unit consists of one common share of the Company and one-half of one common share purchase warrant. The Company incurred C$0.4 million ($0.4 million) in share issuance costs on the transaction. Please refer to note 6(a) of the consolidated financial statements for additional information.

Description of Financing	Disclosed Use of Proceeds	Actual Use of Proceeds
February 2012 private placement: $9.1 million net proceeds	Expenditures related to Oracle Ridge and general corporate purposes	Expenditures related to Oracle Ridge and general corporate purposes
November 2012 private placement: $8.4 million net proceeds	Continued development of Oracle Ridge and related working capital requirements.	Continued development of Oracle Ridge and related working capital requirements.

Year-end December 31, 2011

During the year ended December 31, 2011, the Company paid $1.0 million of principal owing under the promissory notes. The Company received gross proceeds of C$0.3 million upon the exercise of options and warrants during the year.

Investing activities

Year-end December 31, 2012

During the year ended December 31, 2012, the Company invested approximately $0.5 million in plant and equipment. Expenditures in the current year are mainly attributable to the purchase of site equipment of $0.4 million and $0.1 million of head office equipment.

In November 2012, the Company and its indirect subsidiary entered into a net smelter return royalty agreement (the "Royalty Agreement") with MF2. Under the terms of the Royalty Agreement, the Company completed the sale of a 3% net smelter returns royalty on the future sale of any metals and minerals derived from the Mine for net proceeds of $8.8 million. Please refer to note 6(a) of the consolidated financial statements for additional information.

During the year ended December 31, 2012, we entered into a land exchange agreement ("Exchange Agreement") with Pima County of Arizona (the "County"). Under the terms of the Exchange Agreement, we agreed to exchange land that we had purchased from a third party ("Exchange Property") for land owned by the County. The County land provides key access between the Mine site and proposed tailings area. The Company purchased the Exchange Property for a total price of $1.7 million of which $1.0 million was paid in cash and $0.7 million issued in the form of a promissory note (the "Note"). The Note matures on December 21, 2013 and bears interest of US prime rate and is payable in full at the time of maturity. The Company incurred approximately $6,000 in transaction costs which has been capitalized to the property.

Year-end December 31, 2011

During the year ended December 31, 2011, the Company invested approximately $0.7 million in plant and equipment. Expenditures in the current year were mainly attributable to the purchase of site equipment of $0.3 million and drilling equipment of $0.4 million.

During the year ended December 31, 2011, the Company paid $0.6 million for property adjacent to Oracle Ridge. The Company intends to use this property as the site for a future dry stack tailings facility, subject to receipt of the necessary permits and provided a production decision for Oracle Ridge is made. In addition, the Company entered into a lease agreement for additional land adjacent to the project and intends to use this land for access and transport purposes. The lease is for a term of 15 years, with two additional five year renewal terms, with annual payments of $19,200. The Company paid an initial non-refundable payment of $57,600 upon execution of the lease.

In June, the Company entered into an option agreement to acquire a 100% interest in a mineral property in Colorado. Under the terms of the agreement, the Company made a cash payment of $25,000 upon signing of the agreement and is required to make the following payments to keep the option in good standing: a cash payment of $20,000 on or before June 29, 2012, a cash payment of $20,000 on or before June 29, 2013, and a cash payment of $0.5 million on or before June 29, 2014.

During the year ended December 31, 2011, the Company received net proceeds of $32,000 from the sale of marketable securities.

Contingencies, commitments and liabilities

As at December 31, 2012, the anticipated cash payments required to satisfy the Company's commitments and liabilities are as follows:

In thousands of US Dollars	Total	Less than 1 year	1 - 5 years	After 5 years
Accounts payable and accrued liabilities	2,231	2,231	-	-
Taxes payable	75	75	-	-
Notes payable	700	700	-	-
Reclamation Provision	387	-	-	387
Other long term liability	305	-	305	-
Other lease commitments	281	89	96	96
Total	**3,979**	**3,095**	**401**	**483**

Current working capital is sufficient to meet these commitments.

In December 2012, the Company received notification of a lawsuit against the Company from a third party regarding an alleged breach of contract. The Company intends to vigorously defend any and all claims under this lawsuit. The Company believes it will be successful in the outcome of this lawsuit. See "Risks and Uncertainties – Litigation".

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Proposed Transactions

As is typical of the mineral exploration and development industry, Oracle Mining is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, other receivables, trade and other payables, promissory note payable, and other long-term liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information about the financial instrument. These estimates are subjective in nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision. The fair values of cash and cash equivalents, other receivables, trade and other payables, taxes payable and promissory note payable, and other long-term liabilities approximate their carrying values due to their short term maturity.

The Company's financial instruments have been classified as follows under IFRS:

- Cash and cash equivalents: Fair value through profit or loss
- Marketable securities: Fair value through profit or loss
- Other receivables: Loans and receivables
- Trade and other payables: Other liabilities
- Taxes payable: Other liabilities
- Promissory note payable: Other liabilities
- Other long-term liabilities: Other liabilities

The Company has exposures to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk.

