# WESTMINSTER RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE THREE AND SIX MONTHS ENDED NOVEMBER 30, 2012

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain information contained or incorporated by reference in this MD&A, including any information as to our future financial or operating performance, constitutes “forward-looking statements”. All statements, other than statements of historical fact, are forward-looking statements. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by us, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the currency markets; fluctuations in the spot and forward price of gold or other commodities; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada and in other countries; business opportunities that may be presented to, or pursued by, us; operating or technical difficulties in connection with mining or development activities; employee relations; litigation; the speculative nature of exploration and development, including the risks of obtaining necessary licenses and permits; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and the risk of inadequate insurance, or inability to obtain insurance, to cover these risks. Many of these uncertainties and contingencies can affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us. Readers are cautioned that forward-looking statements are not guarantees of future performance. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements.

We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

## 1.1 Date

The following management's discussion and analysis ("MD&A"), which is dated January 29, 2013, provides a review of the activities, results of operations and financial condition of Westminster Resources Ltd. ("the Company" or "Westminster"), as at and for the three and six months ended November 30, 2012, as well as future prospects of the Company. This MD&A should be read in conjunction with the unaudited interim consolidated condensed financial statements of the Company as at and for the three and six months November 30, 2012 (the "Interim Financial Statements"), together with the MD&A and audited financial statements of the Company as at and for the year ended May 31, 2012. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise specified (the Company's financial statements are prepared in Canadian dollars). Additional information relating to the Company is available on SEDAR at www.sedar.com.

## 1.2 Overall Performance

### *1.2.1 Introduction*

Westminster is a resource company that is conducting exploration in Sonora state, Mexico through its wholly owned subsidiary Minera Westminster, S.A. de C.V. The Company has active exploration interests in two distinct locations in Sonora; the El Cobre property near Obregon and the Navojoa area located to the South. These areas of mineral concessions, which have been acquired by staking, option agreements and through outright purchases, are prospective for gold, copper and silver.

Within the El Cobre property, which covers an area of 28,644 hectares, projects include North Guayacan, South Guayacan, and the 8,000 hectare Cumbral - San Bartolo option project with Capstone Mining Corp ("Capstone"). Mineralization in this area is characterized by high grade gold-copper-silver veins, breccias, and diatremes associated with porphyry deposit-style mineralized systems and hematite-magnetite-sericitized zones and structures containing copper-gold mineralization having similarities with iron oxide copper gold ("IOCG") deposit styles. The ground which comprises the El Cobre property, before the Company initiated its exploration program, had not been explored previously neither using modern exploration methodologies nor previously drill tested.

The Navojoa property (13,398 hectares), to the south of the El Cobre, has widespread mineralized skarns and surface alterations that suggest the potential of at least three separate distinct porphyry systems. Limited drilling by the Company has identified silver-copper-zinc zones in pyrrhotite massive sulphide replacement styles of mineralization hosted in an extensive marble unit.

### *1.2.2 Financial conditions*

During the quarter ended November 30, 2012, 2012 the Company completed a non-brokered private placement with Capstone Mining Corp. of 10,000,000 common shares at $0.10 per share to net the Company $1,000,000. At November 30, 2012, the Company had no long-term debt and its credit and interest rate risks are limited to interest bearing assets of cash and cash equivalents.

At November 30, 2012, the Company had $664,854 in cash and cash equivalents (May 31, 2012 - $562,201) and working capital of $658,705 (May 31, 2012 - $320,529).

### *1.2.3 Outlook*

For fiscal 2013, the Company will focus its priorities as follows:

- Raise additional funding to continue the comprehensive exploration programs on Guayacan South, Guayacan North and on the Navojoa projects in Sonora state, Mexico.

- Conduct a detailed review of the airborne VTEM and Magnetometer surveys that were completed over the entire El Cobre property.

- Conduct an IP ground geophysical survey on the Guayacan targets to identify drill targets.

- Review all the 3D – IP and Mag Survey information and Phase one drill results completed to date on the Cumbral – San Bartolo Option Project.

- Prepare and execute a Phase two drill program on the Cumbral – San Bartolo Option Project.

### *1.2.4 Property Activities*

**Exploration and development, Sonora, Mexico**

**El Cobre Project**

The Company's El Cobre Project covers an area of 28,644 hectares, is located near Obregon in Sonora state, Mexico. Within the El Cobre ground, the Los Amigos, El Guayacan North and South, San Bartolo and the Anita Copper Mine are all former artisanal workings and examples of near surface, vein-type prospects having elevated grades of gold, copper and silver. Within the project area, these high grade gold-copper-silver veins, breccias, and diatremes have been identified by the Company as being associated with porphyry deposit-style mineralized systems. Regional prospecting in 2011 identified an additional area of interest called Cumbral which features an 8 ½ kilometer trend of IOCG deposit style alteration with subcrop-outcrop mineralization.

***Anita Copper Mine Prospect***

The El Cobre Project 28,644 hectares contained a 12 hectare concession called the El Cobre property which was acquired on March 17, 2010. The El Cobre property is the site of the historic Anita Copper Mine, where high-grade copper-gold-silver ore was first produced by the Douglas Copper Mining Company (New York) from 1900-1910. On this property the Company completed a CSMAT (Controlled Source Audio-Magnetotelluric) resistivity survey that resulted in identifying both high and low resistivity and structural geophysical targets. These geophysical targets were tested by 24 diamond drill holes totaling 3600 meters and results were press released (WMR 11-02, February 7, 2011 and WMR 11-07, May 24, 2011). Significant mineralization was encountered although primary sulphides were not as abundant as hoped for. Following this drilling, an airborne VTEM survey was completed on the entire El Cobre Project (28,644 hectares) on 200 meter spaced lines for the regional survey and on 50 meter spaced lines E-W and 100 meter spaced lines over a detailed block located in the Anita Copper Mine area. The interpreted results of this VTEM survey identified important geological features on a regional level but failed to provide encouragement on the 12 hectare El Cobre concession. In view of the substantial property payments that were required to hold this ground, and the Vendor's unwillingness to renegotiate, the Company formally terminated the purchase option and allocated a $2,400,000 property write off for the period ending May 31, 2012.

### *San Bartolo Silver Prospect*

Prospecting located the San Bartolo prospect and after follow up on favorable rock sample assays a survey grid was established 1.5 kilometers in width along a 2 kilometer north-south base line. As reported (WMR 11-06 press release, May 3, 2011) at a sample spacing of 25 meters a total of 801 soil samples were collected, and geochemical analysis has outlined a series of 5 sub-parallel anomalous zones extending the length of the grid and beyond. Silver content in the soil anomalies for 64 samples ranges from 1,000 ppb (1 g/t) to 5,200 ppd (5.2 g/t), for 144 samples ranges from 500 ppb (0.5 g/t) to 1,000 ppb (1 gm/t) and for 191 samples ranges from 300 ppb to 500 ppb. Significant silver content in the anomalous soil zone occurs over widths that "pinch and swell" from 100 to 500 meters along the strike of the 5 trends. San Bartolo soil grid map can be found at http://westminsterres.com/investor/files/San_Bartolo_Map.pdf (The San Bartolo silver content in the anomalous soil zone has now been extended to cover an area of 3.2 km x 2 km). A diamond drill program of 1,499 meters in 16 holes was completed in the summer of 2011 and was reported on in a press release dated October 4, 2011 (WMR 11-10). The program was designed to test five anomalous silver-copper soil geochemical trends, subcrop anomalous rock samples and old artisanal prospect shafts and pits. The 16-hole program only targeted approximately 1.5 kilometers of strike of the structurally controlled system which extends across and beyond the 3.2 km x 2 km soil grid. All 16 holes intersected anomalous copper and grades of silver that are consistent with soil geochemistry results. The most significant hole was 11-05 which intersected 17.5 meters of .338% copper and 46.6 grams silver per tonne and included 3.1 meters (12.5m-15.6m) grading 145.3 g/t silver and 1.03% copper. The Company is most encouraged with this Cu-Ag mineralized system and its associated potassic altered pink granitic dykes and suspects it to be genetically related to the much larger Cumbral trend identified 5 kilometers, on the property, to the Northwest.

### *Cumbral*

Regional prospecting, several kilometers north of San Bartolo has discovered an extensive north striking trend approximately 8 ½ kilometers of IOCG deposit style alteration with subcrop-outcrop mineralization. Extensive brecciation and hematite-magnatite with copper oxides are associated with pink granitic intrusions hosted in the Regional structural trend. Recently completed airborne magnetic surveys identified both extensive magnetic low and high anomalies coincident with this mineralization. Prospect grab sampling reveals copper silver and gold content typical of the large IOCG hydrothermal systems. The Company has completed over 73 line kilometers of ground magnetic and IP geophysical surveying on a portion of the Cumbral trend and has identified several high priority anomalies that are coincident with newly discovered copper occurances.

### *Cumbral – San Bartolo Option Project*

On April 17, 2012 the Company signed an option agreement with Capstone Mining Corp. (TSX:CS) granting Capstone the right to acquire up to a 70% interest in the Cumbral – San Bartolo prospect area, approximately 8,000 hectares, of the El Cobre Project (28,644 hectares), through staged exploration expenditures totaling $9.3 million by December 31, 2015, and delivering a scoping study by June 30, 2016. Capstone is required to finance $1,600,000 by December 31, 2012 and an additional $1,700,000 by December 31, 2013 to earn a 49% interest; it can then earn a further 11% interest by expending an additional $3,000,000 on or before December 31, 2014 and a further additional 10% interest by expending $3,000,000 on or before December 31, 2015. Following completion of the $9,300,000 in expenditures each party will be responsible for their portion of funding going forward on a proportionate basis. Should the Company elect not to participate beyond the $9,300,000, Capstone will have the exclusive right and option to earn an additional 5% (for a total of 75%) undivided interest in the property by delivering a preliminary economic assessment on the property. In July-August 2012, Capstone funded $1,100,000, in addition to $500,000 funded at May 31, 2012. As a result, Capstone fully funded $1,600,000 that would be due by December 31, 2012.

As at date of writing the Company has successfully completed its 2012 Phase One $1,600,000 exploration program at the Cumbral-San Bartolo property. Work included a 3D-Induced Polarization (IP) and ground magnetic geophysical survey covering 219 line kilometers of survey grid, over 5,000 soil geochemical samples, rock prospecting-geological mapping (over 700 samples) and a diamond drill program of seven holes (total 1,641 meters) on the Cumbral trend.

**Exploration Highlights**

- Cumbral trend drilling intersects IOCG alteration and mineralization containing Cu+Ag+Au grades in the oxide zone.
- Rock sampling program across the grid identifies widespread visible copper at surface and discovers 8 new targets across the 9 Km X 9 Km area.
- A greater than 1 Km X 1Km 3D-IP high chargeability anomaly, the Montoso target, is interpreted as a classic porphyry-style deposit environment.
- Multi-element soil geochemical anomalies across the grid coincide with extensive alteration and mineralized zones.
- Phase Two exploration planning near completion (to include 5,400 meters of drilling).

The large project area (9 Km X 9 Km) has been divided into A, B, C and D grid blocks. See website for maps at http://www.westminsterres.com/investor/drill_gallery/index.php. The initial discovery of IOCG-style alteration and mineralization is located in the northern A Block where a series of chargeability ± resistivity ± magnetic high responses were identified as the Cumbral trend during 2D-IP and MAG geophysical surveying in November 2011. These geophysical targets as well as intense potassic + silica + iron oxide and often copper oxide-rich veins and brecciated subcrops (IOCG) were tested by preliminary drilling with results presented in Table A.

Since discovery in 2011 of the Block A Cumbral trend and WMR's earlier exploration at the San Bartolo trend in Block D (9 kilometers to the south) a detailed, systematic exploration program has been undertaken across all four grid blocks with 219 line-kilometers of survey grid established a connection between the Cumbral trend and San Bartolo trend. Distributed across all four grid blocks, there are 143 samples (or about 20% of the 704 rock chip and grab samples) which contain visual evidence of copper mineralization by the presence of malachite, azurite, or chrysocolla. Most mineralized subcrops and outcrops, however, showed evidence of strong oxidation and leaching of sulphides with extensive iron oxide and siliceous alteration. The project's extensive hydrothermal systems display variable styles of mineralization and grades depending upon the extent of oxidation and leaching, and are characteristic of both IOCGs and porphyry systems.

In the discovery area, Block A, Cumbral North surface targets have grab samples with grades as high as 1.21% copper, multi-grams of silver (highest 31.0 g/t) and gold to 589 ppb with generally low lead and zinc. Surface mineralization in the main Cumbral trend exposures have grades similar to the oxide zones encountered in the first drill holes (see Table A).

In Block B the "Lost Cumbral Mine" and its strike extension some 400 meters south have been identified as a series of collapsed workings and pits of unknown age and origin. The highest grade sample assayed 412 g/t silver, 1,104 ppb gold with 0.1% lead and very high bismuth. The south extension grab sample from diggings graded 0.5% copper, 7.6 g/t silver and 3,790 ppb gold. The "Lost Cumbral Mine" and the San Bartolo trend of old workings are only two of the numerous unnamed historic pits and workings being discovered across the grid area.

In the central Block C grid several new mineralized targets were discovered, commonly with strike lengths of several hundreds of meters traceable on surface as outcropping zones of iron-quartz-rich breccias, veins and stockworks. The Bee Showing has elevated Mo and Zn with minor copper and silver grades to 11.59 g/t and gold to 2,443 ppb. At Weakele Road Pit grab samples graded up to 1.27% copper, 197 g/t silver, 1,509 ppb gold with 0.1% lead and 0.2% zinc. Further to the east in Block C, the Two Glens and Two Ronnies mineralized trends are characterized by highly anomalous Mo+As+Hg+Sb and up to 5.9% lead, 0.3% zinc with silver grading 214 g/t and gold 2,880 ppb. These showings appear to be related to a series of NW-SE trending resistivity highs and lows as modeled in the 3D-IP survey covering the area. The highest grade rock sample collected to date is located in Block C (0.97% Cu, 26.2 g/t Ag, 26.39 g/t Au).

The west-central portion of the Block D grid area is dominated by a large 3D-IP high chargeability anomaly named the Montoso target. It is partially overburden covered but where manifested at surface it is characterized by intense destructive white clay alteration and iron oxide staining and granitoid intrusives. To the north and on the Montoso's eastern periphery several occurrences of silver-bearing veins and malachite float samples have been located. The highest grade vein-float located in an area of intense red soil assayed 0.5% copper, 0.89% lead, 0.52% zinc, 2,000 ppm molybdenum and 75.87 g/t silver and 1,716 ppb gold. In eastern Block D the San Bartolo silver trend occurs adjacent to the high chargeability Montoso target. Westminster previously identified in 2011 at San Bartolo a 1.4 kilometer strike that is characterized by multi-gram silver intercepts in numerous intervals in 16 shallow drill holes (see WMR11-10, October 4, 2011). This drill program completed prior to the 3D-IP survey focused on extensive areas of silver geochemical soil anomalies associated with numerous historic pits and diggings and before discovery of the new Montoso target now interpreted as the main center of a porphyry system.

The Montoso target in Block D was interpreted from analysis of the 3D-IP geophysical survey (inversion modeling) to be an area with coincident low resistivity and high chargeability ranging from 35ms to over 65ms. Similar to other known porphyry deposit styles of chargeability response, the Montoso anomaly has been modeled in 3D to identify potentially mineralized zones. Plan views and sections of the inverted chargeability indicate that at 200 meters depth the 35ms target is over one kilometer long by one kilometer wide with its dimensions increasing at depths of over 400 meters. Plots and maps of the Montoso target geophysical response are available on our website at [http://www.westminsterres.com/investor/geo_gallery/index.php](http://www.westminsterres.com/investor/geo_gallery/index.php). The impressive areal extent of the Montoso chargeability target when projected to surface is surrounded by ring-like patterns of anomalous soil geochemical contents for the elements Mo, Ag, Au and Cu similar to known copper districts where silver vein mineralization is often found up to several kilometers from the core area of the main porphyry. The setting of the extensive silver in soil anomaly related to the San Bartolo silver vein systems may represent such an adjacent setting at Montoso.

The ground magnetic geophysical survey data for the four Blocks is currently being processed using inversion modelling and then will be incorporated into the IP chargeability and resistivity Montoso models. Previous Heli-MAG surveying and preliminary ground magnetic plots do show typical porphyry deposit-style high and low magnetic patterns within the area of the Montoso IP target further suggesting that a mineralized system covering several square kilometers may be present.

Drilling results from significant samples from all seven Cumbral trend drill holes are presented in Table A. Chargeability targets of 8ms or greater were targeted in holes 1B, 1D, 3A and 4A with all holes intersecting granodiorite, quartz-feldspar pink granite or fine to medium grained dark diorite. Holes 1D and 1B showed variable potassic and epidote alteration accompanied by iron oxide veinlets. Holes 3A and 4A located 800 and 1,200 meters from Target One displayed iron carbonate and epidote alteration. All holes contained minor pyrite sulphides at depth below the

oxide zone. Magnetic response in the area appears to be associated with the diorite intrusive phase. Holes 5, 6 and 7 targeted IOCG alteration and copper oxide silver-gold mineralization adjacent to chargeability Target One. Iron-oxide-copper malachite veins and breccia similar to float seen at surface were intersected in these holes in close proximity to the pink granite unit and in potassic altered granodiorite in holes 5 and 7. Hole 6 intersected dark diorite and a vertical quartz vein. At 159.7 meters depth a diorite hosted one meter interval graded 0.25% copper as unleached chalcopyrite stringers were present (Table A). Location maps and 3D inversion IP models of drill holes are available on our website at
http://www.westminsterres.com/investor/geo_gallery/index.php

The exploration success at the Cumbral-San Bartolo project definitely suggests the presence of district-scale mineralization and, with the discovery of the Montoso target; our exploration activities will have a refined focus at this apparent porphyry system. In summary, extensive early stage exploration over most of the 9 Km X 9 Km property, has advanced the Project to where a major portion of the Phase Two program will be dedicated to drilling. The Phase Two $1,700,000 Program planning is complete and management is implementing start up.

All rock and core samples were submitted for preparation and analysis at Acme Analytical Laboratories Ltd., Vancouver, BC with QA-QC and sampling protocol fully described in Press Release WMR 12-06, August 14, 2012. True intercept thickness estimates are unknown at this time.

**Table A**
**CUMBRAL-SAN BARTOLO RESULTS**

| Hole No. | Interval (m) from | Interval (m) to | Intercept Length (m) | Cu ppm (%) | Ag ppb (g/t) | Au ppb** | Azimuth | Dip | EOH* (m) |
|---|---|---|---|---|---|---|---|---|---|
| **GEOPHYSICAL TARGETS** | | | | | | | | | |
| **CUM-1B-12** | 209.00 | 210.00 | 1.0 | 517.2 | 2460 (2.46 g/t) | | 180º | -75º | 323.7 |
| **CUM-1D-12** | 72.90 | 83.20 | 10.3 | | 2941 (2.94 g/t) | | 227º | -75º | 284.7 |
| | 76.90 | 83.20 | 6.3 | | 4573 (4.57 g/t) | | | | |
| **Including** | 79.80 | 80.60 | 1.7 | | 10175 (10.17 g/t) | | | | |
| | 218.70 | 220.70 | 2.0 | | 1493 (1.49 g/t) | | | | |
| | 240.70 | 241.70 | 1.0 | | 3196 (3.19 g/t) | | | | |
| **CUM-3A-12** | 64.00 | 68.00 | 4.0 | 483.9 | 434 | | 100º | -66º | 215.5 |
| | 197.00 | 199.00 | 2.0 | | 2542 (2.54 g/t) | | | | |
| **Including** | 197.00 | 198.00 | 1.0 | | 3382 (3.38 g/t) | | | | |
| **CUM-4A-12** | 78.70 | 79.20 | 0.5 | | 89 | 199.4 | 90º | -90º | 338.6 |
| | 226.40 | 227.60 | 1.2 | 475.94 | 1063 (1.06 g/t) | 56.9 | | | |
| **SUBCROP TARGETS** | | | | | | | | | |
| **CUM-5-12** | 21.00 | 26.70 | 5.7 | 1040.0 (0.1%) | 841 (0.84 g/t) | | 10º | -45º | 147.0 |
| **Including** | 22.00 | 22.50 | 0.5 | 2221.0 (0.22%) | 841 (0.84 g/t) | | | | |
| **Including** | 25.70 | 26.70 | 1.0 | 2198.0 (0.21%) | 2247 (2.24 g/t) | | | | |
| | 29.70 | 39.60 | 9.9 | 1832.0 (0.18%) | 1212 (1.21 g/t) | | | | |
| **Including** | 33.00 | 34.00 | 1.0 | 7396.0 (0.73%) | 4498 (4.49 g/t) | 64.2 | | | |
| **Including** | 37.00 | 38.00 | 1.0 | 2748.0 (0.27%) | 495 | | | | |
| | 74.65 | 75.65 | 1.0 | 1255.0 (0.12%) | 2804 (2.8 g/t) | 108.5 | | | |
| | 97.30 | 98.00 | 0.7 | | 537 | 473.2 | | | |
| | 104.00 | 106.90 | 2.9 | 1027.0 | 3340 | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | (0.1%) | (3.34 g/t) | | | | |
| | 110.00 | 115.00 | 5.0 | 3631.0 (0.36%) | 2566 (2.56 g/t) | 52.0 | | | |
| **Including** | 111.70 | 112.70 | 1.0 | 3617.0 (0.36%) | 2935 (2.93 g/t) | | | | |
| **Including** | 114.20 | 115.00 | 0.8 | **16020.0 (1.60%)** | **10866 (10.86 g/t)** | 239.7 | | | |

| Hole No. | Interval (m) from | Interval (m) to | Intercept Length (m) | Cu ppm (%) | Ag ppb (g/t) | Au ppb** | Azimuth | Dip | EOH* (m) |
|---|---|---|---|---|---|---|---|---|---|
| **CUM-6-12** | 21.2 | 22.8 | 1.6 | | 1673 (1.67 g/t) | 114.05 | 180º | -60º | 182.6 |
| | 91.0 | 91.3 | 0.3 | 1798.0 (0.17%) | 6880 (6.88 g/t) | 85.8 | | | |
| | 159.7 | 160.7 | 1.0 | 2510.0 (0.25%) | 2411 (2.41 g/t) | | | | |
| **SUBCROP TARGETS** *Continued* | | | | | | | | | |
| **CUM-7-12** | 21.0 | 25.0 | 4.0 | 4475.0 (0.44%) | 3074 (3.07 g/t) | | 320º | -50º | 149.5 |
| **Including** | 23.0 | 24.0 | 1.0 | 5328.0 (0.53%) | 5620 (5.62 g/t) | | | | |
| **Including** | 24.0 | 25.0 | 1.0 | **13410.0 (1.34%)** | 2982 (2.98 g/t) | 99.4 | | | |
| | 36.4 | 40.0 | 3.6 | 1538.0 (0.15%) | 1126 (1.12 g/t) | | | | |
| **Including** | 36.4 | 37.0 | 0.6 | 5399.0 (0.53%) | 3881 (3.88 g/t) | 73.1 | | | |
| | 55.0 | 56.0 | 1.0 | 2270.0 (0.22%) | 2222 (2.22 /t) | | | | |

* End of Hole

** Only significant gold, silver and copper contents are reported in this table such as copper greater than 400 ppm as it may have been leached in the oxide zone depths of this drilling and no gold less than 50 ppb is reported.

### *Guayacan*

In the Northwest corner of the El Cobre property the Guayacan copper gold prospect has been expanded by extensive soil sampling and prospecting. Exposures of copper silver and gold mineralization related to pink granite intrusive bodies have been identified along a strike length of 4 kilometers. Follow up of soil anomalies and outcrop is planned for the coming fiscal year.

### Navojoa Project

During the preliminary exploration program, the Company focused its drill program on targeting outcropping gold-copper skarn bodies and also areas where an Induced Polarization (IP) geophysical survey chargeability anomaly had been interpreted as a response to elevated levels of sulphide mineralization. The anomalous IP response underlies rusty, leached, iron oxide capping outcrop and includes a presumed supergene enriched blanket preserved under flat lying young Tertiary volcanic cover adjacent to the exposed leached areas.

In 2010, regional exploration consisting of geological mapping, at various scales, prospecting and rock sampling was completed. Additionally, complete coverage of the property's drainage system was sampled by 390 stream sediment silt samples. In the area of the La Mora gold copper skarn target a detailed regional soil grid was surveyed using conventional soil sample techniques and Activation Laboratory soil gas hydrocarbon methods. At the La Mora area both types of soil survey methods produced significant copper gold anomalies which need follow-up. The regional sediment program produced distinctive geochemical patterns for gold, silver and coincident copper-gold-silver anomalies. Prospecting and rock sampling also identified new mineralized zones worthy of follow-up. A diamond core drilling program of approximately 502 meters in 7 holes was completed in the Summer of 2011 at the saddle area where outcropping replacement sulphides in a marble unit occurs. Assay results were press released on October 4, 2011. Sulphide intercepts were found to be contained near surface above a fault. The most significant intercept was found in Hole 11-01 at 22-23 meters where massive pyrrhotite graded 0.43% copper, 8.85% zinc and 8.9 grams silver per tonne over one meter. Subsequent to drilling the Company received the interpretation of airborne geophysical survey results from the area that indicated that two other much larger VTEM and coincident magnetic anomalies that appear to be not fault bounded are situated just to the east of the Saddle prospect. Further ground magnetic surveys were completed with mixed results.

## 1.3 Selected Annual Financial Information

The following table presents selected financial information for the last three fiscal years ended May 31, 2012, 2011 and 2010. The annual results are presented in accordance with IFRS with the exception of the results for fiscal 2010 that are presented in accordance to Canadian GAAP and has not been restated in accordance with IFRS.

| | **2012 (IFRS)** -\$- | **2011 (IFRS)** -\$- | **2010 (CanGAAP)** -\$- |
|---|---|---|---|
| Revenue | - | - | - |
| Net and comprehensive loss | (4,899,993) | (2,152,551) | (2,173,731) |
| Basic and diluted loss per share | (0.07) | (0.04) | (0.07) |
| Total assets | 3,388,090 | 6,215,576 | 1,649,101 |
| Total long-term financial liabilities | - | - | - |

## 1.4 Results of Operations

For the three months ended November 30, 2012 ("Second quarter of fiscal 2013"), the Company reported a net loss of $620,286 or $0.01 per share, compared to a net loss of $23,114 or $0.00 per share, reported for the three months ended November 30, 2011 ("Second quarter of fiscal 2012"). During the second quarter of fiscal 2013, significant changes in expenses occurred in the expense categories described below as compared to the second quarter of fiscal 2012:

*Foreign exchange loss and gain*

Foreign exchange loss increased to $324,664 in the second quarter of fiscal 2013 from a gain of $280,482 in the second quarter of fiscal 2012 due to changes in Mexican peso exchange rate that leads to a non-monetary adjustment in the intercompany account between a Canadian parent company and its subsidiaries in Mexico.

## 1.5 Summary of Quarterly Results

The following table sets out certain unaudited interim financial information of the Company for each of the last eight quarters, beginning with the second quarter of fiscal 2011. This financial information has been prepared in accordance International Accounting Standard ("IAS") 34 Interim Financial Reporting using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB").

| | Q2 2013 -$- | Q1 2013 -$- | Q4 2012 -$- | Q3 2012 -$- |
|---|---|---|---|---|
| Net revenues | - | - | - | - |
| Net income (loss) | (620,286) | (122,576) | (4,099,530) | (612,176) |
| Per share | (0.01) | (0.00) | (0.06) | (0.01) |
| | **Q2 2012 -$-** | **Q1 2012 -$-** | **Q4 2011 -$-** | **Q3 2011 -$-** |
| Net revenues | - | - | - | - |
| Net income (loss) | (23,114) | (190,303) | (834,484) | (463,215) |
| Per share | (0.00) | (0.00) | (0.02) | (0.01) |

Quarterly results are highly variable for exploration companies depending on whether the company has any property write-downs or share-based payments costs.

## 1.6 Liquidity

The activities of the Company, principally the acquisition of mineral properties and exploration thereon, are financed through the completion of equity offerings involving the sale of equity securities. These equity offerings generally include private placements and the exercise of warrants and options. During the three month period ended November 30, 2012, 56,640 shares were issued as a result the exercise of 56,640 warrants at $0.10 per share for proceeds of $5,664, and a non-brokered private placement with Capstone Mining Corp. of 10,000,000 common shares at $0.10 per share was completed to net the Company $1,000,000.

At November 30, 2012 there were 3,282,523 warrants outstanding at an average exercise price of $0.54.

At November 30, 2012 there were 5,320,000 options outstanding at an average exercise price of $0.22.

At November 30, 2012, the Company had $664,854 in cash and cash equivalents (May 31, 2012 - $562,201)

## 1.7 Capital Resources

The Company’s working capital at November 30, 2012 was $669,105 (May 31, 2012 - $320,530).

The Company’s capital resource requirements are dependent on the development stages of its respective properties.

The Company’s long term contractual obligations include an office lease totalling $4,834 per month starting from August 1, 2008 for a five year term.

## 1.8 Off-Balance Sheet Arrangements

None.

## 1.9 Transactions with Related Parties

During the three months ended November 30, 2012, the Company entered into the following transactions with related parties, directors and key management personnel. Key management personnel are individuals responsible for planning, directing and controlling the activities of the Company and include certain directors and officers.

Compensation to key management personnel and directors include:

| | 2012<br>-$- | 2011<br>-$- |
|---|---|---|
| Management fees paid to a company controlled by a director | 60,000 | 45,000 |
| Consulting fees (included in accounting fees) paid to an officer | 9,000 | 3,000 |
| Total | 69,000 | 48,000 |

## 1.10 Fourth Quarter

Not applicable.

## 1.11 Proposed Transaction

To the best of Management's knowledge, there are no proposed transactions that will materially affect the performance or operation of the Company.

## 1.12 Critical Accounting Estimates

The Company's significant accounting policies are contained in Note 3 to the audited financial statements for the year ended May 31, 2012. The preparation of the interim financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates and underlying assumptions are reviewed on an ongoing basis. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Interim Financial Statements included the following:

*Provisions and contingencies*

The amount recognized as provision, including legal, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

*Exploration and evaluation expenditure*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income (loss) during the period the new information becomes available.

*Impairment*

Assets, including property, plant and equipment, exploration and evaluation, mines under construction and mineral properties, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the fair value often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

*Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Under IFRS, the Company is required to estimate the number of forfeitures likely to occur on grant date and reflect this in the share-based payment expense revising for actual experiences in subsequent periods.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

## 1.13 Recent Accounting Pronouncements

*Adoption of International Financial Reporting Standards ("IFRS")*

Effective January 1, 2011, the Company prepares its financial statements in accordance with IFRS. This MD&A should be read in conjunction with Note 20 "Transition to International Financial Standards" of the Company's audited financial statements for the year ended April 30, 2012.

*Financial Instruments: Classification and Measurement – IFRS 9*

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments. This standard is effective for years beginning on or after January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.

*Joint Arrangements – IFRS 11*

This standard replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations (the Company presently does not have any joint operations) or joint ventures. Joint venture entities are now accounted for using the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 and IAS 36 "Impairment of Assets".

Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 11 to have a material impact on the consolidated financial statements.

*Disclosure of Interests in Other Entities – IFRS 12*

This IFRS shall be applied by companies with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The application of this standard intends to enable users of the financial statements to evaluate the nature of and risks associated with its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. Companies will be required to disclose information about significant judgments and assumptions made in determining the control of another entity, the joint control of an arrangement or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. This standard is effective for years beginning on or after January 1, 2013. The Company does not expect IFRS 12 to have a material impact on the consolidated financial statements.

*Fair value measurement – IFRS 13*

This IFRS aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. This standard is effective for years beginning on or after January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

## 1.14 Financial Instruments and Other Instruments

Financial assets included in the statement of financial position are as follows:

| | November 30, 2012<br>-$- | May 31, 2012<br>-$- |
|---|---|---|
| Cash and cash equivalents | 664,854 | 562,201 |

Financial liabilities included in the statement of financial position are as follows:

| | November 30, 2012<br>-$- | May 31, 2012<br>-$- |
|---|---|---|
| Accounts payable and accrued liabilities | 431,770 | 624,802 |

**Fair value**

The fair values of the Company's cash and cash equivalents, loans payable, and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

*Fair value hierarchy*

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs, other than quoted prices in Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 Unobservable inputs that are not based on observable market data.

As at November 30, 2012, the Company's financial instruments are comprised of cash and cash equivalents, accounts payable and accrued liabilities. With the exception of cash and cash equivalents, all financial instruments held by the Company are measured at amortized cost.

**Financial risk management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash and cash equivalents are deposited in bank accounts held with a major bank in Canada. As most of the Company's cash and cash equivalents are held by a bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by ratings agencies.

**Foreign Currency Risk**

The Company is exposed to currency risk to the extent that expenditures incurred by the Company are denominated in currencies other than the Canadian dollar (primarily Mexican pesos). The Company does not manage currency risk through hedging or other currency management tools.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company plans to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's financial liabilities at November 30, 2012:

| | Within one year<br>-$- | Between one and five years<br>-$- | More than five years<br>-$- |
|---|---|---|---|
| Accounts payable and accrued liabilities | 431,770 | - | - |

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The Company is not exposed to significant interest rate risk.

**Capital Management**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Company's capital is comprised of share capital and loans payable.

There were no changes in the Company's approach to capital management during the three months ended November 30, 2012.

The Company is not subject to any externally imposed capital requirements.

## 1.15 Other MD&A Requirements

### Disclosure of Outstanding Share Data

At November 30, 2012 there were 86,922,926 outstanding common shares, 3,282,523 share purchase warrants outstanding and 5,320,000 outstanding stock options.

At January 29, 2013 there were 86,922,926 outstanding common shares and 5,320,000 outstanding stock options.

### Risks and uncertainties

The Company is in the business of acquiring, exploring and, if warranted, developing mineral properties, which is a highly speculative endeavour, and the Company's future performance may be affected by events, risks or uncertainties that are outside of the Company's control.

The Company's management consider the risks set out below to be the most significant to potential investors of the Company, but not all risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected.

In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

### Foreign Operations

The Company has beneficial ownership of mineral interests in Mexico, and thus be exposed to various degrees of political, economic and other risks and uncertainties. In particular, the Company's operations and investments if applicable, may be affected by the local and governing political and economic developments including and not limited to: expropriation, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitation on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws of Canada affecting foreign trade, investment and taxation.

### Limited Operating History

The Company is still in an early stage of development. The Company is engaged in the business of acquiring, exploring and, if warranted, developing mineral properties in the hope of locating economic deposits of minerals. The Company's mineral interests are in the early stages of exploration and are without a known deposit of commercial ore. The Company has no history of earnings. There is no guarantee that economic quantities of mineral reserves will be discovered on the Company's property.

### Exploration and Development Risks

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market and mineral price fluctuations, particular attributes of any deposits (including size and grade), the proximity and capacity of milling facilities, mineral markets and processing equipment, and other factors as government regulations, including regulations relating to royalties, allowable production, 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 having an adequate return on investment.

The Company's mineral properties are in the exploration stage only and are without proven bodies of commercial minerals. Development of any property would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

There is no assurance that the Company's mineral exploration activities and, if warranted, its development activities will result in any discoveries of commercial bodies any minerals. The long-term profitability of the Corporation's operations will, in part, be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

**Mineral Titles**

No assurances can be given that title defects to the Company's mineral interests do not exist. The Company's current mineral properties and other properties it may from time to time acquire an interest in, may be subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title and interest in and to the properties.

**Loss of Interest in Properties**

The Company may acquire properties which require the Company to make certain additional payments in order to maintain its interests. The Company's ability to acquire or maintain those interests will be dependent on its ability to raise additional funds by equity and/or debt financing. Failure to obtain additional financing may result in the Company being unable to make the periodic payments required for the acquisition of its interests in certain properties and could result in delay or postponement of further exploration and the partial or total loss of the Company's interest in such properties.

**Permits and Government Regulations**

The future operations of the Company will require permits from various federal, provincial and local governmental authorities and will be governed by laws and regulations governing exploration, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that the Company will be able to obtain all necessary permits and approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on any of its properties.

**Environmental and Safety Regulations and Risks**

Environmental laws and regulations may affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be temporarily withdrawn where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches.

Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the acquired properties or non-compliance with environmental laws or regulations. In all major developments, the Company generally relies on recognized designers and development contractors, from which the Company will, in the first instance, seek indemnities. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable standards. There is a risk that environmental laws and regulations may become more onerous, and thus raising the costs of operations.

**Competition**

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

**Management**

The success of the Company is currently dependant on the performance of its directors and officers. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance that the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business. At this date there are no indications that any change in management cannot be maintained at the current structure.

**Conflicts of Interest**

Various of the Company's directors, officers and other members of management do, and may in the future, serve as directors, officers, promoters and members of management of other companies involved in the acquisition, exploration and development of mineral resource properties and, therefore, it is possible that a conflict may arise between their duties as a director, officer, promoter or member of the Company's management team and their duties as a director, officer, promoter or member of management of such other companies. The Company's directors and officers are aware of the laws governing accountability of directors and officers for corporate opportunity and the requirement of directors to disclose conflicts of interest. The Corporation will rely upon these laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

**Fluctuating Mineral Prices**

The Company's revenues, if any, are expected to be in large part derived from the extraction and sale of base and precious metals. The price of those commodities has fluctuated widely, and is affected by numerous factors beyond the Company's control, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of base and precious metals, and therefore the economic viability of any of the Company's exploration projects, cannot be accurately predicted.

**Additional Funding Requirements**

From time to time, the Company will require additional financing in order to carry out its acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's cash flow from operations is not sufficient to satisfy its capital or resource expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or be available on favourable terms.

## Price Volatility and Lack of Active Market

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Any quoted market for the Company's securities may be subject to such market trends and that the value of such securities may be affected accordingly.

## Further Information

Additional information about the Company is available at the Company's website http://www.westminsterres.com.