

NEW PACIFIC METALS CORP.

Management's Discussion and Analysis

For the year ended June 30, 2011

(Expressed in Canadian dollars, unless otherwise stated)

DATE OF REPORT: September 16, 2011

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of New Pacific Metals Corp. (the "Company") for the year ended June 30, 2011 and related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles. This MD&A contains "forward looking" statements that are subject to risk factors set out in the cautionary note contained herein. All figures are in Canadian Dollars ("CAD") unless otherwise noted.

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 website at www.newpacificmetals.com.

BUSINESS STRATEGY

New Pacific Metals Corp. is a Canadian-based near-term gold and silver production mining company engaged in the exploration and development of gold poly-metallic properties in Yukon, Canada. The Company's current project is the Tagish Lake Gold Property in Yukon Territory. With experienced management and sufficient technical and financial resources, the Company is well positioned to build shareholder value through discovery, exploration and resource development.

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

PROJECTS OVERVIEW

(a) Tagish Lake Gold Property

In December 2010, the Company completed the acquisition of 100% of Tagish Lake Gold Property through the acquisition of Tagish Lake Gold Corp. ("TLG"). TLG is currently a wholly owned subsidiary of the Company. The Tagish Lake Gold Property is located 80 kilometres by road south of Whitehorse, Yukon,

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Canada, and consists of 982 mineral claims covering approximately 178 square kilometres. Within the property, three geographically distinct projects have been identified: the Mount Skukum, Skukum Creek, and Goddell projects.

Mineral resources conforming to National Instrument 43-101 ("NI 43-101") have been developed at the Skukum Creek and Goddell projects. The undiluted Measured & Indicated mineral resources at the Tagish Lake Gold Property are 1,435,000 tonnes grading 7.4 g/t gold and 139 g/t silver, representing 468,000 ounces of gold plus gold-equivalent silver (50:1 silver to gold ratio). Undiluted inferred mineral resources total 516,000 tonnes grading 8.0 g/t gold and 61.9 g/t silver, representing 153,000 ounces gold plus gold-equivalent silver. An historic gold-only mineral resource estimate for the Mount Skukum Project is known from reports prior to NI 43-101, but is not included in the Company's current resource inventory.

In January 2007, the Carcross/Tagish First Nation ("CTFN") and TLG signed a Memorandum of Understanding ("MOU") which provides the framework for a more comprehensive development agreement that will contain measures for participation by the CTFN in project activities and stewardship of the land. CTFN supports mining in its traditional territory that adheres to its values, interests and principles. Opportunities for the CTFN on the Skukum property include employment, training, and service contracts.

As of the report date, the Company completed the expansion of the camp from 25 to 50 persons as well as the establishment of auxiliary services such as power, water, and communications. Furthermore, refurbishment of the 6,000 square feet geological office and core logging facility has been completed.

As of June 30, 2011, a total of \$2,621,888 exploration expenditures had been incurred since acquisition by NUX.

(i) Skukum Creek Project

The Skukum Creek Project is located in the Wheaton River Valley on the south side of Skukum Creek, immediately east of the Mt. Skukum Volcanic Complex. The deposit occurs as structurally controlled polymetallic gold-silver veins cutting mid-Cretaceous age granitoid rocks of the Coast Plutonic Complex. Rhyolite and andesite (volcanic) dykes have intruded the granitoid rocks along faults, lithologic contacts and other planes of weakness. Six zones of mineralization have been identified and these occur as veins in faults and/or shear zones associated with the northeast trending Berney Creek Fault. These zones typically attain widths of 1 to 10 metres, although they can be up to 20 metres wide where two or more zones intersect. The veins are composed of quartz and sulphide minerals with carbonates, clay and rare barite, and are commonly observed surrounding a core of rhyolite. Sulphide minerals are primarily pyrite, arsenopyrite, galena, sphalerite, chalcopyrite and stibnite, which occur as stringers, bands and fine to coarse disseminations. Gold at Skukum Creek occurs most commonly as electrum and minor native gold. Silver occurs mainly in freibergite, with minor native silver and argentite. Gold and silver mineral resources have been developed in the Ridge, Kuhn, Rainbow, Rainbow 2 and Berg zones at Skukum Creek. Measured & Indicated NI 43-101 mineral resources for Skukum Creek are 1,066,000 tonnes grading 6.4 g/t gold and 187 g/t silver with an inferred mineral resource of 206,000 tonnes grading 6.8 g/t gold and 157 g/t silver.

At the Raca site, located along the northeast structural extension of the Skukum Creek mineralization zones (Rainbow zone), an access road to the Raca site, with further extension to Chieftain Hill, has been completed to accommodate the drilling program. During May and June, 2011, the Company carried out geological mapping and soil sample surveys at the Raca and Chieftain Hill sites.

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Surface drilling at the Raca site has commenced in June 2011 to test the extension of known historical drilling where a drill hole, Raca 97-1, intercepted 3.6 metres grading 2.66 g/t gold and 561 g/t silver, and to test at least four parallel mineralized structures that have been mapped out by the Company's geologists.

Three mineralized zones were encountered in the first step out drill-hole (Raca11-01). Zone 1 is a new mineralized zone which was never reported in historical holes. Zone 1 was intercepted over 1.58m grading 1.91 g/t gold (Au), 1280 g/t silver (Ag), 0.62% copper (Cu), 3.84% lead (Pb) and 3.38% zinc (Zn). Mineralization is characterized by stockwork veining of sulphides comprising pyrite, galena and sphalerite hosted in altered andesite. Zone 2 is a 3.0m interval grading 1.92 g/t Au, 347 g/t Ag, 0.33 % Pb and 0.33% Zn, which is the extension of the zone intercepted by the historical drill-hole Raca97-1 mentioned above. Zone 3 is a 0.66m interval grading 1.06 g/t Au, 248 g/t Ag, 0.32% Pb and 0.86% Zn. Mineralization of both Zones 2 & 3 are characterized by brecciated quartz sulphide veins hosted in shear zones developed along the hanging and foot walls of a rhyolite dyke that has intruded highly altered megacrystic K-feldspar granite.

At the Chieftain-Hill site, located at the further northeast extension of the Raca site, soil gold anomalies outlined by a previous owner (all associated with anomalously high values of silver and base metals) extend over a corridor two kilometres long and approximately 500 metres wide along a northeast structure hosting rhyolite dikes, with peak values of up to 1,000 parts per billion gold (1 g/t). These soil gold anomalies have recently been confirmed by the Company's geologists soil sampling program which recorded soil gold anomalies up to 0.3 g/t gold associated with lead and zinc contents up to 0.4%.

(ii) Goddell Project

The Goddell Project is located at Goddell Gully on the south side of the Wheaton River Valley. It is an easterly trending fault-controlled gold-antimony deposit located on the eastern margin of the Mt. Skukum Volcanic Complex and hosted in mid-Cretaceous age granitoid rocks of the Coast Plutonic Complex. Goddell Gully is the primary zone of interest, however other mineral showings containing stibnite are found nearby and along the entire 5 kilometre known length of the Goddell Fault. Along the Goddell Fault, granitoid rocks have been intruded by rhyolite and andesite dykes similar to those at Skukum Creek. Gold-sulphide mineralization is localized in two distinct zones, the G.G. and P.D. zones, both of which are associated with steeply dipping rhyolite dykes. Geological analysis shows that gold mineralization thickens where the G.G. and P.D. zones intersect and it is believed that the steeply north dipping G.G. Zone and less steeply north dipping P.D. Zone merge at depth to form the Merged Zone. Only a small fraction of the historical drill holes at the Goddell Project has tested either the P.D. Zone or the Merged Zone, both of which are high priority targets of future exploration. Indicated NI 43-101 mineral resources at Goddell are 360,000 tonnes grading 10.3 g/t gold with an inferred mineral resource of 310,000 grading 8.8 g/t gold.

At the Goddell site, a decline 780 metres long, 3.5 metres by 4.0 metres, was developed from the surface at the 1,015-metre elevation to provide access for underground drilling in 1996. By 1997, a total of 9,242 metres of underground drilling in 40 holes was completed from the Goddell Portal, which was subsequently flooded. In order to test our new geological model for the Goddell Project (see January 13, 2011 press release), the Company intends to continue underground drilling from the Goddell decline.

More information regarding the Tagish Lake Gold Property can be found from the Company's website at www.newpacificmetals.com.

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(iii) Mt. Skukum Project

The Mt. Skukum Project includes the past-producing Mt. Skukum Mine where gold is associated with epithermal quartz-carbonate veining occurring in three main zones within the Mt. Skukum Volcanic Complex. The Main Cirque Zone occurs within a 200 metre length of the Main Cirque Fault and was mined from 1986 to 1988, producing 77,796 ounces of gold. The Main Cirque Zone narrows at depth and bottoms out in a quartz-carbonate stock-work. The Lake Zone is located 500 metres northwest of the Main Cirque Zone and consists of three steeply dipping sub-parallel veins that contain abundant breccia overgrown by calcite and quartz and, locally, sulphide minerals including sphalerite, galena and chalcopyrite. The Lake Zone was accessed by a drift extended from underground workings at the Main Cirque Zone. The Brandy Zone occurs between the Main Cirque and Lake zones as a narrow, continuous stock-work of high grade veins. Gold at Mt. Skukum occurs as native gold and electrum.

(b) Eva Lake Project

The Eva Lake Project was comprised of 65 contiguous claims covering an area of 260 square kilometres located in the west of Gladys Lake, approximately 35 km northeast of Atlin, B.C.

During the year ended June 30, 2011, the Company completed airborne geophysical surveys at an area of 45.2 square kilometres for a total cost of \$89,510 at the Eva Lake Project. In May 2011, the claims on Eva Lake Project expired and were not renewed due to the Company focusing resources on the Tagish Lake Gold Property. Therefore, previously capitalized expenditures of \$98,719 relating to the Eva Lake Project were recorded as an impairment loss on the consolidated statements of operations.

(c) 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 kilometres, in Guangdong, China. Huaiji Project is held by Yunnan Jin Chang Jiang Mining Co. Ltd ("JCJM"), an indirectly wholly owned subsidiary of the Company.

A subsidiary of the Company entered into a share transfer agreement in July 2010, subsequently amended in October 2010, with a Chinese private gold investment company, the PGC Group Co. Ltd, to sell its subsidiary, JCJM for cash consideration of \$22.5 million (CNY¥150 million).

The transaction was closed in March 2011. The Company recorded a gain of \$16.1 million (CNY¥108.9 million), net of withholding income tax of \$1.6 million (CNY¥10.4 million). Net proceeds of \$19.5 million (CNY¥130.5 million), which consisted of total proceeds of \$22.5 million (CNY¥150 million), net of withholding income tax of \$1.6 million (CNY¥10.4 million) calculated in accordance with Chinese tax laws and transaction costs of \$1.4 million (CNY¥9.1 million), were received by the Company.

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(d) Sichuan Project and Kang Dian Project

During the year ended June 30, 2011, a subsidiary of the Company, signed a share transfer agreement (the "SNP Agreement") with Sichuan Metallurgical and Geological Exploration Institution ("MGEI") in China. According to the SNP Agreement, the Company will transfer its entire 75% interest in Huaxi Mining Co. Ltd. ("HXM") to MGEI for a consideration of \$0.8 million (CNY¥5 million). HXM's main assets are the Sichuan Project and the Kang Dian Project, located in Sichuan, China.

In June 2011, the Chinese government and regulatory authorities approved the transaction and the business license was transferred to MGEI. The Company recorded a gain of \$664,328 (CNY¥4.4 million). As at June 30, 2011, the gross proceeds of this transaction of \$756,000 (CNY¥5 million) was recorded as a receivable on the Company's consolidated balance sheet. There were no transaction costs incurred and no withholding income taxes paid for this transaction.

(e) Exploration Expenditures

The following table summarizes the exploration expenditures of the Tagish Lake Gold Property and the Eva Lake Property for the year ended June 30, 2011.

Expenditures	Tagish Lake	Eva Lake	Total
Balance, June 30, 2009	\$ -	\$ -	\$ -
Site activities	-	9,209	9,209
Balance, June 30, 2010	-	9,209	9,209
Mineral property acquired	28,079,670	-	28,079,670
<u>Capitalized exploration and development costs</u>			
First nation consultation	10,000	-	10,000
Reporting and assessment	399,387	-	399,387
Staking and mapping	192,406	-	192,406
Drilling and assay	73,972	1,474	75,446
Geophysical and geochemical surveys	-	85,795	85,795
Camp services	887,030	2,241	889,271
Site preparation	588,371	-	588,371
Permitting	77,824	-	77,824
Environmental Study	84,402	-	84,402
Other	308,496	-	308,496
Impairment	-	(98,719)	(98,719)
Balance, June 30, 2011	\$ 30,701,558	\$ -	\$ 30,701,558

(f) Listing on the TSX

The Company has applied for graduation to the TSX and is currently awaiting regulatory review of its initial application documents. The pending graduation is subject to regulatory approval.

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.

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RESULTS OF OPERATIONS

(a) Highlights

For the three months ended June 30, 2011 ("Q4 2011"), the Company recorded a net loss of \$212,698 or \$0.003 per share, of which loss from continuing operations was \$750,286 and income from discontinued operations was \$537,588. The loss of \$750,286 from continuing operations was mainly due to general expenses incurred in the quarter. The income of \$537,588 from discontinued operations was mainly attributable to the gain recognized on the disposal of a subsidiary. For the three months ended June 30, 2010 ("Q4 2010"), the Company recorded a loss of \$462,731 or \$0.015 per share, of which loss from continuing operations and discontinued operations was \$439,731 and \$23,000, respectively.

For the year ended June 30, 2011 ("F2011"), the Company recorded net income of \$13,259,838 or \$0.25 per share, of which loss from continuing operations was \$2,994,080, and income from discontinued operations was \$16,253,918. The loss of \$2,994,080 from continuing operations was mainly due to general expenses incurred during the year. The income of \$16,253,918 from discontinued operations was mainly attributable to gains recorded on disposal of subsidiaries, JCJM and HXM. For the year ended June 30, 2010 ("F2010"), the Company recorded a loss of \$1,751,435 or \$0.06 per share, of which loss from continuing operations and discontinued operations was \$1,484,015 and \$267,420, respectively.

(b) Expenses

In Q4 2011, the Company recorded total expenses of \$835,296, an increase of \$389,526 or 87% compared to \$445,770 in Q4 2010. In F2011, overall expenses increased \$1,708,536 or 111% compared to prior year ("F2010"). The increases are mainly due to the Company expanding operations in the current fiscal year. An analysis for the major expense items are as follows:

Audit and accounting fees in Q4 2011 were \$46,145, an increase of \$30,261 or 191% compared to \$15,884 in Q4 2010. In F2011, audit and accounting fees were \$133,533, an increase of \$77,508 or 138%, compared to \$56,025 in F2010. The overall increase were mainly due to additional fees paid to the Company's auditor for services related to quarterly reviews during the year, year-end audit and IFRS conversion.

Filing and listing fees in Q4 2011 were \$9,720, an increase of \$6,843 or 238% compared to \$2,877 in Q4 2010. In F2011, filing and listing fees were \$89,343, an increase of \$74,175 or 489% compared to \$15,168 in F2010. The overall increase was mainly due to increased numbers of filings with the regulators as more corporate transactions occurred during the year such as the take-over bid of TLG and the private placement.

Foreign exchange loss in Q4 2011 was \$208,732, an increase of \$181,444 or 665% compared to \$27,888 in Q4 2010. In F2011, foreign exchange loss was \$443,484, an increase of \$407,414 or 1130% compared to \$36,070 in F2010. The increase was mainly due to the depreciation of the US dollar versus Canadian dollar noted in F2011 compared to F2010. In addition, the Company held more US dollar denominated deposits in the year, which contributed to an increased loss.

Interest and finance charge in Q4 2011 was \$1,916, an increase of \$1,552 or 426% compared to \$364 in Q4 2010. The increase was mainly due to additional bank charges incurred. In F2011, interest and finance charge was \$92,700, an increase of \$91,233 or 6219% compared to \$1,467 in F2010. The overall increase is mainly due to the borrowing of \$2.1 million in October 2010 from a credit line with Silvercorp Metals Inc.

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("SVM") in order to fund the debt settlement of TLG. The advance of \$2.1 million was paid off in full in December 2010 and the credit facility was terminated. The interest and termination fees of \$85,285 incurred for this transaction was included in interest and finance charge.

Investor relations expense in Q4 2011 was \$52,878, an increase of \$48,868 or 1219% compared to \$4,010 in Q4 2010. In F2011, investor relations expense was \$120,129, an increase of \$52,987 or 79% compared to \$67,142 in F2010. The overall increase was mainly due to the Company focusing on more investor relations activities during the year compared to the prior year as more conferences and shows were attended.

Legal and professional fees in Q4 2011 were \$2,975, a decrease of \$3,711 or 56% compared to \$6,686 in Q4 2010. The decrease is mainly due to less corporate transactions occurring in Q4 2011 compared to the same period in the prior year. In F2011, legal and professional fees were \$184,084, an increase of \$168,667 or 1094% compared to \$15,417 in F2010. The overall increase was mainly due to professional fees incurred in connection with the TLG CCAA proceeding subsequent to the acquisition of TLG.

Salaries and benefits expense in Q4 2011 was \$301,316, an increase of \$109,047 or 57% compared to \$192,269 in Q4 2010. This included the amount of \$145,518 related to stock-based compensation, an increase of \$50,831 or 54% compared to \$94,687 in Q4 2010.

In F2011, salaries and benefits expense was \$1,659,169, an increase of \$874,914 or 112% compared to \$784,255 in F2010. This included the amount of \$865,913 related to stock-based compensation, an increase of \$417,835 or 93% compared to \$448,528 in F2010.

The overall increase was mainly due to the acquisition of TLG as the Company assembled a team of professionals to carry out the exploration and development of Tagish Lake Gold Property. Furthermore, the increase was also due to salary costs charged back from SVM for the sharing of management staff. The overall increase in stock-based compensation is due to the expansion of operations, where the Company granted more options to newly appointed directors and officers. The increase was also caused by the immediate recognition of stock-based compensation expense of \$337,243 related to option cancellation and amendment.

(c) Gain on Disposal of Marketable Securities

In F2011, the Company recognized a gain of \$62,117 (F2010 - \$nil) on the disposal of marketable securities the Company had acquired in previous quarters through the open market. No such transactions occurred in Q4 2011 and Q4 2010.

(d) Interest Income

In Q4 2011, interest income was \$85,010, an increase of \$74,525 or 711% compared to \$10,485 in Q4 2010. In F2011, interest income was \$197,058, an increase of \$131,908 compared to \$65,150 recorded in F2010. The overall increase is attributable to more interest income earned on short term investments as the Company held a higher balance throughout the year.

(e) Income from Discontinued Operations

In Q4 2011, the Company recorded income from discontinued operations of \$537,588 (Q4 2010 – loss \$23,000) which is mainly attributable to the sale transaction of HXM. In F2011, the Company recorded

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income from discontinued operations of \$16,253,918 (F2010 – loss \$267,420) which is mainly attributable to the sale transactions of JCJM and HXM.

SUMMARY OF QUARTERLY RESULTS

	For the Quarters Ended			
	30-Jun-11	31-Mar-11	31-Dec-10	30-Sep-10
Expenses	\$ (835,296)	\$ (919,083)	\$ (1,015,870)	\$ (483,006)
Other income and expenses	85,010	88,783	70,391	14,991
Loss from continuing operations	(750,286)	(830,300)	(945,479)	(468,015)
Income (loss) from discontinued operations	537,588	16,062,525	(210,242)	(135,953)
Net income (loss)	(212,698)	15,232,225	(1,155,721)	(603,968)
Basic and diluted loss per share from continuing operations	(0.011)	(0.013)	(0.020)	(0.014)
Basic earnings (loss) per share from discontinued operations	0.008	0.245	(0.004)	(0.004)
Diluted earnings (loss) per share from discontinued operations	0.008	0.238	(0.004)	(0.004)
Total assets	71,613,214	72,633,097	56,830,214	45,864,404

	For the Quarters Ended			
	30-Jun-10	31-Mar-10	31-Dec-09	30-Sep-09
Expenses	\$ (445,770)	\$ (363,408)	\$ (370,010)	\$ (365,531)
Other income and expenses	6,039	17,669	18,498	18,498
Loss from continuing operations	(439,731)	(345,739)	(351,512)	(347,033)
(Loss) income from discontinued operations	(23,000)	(71,928)	(87,939)	(84,553)
Net loss	(462,731)	(417,667)	(439,451)	(431,586)
Basic and diluted loss per share from continuing operations	(0.014)	(0.011)	(0.011)	(0.011)
Basic and diluted loss per share from discontinued operations	(0.001)	(0.002)	(0.003)	(0.003)
Total assets	14,511,208	14,623,548	14,967,730	15,373,053

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 equivalents 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.

LIQUIDITY AND CAPITAL RESOURCES

(a) Private Placement

On December 22, 2010, the Company completed a private placement, which raised gross proceeds of \$24.3 million through the issuance of 18 million common shares at a price of \$1.35 per unit. Each unit comprised of one common share and one and a half purchase warrants. Each whole warrant is exercisable at \$2.00 per common share for an 18 month period expiring June 22, 2012. All shares and warrants issued pursuant to this private placement were subject to a four month hold period that ended on April 23, 2011. Total share issuance cost was \$1.1 million.

The proceeds of the private placement are being used to finance continuing exploration and development activities of NUX's exploration projects and for its general working capital.

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(b) Disposition of JCJM

In March 2011, the Company closed the sale of JCJM, and net proceeds of \$19.5 million, net of withholding tax and transaction cost, was received.

(c) Working Capital

As at June 30, 2011, the Company had a working capital position of \$37,232,868 (June 30, 2010 - \$8,964,681) comprised of cash and cash equivalents of \$20,625,672 (June 30, 2010 - \$6,333,154), short term investments of \$17,023,000 (June 30, 2010 - \$2,904,360), receivables, deposits and prepaid expenses of \$1,444,810 (June 30, 2010 - \$85,623), inventories of \$41,412 (June 30, 2010 - \$nil), and assets held for sale of \$nil (June 30, 2010 - \$436,490), offset by current liabilities of \$1,902,026 (June 30, 2010 - \$794,946). With a strong working capital, the Company is well positioned financially to continue the development of the Tagish Lake Gold Property in the upcoming fiscal year.

(d) Cash Flows

Cash used in operating activities in Q4 2011 was \$1,728,839 (Q4 2010 - \$46,963), mainly resulted from loss of \$212,698 (Q4 2010 - \$462,731) including income from discontinued operations of \$537,588 (Q4 2010 - loss \$23,000), cash used in operating activities of discontinued operations of \$92,024 (Q4 2010 - provided \$131,593), decrease of non-cash working capital of \$1,139,214 (Q4 2010 - increase \$160,856), add items not affecting cash of \$252,685 (Q4 2010 - \$100,319).