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its obligations. The Company manages liquidity risk through an annual budget and ongoing monitoring of expenses and capital expenditures.

In management's opinion, the Company is not exposed to significant interest rate or credit risk arising from these financial instruments. The Company is exposed to foreign currency risk through its cash and cash equivalents, other receivables and accounts payable denominated in Canadian dollars. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. At December 31, 2012, with other variables unchanged, a 10% change in the US dollar/Canadian dollar exchange rate would impact pre-tax earnings by $2.1 million for the year ended December 31, 2012.

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company’s ability to access capital markets due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on net income and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity price of copper and the stock market to determine the appropriate course of action to be taken by the Company.

The Company currently holds marketable securities that will fluctuate in value as a result of trading on global financial markets. The Company recognized $0.2 million of unrealized losses in the income statement related to these marketable securities.

Transactions with Related Parties

During the year ended December 31, 2012, the Company paid $0.5 million (2011 - $0.6 million) in advisory fees to directors of the Company.

These transactions were incurred in the normal course of business and are measured at the exchange amount which was the consideration established and agreed to by the related parties.

Compensation of key management personnel

During the year-end December 31, 2012, the Company paid salaries to key members of management and director’s fees of $1.6 million (2011 - $1.4 million). In addition, the Company made share-based payments to the same individuals for the year of $0.3 million (2011 - $0.7 million).

Capitalization

As at March 11, 2013, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	49,034,070
Warrants (average exercise price C$1.02)	4,900,000
Stock options (average exercise price C$1.21)	4,081,000
Total common shares and potential common shares	58,015,070

Subsequent to year-end, the Company granted 250,000 share options to an employee with an exercise price of $0.79.

7. DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that material information related to the Company is identified and communicated as appropriate on a timely basis.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as at December 31, 2012. Based on this evaluation, they concluded that our disclosure controls and procedures were effective as at December 31, 2012 in providing reasonable assurance that the information required to be disclosed in reports we filed or submitted under Canadian securities legislation was recorded, processed, summarized and reported within the time periods specified in those rules.

Internal control over financial reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, and used the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of our controls in 2012.

Based on this evaluation, management concluded that our internal control over financial reporting was effective as at December 31, 2012 and provided a reasonable assurance of the reliability of our financial reporting and preparation of the financial statements.

However, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, do not expect that the Company's internal control over financial reporting will be capable of preventing all errors and fraud. Any system no matter how well conceived or operated has inherent limitations. Therefore, even systems determined to be effective can provide only reasonable, not absolute, assurance of the reliability of financial statement preparation and presentation.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. On September 20, 2012, the former Chief Executive Officer of the Company, Doug Nicholson, left the Company; Alan Edwards was appointed as the new Chief Executive Officer.

8. CRITICAL JUDGEMENTS AND ESTIMATES

The consolidated financial statements are prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (see below), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral properties, the determination of functional currency for the Company and its subsidiaries, the determination that the acquisition of the Oracle Ridge project represents an acquisition of an asset rather than a business combination and the assumption that the Company will continue as a going concern.

Certain of our accounting policies are recognized as critical because they require management to make estimates and assumptions about matters that are inherently uncertain. Our critical accounting policies and estimates relate to:

- The recoverability of amounts receivable and prepayments;
- Impairment of non-financial assets;
- The estimated fair value of short-term investments;
- The estimated useful lives of property, plant and equipment and the related depreciation;
- The inputs used in accounting for the fair value of warrants;
- The allocation of funds received from MF2 Investment Company 1LP
- The inputs used in accounting for share-based compensation expense; and
- Accrued and contingent liabilities.

For a summary of significant accounting policies, please refer to Note 2 of the consolidated financial statements.

Management believes it has made estimates that best reflect the facts and circumstances, however, actual results may differ from estimates.

9. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In October 2010, the International Accounting Standards Board ("IASB") issued amendments to IFRS 7 - Financial Instruments: Disclosures that enhance the disclosure requirements in relation to transferred financial assets. The Company adopted this amendment effective January 1, 2012. The adoption of this amendment did not have a significant impact on the Company's consolidated financial statements.

The following standards are effective for annual periods beginning on or after January 1, 2013 (except as noted), with earlier adoption permitted. The Company has determined that there will be no material impact on the consolidated financial statements.

- IFRS 10, Consolidated Financial Statements: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities.

- IFRS 11, Joint Arrangements: IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities-Non – Monetary Contributions by Venturers.

- IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

- IFRS 13, Fair Value Measurements: IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

- IAS 27, Separate Financial Statements: IAS 27 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 Consolidated and Separate Financial Statements, and is replaced by IFRS 10.

- IAS 28, Investments in Associates and Joint Ventures: IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures.

- IFRIC 20 – Stripping Costs in the Production Phase of a Mine: In October 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods..

- IFRS 9, Financial Instruments: IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value, and all financial liabilities classified as subsequently measured at amortized cost except for financial liabilities as at FVTPL. The amendments are effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

- IAS 1 – Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted.

- IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). On December 16, 2011 the IASB published new disclosure requirements jointly with the FAS that enable users of financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP.