DATE OF REPORT September 16, 2010

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's audited consolidated financial statements for year ended June 30, 2010 and related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles. This Management's Discussion and Analysis contains "forward looking" statements that are subject to risk factors set out in the cautionary note contained herein.

FORWARD LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", and other similar words, or statements that certain events or conditions "may" or "will" or "can" occur. Forward-looking statements are based on the opinions and estimates of management on the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration, development, and mining of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors described in this report under the heading "Outlook". There can be no assurance that such forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on such statements. Except as required by applicable securities laws, the Company expressly disclaims any obligation to update any forward-looking statements or forward-looking statements that are incorporated by reference herein.

Additional information relating to the Company can be obtained from SEDAR at www.sedar.com, and from the Company's web-site www.newpacificmetals.com.

COMPANY OVERVIEW

New Pacific Metals Corp. ("the Company") is engaged in the acquisition, exploration, and development of gold related mineral properties

While the Company is a development stage company with no existing revenues, its strategic vision focuses on the acquisition and selective exploration of projects with significant resource and cash flow potential. The Company seeks out projects which it believes can be developed, in a relatively short time frame, into high-margin operations with reasonable development capital profiles. Its goal is to get a project into production, well before the full resource potential of the property is defined, so that further exploration expenses to grow in resources and capital costs to increase production can be funded from the cash flows generated from early operations.

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol NUX.

EXPLORATIONS

For the year ended June 30, 2010, the Company incurred a total of $1,218,927 in exploration expenditures. Total exploration expenditures for the Huaiji Project were $1,147,054, while $1,106,751 was recovered through sales of tunneling by-product ore. A total of $62,664 exploration expenditures were incurred on the Sichuan Project, and $9,209 on the Eva Lake Project.

(a) Huaiji Project

The Huaiji Project is composed of two gold-polymetal exploration permits referred to as "HNK" and "XSK", covering a total area of approximately 160 square kilometers, in Guangdong, China. It was originally held by Yunnan Jin Chang Jiang Mining Co. Ltd. ("JCJM"), a wholly owned subsidiary of Lachlan Gold Ltd. ("Lachlan"), in trust for the Company pursuant to the Declaration of Trust Agreement the Company entered in December 2006. Lachlan was an indirect wholly owned subsidiary of Silvercorp Metals Inc. ("SVM"), which is related to the Company through common directorship.

In March 2009, the Company acquired 100% equity interest in Lachlan for cash consideration of $37,742 through a share purchase agreement with Fortune Mining Ltd., the parent company of Lachlan and a wholly owned subsidiary of SVM, and became the legal owner of the Huaiji Project.

During the year ended June 30, 2010, the Company incurred exploration expenditures of $1,147,054 and completed 3,016 meters of underground tunneling. A total of $1,106,751 (CNY¥7,454,545) was recovered from sales of tunneling by-product ore to a third-party smelter.

Up to June 30, 2010, the Company had incurred total exploration expenditures of $4,336,032 on the Huaiji Project, and had completed a total of 14,925 meters diamond drilling and 4,972 meters of underground tunneling.

On July 30, 2010, Lachlan signed a share transfer and co-operation agreement (the "Agreement") with a third party, PGC Group Co. Ltd ("PGC"). Pursuant to the Agreement, the Company will sell 100% of its interests in JCJM, to PGC for $30.5 million (CNY¥200 million). In August 2010, a deposit of $3.1 million (CNY¥20 million) was received.

(b) Sichuan Project

During the year ended June 30, 2009, the Company obtained five exploration permits of copper-poly-metal and nickel-poly-metal (collectively called the "Sichuan Project"), covering 145 square kilometers in Sichuan, China.

During the year ended June 30, 2010, the Company conducted geochemical surveys and trenching programs and incurred total exploration expenditures of $62,664 on the Sichuan Project.

During the year ended June 30, 2010, the Company entered into an agreement with a third party to dispose of one permit for $67,252 (CNY¥430,000). While proceeds of $67,252 (CNY¥430,000) were received, the permit is in the process of being transferred to the third party.

(c) Kang Dian Project

The Kang Dian Project was originally comprised of seven properties, covered by eight exploration permits (82 km^2) and four permit applications (813 km^2), located 50 to 210 kilometers west and southwest of Chengdu, the capital city of Sichuan Province, China.

The Kang Dian Project was abandoned during the year ended June 30, 2008 due to unfavorable exploration results. As a result, the Company wrote off the Kang Dian Project by recording an impairment of $6,132,880 for the year ended June 30, 2008.

During the year ended June 30, 2010, a total of $65,089 expenditures were incurred to maintain and wind up the Kang Dian Project. The expenditures were recorded as general exploration expense on the consolidated statements of loss. Since June 30, 2008 and up to June 30, 2010, a total of $180,827 expenditures were incurred to maintain and wind up the Kang Dian Project.

(Expressed in Canadian Dollars, except share, per share data)

During the year ended June 30, 2010, the Company continued to dispose of the exploration permits of the Kang Dian Project. During the year, the Company disposed of one such permit to a third party for $15,330 (CNY¥100,000), and a gain of $15,330 was recognized on the consolidated statement of loss. The Company also entered into an agreement with a third party to dispose another permit for $281,520 (CNY¥1,800,000). As at June 30, 2010, a deposit of $193,936 (CNY¥1,240,000) was received and reported as deposit received, while the permit is in the process of being transferred to the buyer.

(d) *Eva Lake Project*

During the year ended June 30, 2010, the company staked 65 contiguous claims for Eva Lake Project covering an area of 260 km^2. The Eva Lake Project is located west of Gladys Lake, approximately 35 km northeast of Atlin, B.C. In June 2010, the Company made a site visit to obtain more core and rock samples for further evaluation of mineral potential.

(e) *Project Expenditures*

The continuity schedule of mineral property interest acquisition costs and deferred exploration and development expenditures are as follows:

Expenditures	**Eva Lake**	**Huaiji**	**Sichuan**	**Kang Dian**	**Total**
Balance, June 30, 2009	$ -	$ 3,188,978	$ 378,898	$ -	$ 3,567,876
Capitalized exploration and development costs					
Drilling and assay	-	14,038	441	-	14,479
Geology	-	-	2,944	-	2,944
Geophysical and geochemical surveys	-	-	55,626	-	55,626
Site activities	9,209	61,171	1,345	-	71,725
Trenching	-	-	2,308	-	2,308
Tunneling	-	1,071,845	-	-	1,071,845
Recovery from mineral property explorations	-	(1,106,751)	-	-	(1,106,751)
Balance, June 30, 2010	**$ 9,209**	**$ 3,229,281**	**$ 441,562**	**$ -**	**$ 3,680,052**

RISK FACTORS

The Company is subject to many risks which are outlined in the Annual Information Form 51-102F2, which is available on SEDAR at www.sedar.com. In addition, please refer to the *Financial Instruments Section* for the analysis of financial risk factors.

RESULTS OF OPERATIONS

For the year ended June 30, 2010

(a) *Highlights*

For the year ended June 30, 2010, the Company incurred a loss of $1,751,435, or $0.05 per share (2009 - $925,846, or $0.03 per share).

(b) *Expenses*

During the year ended June 30, 2010, the Company incurred total expenses of $1,827,590, an increase of $125,571 from the year ended June 30, 2009 (2009 - $1,702,019) mainly due to the following:

(i) *Consulting*

During the year ended June 30, 2010, consulting fees increased by $96,946 to $310,365 (2009 - $213,419) mainly attributable to consulting fees paid for the potential acquisition of mineral properties.

(ii) *General exploration*

During the year ended June 30, 2010, general exploration expenses decreased by $6,640 to $127,802 (2009 - $134,442). The general exploration incurred during the year was mainly for claims of Eva Lake Project and maintenance and wind up of the Kang Dian Project.

(iii) *Investor relations*

During the year ended June 30, 2010, investor relations expenses decreased by $61,169 to $67,142 (2009 - $128,311) as fewer conferences and shows were attended to in fiscal 2010.

(iv) *Salaries and benefits*

During the year ended June 30, 2010, salaries and benefits expense increased by $90,275 to $414,966 (2009 - $324,691). The increase was mainly attributed to the addition of administration staff in JCJM, acquired by the Company in fiscal 2009, as well as the addition of a geologist at head office.

(v) *Office and administration*

During the year ended June 30, 2010, office and administration expenses increased by $22,891 to $146,852 (2009 - $123,961) mainly due to administration activities in JCJM and its branch, which was offset by the decreased administrative expenses in Huaxi.

(vi) *Stock-based compensation*

During the year ended June 30, 2010, stock-based compensation decreased by $484,289 to $448,528 (2009 - $932,817). Due to the amortization schedule of stock-based compensation over the vesting periods, there was more expenses in the second half of fiscal 2009 when new options were granted in January 2009.

(vii) *Travel and promotion*

During the year ended June 30, 2010, travel and promotions increased by $48,368 to $110,594 (2009 - $62,226) mainly due to increased travel to the HNK project and investigations of potential properties.

(viii) *Foreign exchange gain*

During the year ended June 30, 2010, a foreign exchange loss of $16,752 was recorded, while a foreign exchange gain of $438,961 was recognized during the year ended June 30, 2009 due to strengthening of Chinese Yuan against Canadian Dollars.

(c) *Interest Income*

During the year ended June 30, 2010, interest income decreased by $244,988 to $66,476 (2009 - $311,464) due to a smaller average daily cash balance and lower interest rates in fiscal 2010 compared to the prior year.

(d) *Gain on Disposal of Mineral Property Interest*

During the year ended June 30, 2010, the Company recognized a gain of $15,330 (CNY¥100,000) as compared to a gain of $405,802 (CNY ¥2,211,510) on disposal of exploration permits. During the current year, one exploration permit of the Kang Dian Project was disposed of and approved by the government, while a total of three permits of Kang Dian Project were disposed of in 2009.

(e) *Other Income*

During the year ended June 30, 2010, the Company recorded no other income while a total of $68,105 other income was recorded in 2009. Other income was comprised of $60,000 related to the reversal of the accrued liabilities and $8,105 related to the forfeiture of a deposit received from the cancellation of an exploration permit transfer agreement.

To date the Company is in the exploration stage and has not earned significant revenues. The Company has not paid any dividends on its common shares.

Fourth quarter - three months ended June 30, 2010

(a) *Highlights*

For the three months ended June 30, 2010 ("Q4 2010"), the Company incurred a loss of $462,731 or $0.01 per share (three months ended June 30, 2009 or Q4 2009 - $409,398 or $0.01 per share).

(b) *Expenses*

In Q4 2010, the Company incurred total expenses of $460,374, decreased by $183,582 from $643,956 compared to the same quarter last year mainly due to the following:

(i) *Consulting*

In Q4 2010, the Company incurred consulting fees of $143,260, increased by $87,770 (Q4 2009 - $55,490) mainly attributable to consulting fees paid for potential mineral property investigations.

(ii) *General explorations*

In Q4 2010, general explorations were $39,073, increased by $38,709 compared to the same quarter last year (Q4 2009 - $364). The increase was mainly caused by the expenditures incurred for maintenance of Kang Dian Project, as well expenditures for claiming Eva Lake Project during the quarter.

(iii) *Investor relations*

Investor relations expenses were $4,010, a decrease of $67,825 compared to $71,835 in the same period last year. The expenses decreased as the Company did not attend any significant promotional events during the current quarter, whereas the Company attended a series of promotional events during the same period last year.

(iv) *Salaries and benefits*

Salaries and benefits were $117,074, an increase of $39,382 compared to $77,692 in Q4 2009. The increase mainly resulted from the increased salary charge-back by SVM due to increased operating activities at the head office, as well as the addition of administration staff in JCJM acquired by the

(Expressed in Canadian Dollars, except share, per share data)

Company in March 2009.

(v) *Office and administration*

Office and administration of $25,201 were comparable with $22,264 in the same period last year.

(vi) *Stock-based compensation*

Stock-based compensation expense was $94,687, decreased by $204,194 compared to same period last year (Q4 2009 - $298,881). Due to the amortization schedule of the stock-based compensation over the vesting period, more expenses were expensed in Q4 2009 for options granted in January 2009.

(vii) *Travel and promotion*

Travel and promotions expenses were $11,534, comparable with $13,687 in same quarter last year.

(viii) *Foreign exchange loss (gain)*

Foreign exchange gain of $22,726 was recorded in Q4 2010, while a foreign exchange loss of $59,085 was recorded in the same quarter last year.

(c) *Gain on disposal of mineral property interests*

In Q4 2010, the Company recorded a gain of $nil (Q4 2009 - $188,242) on disposal of mineral property interest.

(d) *Interest Income*

In Q4 2010, interest income decreased by $43,871 to $10,835 (Q4 2009 - $54,706) due to lower interest rates compared to the same period last year.

SUMMARY OF QUARTERLY RESULTS

	For the Quarters Ended			
	30-Jun-10	31-Mar-10	31-Dec-09	30-Sep-09
Expenses	**$ (460,374)**	$ (444,765)	$ (473,701)	$ (448,750)
Other income and expenses	**(2,357)**	27,098	34,250	17,164
Net loss	**(462,731)**	(417,667)	(439,451)	(431,586)
Basic and diluted loss per share	**(0.01)**	(0.01)	(0.02)	(0.01)
Total assets	**14,511,208**	14,623,548	14,967,730	15,373,053

	For the Quarters Ended			
	30-Jun-09	31-Mar-09	31-Dec-08	30-Sep-08
Expenses	$ (643,956)	$ (18,824)	$ (423,568)	$ (615,671)
Other income and expenses	234,558	82,584	312,510	146,521
Net (loss) income	(409,398)	63,760	(111,058)	(469,150)
Basic and diluted earnings (loss) per share	(0.01)	-	-	(0.01)
Total assets	15,376,817	15,630,760	14,821,056	14,964,647

(Expressed in Canadian Dollars, except share, per share data)

The expenses incurred by the Company are typical of junior exploration companies that have not yet established mineral reserves. The Company's fluctuations in expenditures from quarter to quarter are mainly related to exploration activities conducted during the respective quarter.

The fluctuation of other income and expenses from quarter to quarter is mainly attributed to interest income which fluctuate along with the changes of interest rates and the balances of cash and cash equivalent and short term investments, as well as the timing to recognize gain or loss on the disposal of mineral property interest and plant and equipment.

For the quarter ended June 30, 2009, the Company recorded a gain of $188,242 on the disposal of an exploration permit of the Kang Dian Project.

For the quarter ended March 31, 2009, the Company recorded net income of $63,760 mainly due to a foreign exchange gain of $474,714 recognized during the quarter.

For the quarter ended December 31, 2008, the Company recognized a gain of $217,560 on the disposal of two exploration permits of the Kang Dian Project.

SELECTED ANNUAL INFORMATION

	2010	2009	2008
Expenses	**$ (1,827,590)**	$ (1,702,019)	$ (9,492,674)
Other income	**76,155**	776,173	595,143
Net loss	**(1,751,435)**	(925,846)	(6,746,348)
Basic and diluted loss per share	**(0.05)**	(0.03)	(0.21)
Total assets	**14,511,208**	15,376,817	15,193,844

LIQUIDITY AND CAPITAL RESOURCES

(a) *Working Capital*

As at June 30, 2010, the Company had a working capital position of $8,964,681 (June 30, 2009 - $11,003,475) mainly comprised of cash and cash equivalents $6,745,913 (June 30, 2009 - $758,917), short term investments $2,904,360 (June 30, 2009 - $10,599,000), receivables and prepaid expenses $109,354 (June 30, 2009 - $94,818), offset by current liabilities of $794,946 (June 30, 2009 - $449,260).

(b) *Cash Flows*

(i) *Operating Activities*

During the year ended June 30, 2010, cash used by operating activities of $1,378,230 (2009 - $230,884), mainly resulted from loss of $1,751,435 (2009 - $925,846), decrease of non-cash working capital $85,283 (2009 - increase $141,605), offset by items not affecting cash $458,488 (2009 - $553,357).

The cash used by operating activities is mainly attributed to the Company's development of its infrastructure and corporate governance to support its acquisition and exploration activities.

(ii) *Investing Activities*

During year ended June 30, 2010, cash provided of $7,198,684 by investing activities (2009 - used $485,907) was mainly resulted from: proceeds of $7,694,640 from sales of short term investment

(2009 - purchase $407,000), deposit of $261,188 received for transfer of mineral property permits (2009 - refund of $26,925), proceeds of $15,330 from disposal of mineral property interest (2009 - $201,641), proceeds of $87,796 from disposal of plant and equipment (2009 - $127), and cash increased on acquisition of Lachlan of $nil (2009 - $690,073); offset by net expenditures of $35,831 for mineral property interest (2009 - $911,066), acquisition of plant and equipment of $98,201 (2009 - $32,757), acquisition of long term investment of $726,328 (2009 - $nil).

(iii) Financing Activities

For the year ended June 30, 2010, cash of $190,034 provided by financing activities (2009 - $113,989) was attributed to increase of amount of $145,284 due to related parties (2009 - $3,829), and shares issued for cash of $44,750 (2009 - $110,160) upon exercise of options.

(iv) Foreign Exchange Effect

For the year ended June 30, 2010, foreign exchange rate had a negative effect of $23,492 (2009 - $17,659) on cash and cash equivalent.

(c) Liquidity and Capital Requirements

Assuming continuation of the level of the expenditures during fiscal 2010, the management believes that the working capital of the Company is sufficient to discharge liabilities.

The Company is in the exploration stage and does not generate revenues. The Company relies on equity or debt financing for its working capital requirements to fund its exploration activities. The Company currently has no long-term debt.

The Company has no purchase commitments and contractual obligations as at June 30, 2010.

FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and equity price risk in accordance with its risk management framework. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

(a) Fair value

Fair value is the amount of the consideration that would be agreed upon an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value hierarchy established by amended CICA Handbook Section 3862 – Financial Instruments – Disclosures establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities.

Level 3 – Prices or valuation techniques that require inputs that are both significant to fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at June 30, 2010, those financial assets are classified in their entirety based on the level of input that is significant to the fair value measurement.

	Total	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalents	$ 6,745,913	$ 6,745,913	$ -	$ -
Short term investments	2,904,360	2,904,360	-	-
Long term investments	773,100	773,100	-	-

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in raising funds to meet obligations associated with financial instruments. The Company manages liquidity by maintaining adequate cash and cash equivalents and short term investment. As of June 30, 2010, the Company has sufficient funds to meet its short-term financial liabilities.

	June 30, 2010	June 30, 2009
	Due within a year	Due within a year
Accounts payable and accured liabilities	**$ 357,286**	$ 418,972
Deposits received	**261,188**	-
Due to related parties	**176,472**	30,288
	$ 794,946	$ 449,260

(c) Exchange risk

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risks due to fluctuations in foreign exchange rates.

The Company conducts certain of its operations in China and thereby a portion of the Company's assets, liabilities, revenues and expenses are denominated in Chinese Yuan, which was tied to the U.S. Dollar until July 2005 and is now tied to a basket of currencies of China's largest trading partners. The CNY¥ is not a freely convertible currency.

The Company does not hedge its foreign currency risk, and the exposure of the Company's financial assets and financial liabilities to foreign exchange risk is summarized as follows:

The amounts are expressed in CAD equivalents	**June 30, 2010**	June 30, 2009
Canadian Dollar	**$ 9,463,738**	$ 10,922,538
United States Dollar	**562,157**	209,595
Chinese Yuan	**408,903**	301,024
Total financial assets	**$ 10,434,798**	$ 11,433,157
Canadian Dollar	**$ 229,380**	$ 103,792
Chinese Yuan	**565,566**	345,468
Total financial liabilities	**$ 794,946**	$ 449,260

(Expressed in Canadian Dollars, except share, per share data)

As at June 30, 2010, with other variables unchanged, a 5% strengthening (weakening) of the Chinese Yuan relative to the Canadian Dollar would have increased (decreased) net loss by approximately $7,000.

As at June 30, 2010, with other variables unchanged, a 5% strengthening (weakening) of the U.S. Dollar relative to the Canadian Dollar would have decreased (increased) net loss by approximately $28,000.

(d) Interest rate risk

Interest 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's cash equivalents and short term investments primarily includes highly liquid investments that earn interests at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of June 30, 2010.

(e) Credit risk

The Company is exposed to credit risk primarily associated with cash and cash equivalents, short term investments, accounts receivable and interest receivable. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

None of the cash and cash equivalents were invested in asset backed commercial paper. The Company has deposits of cash equivalents that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of credit loss to be remote.

(f) Equity price risk

The Company holds its long term investments in marketable securities that will fluctuate in value as a result of trading on Canadian financial markets. Furthermore, as the Company's marketable securities are also in mining companies, market values will fluctuate as commodity prices change. Based upon the Company's portfolio at June 30, 2010, a 5% increase (decrease) in the market price of the securities held, would have resulted in an increase (decrease) of $39,000 in other comprehensive income

RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in the financial statements are as follows:

				Year ended June 30,
Transactions with related parties		**2010**		2009
Silvercorp Metals Inc. (a)	**$**	**229,362**	$	202,755
R. Feng Consulting Ltd. (b)		**72,000**		72,000
0799952 BC Ltd.(c)		**126,341**		126,000
	$	**427,703**	$	400,755

The transactions with related parties during the period were incurred in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the parties.

(Expressed in Canadian Dollars, except share, per share data)

As at June 30, 2010, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Amount due to a related party		**June 30, 2010**		June 30, 2009
Silvercorp Metals Inc. (a)	**$**	**157,572**	$	30,288
R. Feng Consulting Ltd. (b)		**18,900**		-
	$	**176,472**	$	30,288

(a) Silvercorp Metals Inc. has a director and officers in common with the Company and shares office space and provides various general and administrative services to the Company. During the year ended June 30, 2010, the Company recorded total expenses of $229,362 (2009 - $202,755) for services rendered and expenses incurred by SVM on behalf of NUX.

(b) During year ended June 30, 2010, the Company incurred $72,000 (2009 - $72,000) in consulting fees for consulting services rendered by R. Feng Consulting Ltd., a company controlled by a director and an officer of the Company.

(c) During the year ended June 30, 2010, the Company incurred $126,341 (2009 - $126,000) to 0799952 BC Ltd., a company controlled by a director of the Company, for consulting services.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

On July 21, 2010, the Company launched an offer to purchase all of the outstanding common shares, and secured and unsecured debt of Tagish Lake Gold Corp. The Offer is open for acceptance until September 2, 2010

INITIAL ADOPTION AND CHANGE IN ACCOUNTING POLICIES

The significant accounting policies are outlined in note 2 to Company's annual audited consolidated financial statements for the year ended June 30, 2010. The following are a summary of new adoptions and future changes in accounting policies.

(a) Initial Adoption

(i) Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, CICA Emerging Issues Committee Abstract 27 "Revenues and Expenditures in the Pre-operating Period" ("EIC-27") was withdrawn.

The standard was effective for the Company's fiscal year beginning July 1, 2009. Adoption of this standard did not have a significant effect on the consolidated financial statements.

(ii) *Financial Instruments – Recognition and Measurement*

On June 17, 2009, the Accounting Standards Board of Canada ("AcSB") released Embedded Derivatives on Reclassification of Financial Assets, amending Section 3855, Financial Instruments – Recognition and Measurement. The amendment indicates that contracts with embedded derivatives cannot be reclassified out of the held for trading category if the embedded derivative cannot be fair valued. The standard was effective for reclassifications made on or after July 1, 2009. The adoption of this standard did not have a significant effect on consolidated financial statements.

(iii) *Financial Instruments – Disclosures*

In June 2009, the AcSB amended Section 3862, Financial Instruments – Disclosures, to converge with Improving Disclosures about Financial Instruments (Amendments to IFRS 7). The amendments expand the disclosures required in respect of recognized fair value measurements and clarify existing principles for disclosures about the liquidity risk associated with financial instruments, including the fair value hierarchy into which the fair value measurements are categorized in their entirety. Disclosure must be made for any significant transfers between the level of the fair value hierarchy and the reasons for those transfers. The Company adopted this amended standard on June 30, 2010.

(iv) *Credit Risk and the Fair Value of Financial Assets and Liabilities*

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract applies to interim and annual financial periods ending on or after January 2009. The adoption of EIC-173 did not result in a material impact on the Company's consolidated financial statements.

(b) *New Canadian Accounting Pronouncements*

(i) *Convergence with IFRS*

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the Company plans to adopt IFRS for fiscal years beginning July 1, 2011.

The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. A diagnostic assessment of the Company's current accounting policies, systems and processes to identify the differences between current Canadian GAAP and IFRS is in progress and the impact on our consolidated financial position and results of operations has not yet been determined. The Company intends to update the critical accounting policies and procedures to incorporate the changes required by a conversion to IFRS and the impact of these changes on its financial disclosures.

(ii) *Business Combinations and Related Sections*

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581 to harmonize the business combinations standard under Canadian GAAP with IFRS. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

(Expressed in Canadian Dollars, except share, per share data)

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-controlling Interests", which replace Section 1600 "Consolidated Financial Statements". Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination.

These sections will be applied to the Company's financial statements for the fiscal year beginning July 1, 2011. The Company is currently assessing the impact of adoption of this new accounting standard on its consolidated financial statements.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the following securities were outstanding:

(a) *Share Capital*

Authorized - unlimited number of common shares without par value
Issued and outstanding – 41,992,938 common shares with a recorded value of $27,504,521
Shares subject to escrow or pooling agreements is nil.

(b) *Options*

The outstanding options as at the date of this MD&A are summarized as follows:

Options outstanding	Exercise prices $	Expiry Date
355,000	0.56	March 8, 2011
24,143	0.88	August 28, 2011
287,000	1.25	November 30, 2011
450,000	1.55	July 16, 2012
79,572	1.55	January 30, 2013
200,000	1.85	March 25, 2013
200,000	3.05	May 12, 2013
1,158,200	0.50	January 18, 2014
1,570,000	0.65	June 13, 2015
4,323,915		

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the consolidated financial statements for the year ended June 30, 2010.

The management of the Company has filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at www.sedar.com.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("MI 52-109"), the venture issuer certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in MI52-109. In particular, the certifying officers filing certificates for venture issuers are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates(s).

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.