In F2011, cash used in operating activities were \$9,834,115 (F2010 - \$1,300,930), mainly resulted from income of \$13,259,838 (F2010 - loss \$1,751,435) including income from discontinued operations of \$16,253,918 (F2010 - loss \$267,420), cash used in operating activities of discontinued operations of \$627,373 (F2010 - \$278,082), decrease of non-cash working capital \$7,136,572 (F2010 - increase \$3,425), and add items not affecting cash of \$923,910 (F2010 - \$457,742).

The cash used in operating activities was mainly for the settlement of acquired TLG accounts payable and accrued liabilities of \$8.3 million.

Cash used in investing activities in Q4 2011 was \$332,017 (Q4 2010 - provided \$4,381,018) mainly resulted from: net redemption of short term investments of \$3,000,000 (Q4 2010 - \$5,003,181) offset by expenditures for mineral property interests of \$1,758,036 (Q4 2010 - \$9,209), acquisition of plant and equipment of \$1,290,271 (Q4 2010 - \$2,354), settlement of liabilities of subsidiaries of \$283,710 (Q4 2010 - \$nil), cash provided by investing activities of discontinued operations of \$nil (Q4 2010 - \$476,111).

In F2011, cash used in investing activities was \$1,191,663 (F2010 - provided \$6,786,213) mainly resulted from: acquisition of net assets of TLG of \$2,474,396 (F2010 - \$nil), purchase of short term investments of \$14,118,640 (F2010 - redemption of \$7,694,640), expenditures of \$2,374,114 for mineral property interest (F2010 - \$9,209), acquisition of plant and equipment of \$1,637,444 (F2010 - \$5,262); and offset by proceeds of \$19,203,363 from disposal of subsidiaries (F2010 - \$nil), and proceeds of \$192,883 from disposal of marketable securities (F2010 - \$nil), cash provided by investing activities of discontinued operations of \$31,685 (F2010 - \$245,041).

Cash used in financing activities in Q4 2011 was \$117,652 (Q4 2010 - provided \$33,736) mainly resulted from decrease in amounts due to related parties of \$119,087 (Q4 2010 - increase \$32,236) and cash provided by financing activities of discontinued operations of \$1,435 (Q4 2010 - \$nil).

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In F2011, cash provided by financing activities was \$24,914,112 (F2010 - \$112,734) mainly resulted from shares issued from a private placement and the exercise of options for a total of \$24,681,985 (F2010 – from exercise of options \$44,750), decrease in amounts due to related parties of \$73,733 (F2010 – increase \$67,984) and cash provided by financing activities of discontinued operations of \$305,860 (F2010 - \$nil).

Foreign exchange effect was a positive \$6,391 and negative \$8,575 in Q4 2011 and F2011, respectively (Q4 2010 – positive \$25,314, F2010 – negative \$23,780).

(e) Liquidity and Capital Resources

As at June 30, 2011, the Company had working capital of \$37,232,868, mainly from the net proceeds of \$23.2 million from 18 million shares from the private placement and net proceeds of \$19.5 million from the disposition of JCJM. Management believes that the Company has sufficient funds for planned capital expenditures, as well as to discharge liabilities as they come due.

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 and to fund its exploration activities.

The Company has no purchase commitments and contractual obligations as at June 30, 2011.

FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk and credit 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.

(a) *Fair Value*

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, 2011, those financial assets are classified in their entirety based on the level of input that is significant to the fair value measurement.

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 20,625,672	\$ -	\$ -	\$ 20,625,672
Short term investments	17,023,000	-	-	17,023,000

(b) *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a planning process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans.

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The Company manages liquidity by maintaining sufficient cash and cash equivalent and short term investment. As at June 30, 2011, the Company has a working capital of \$37,232,868, which is sufficient to meet its short term financial liabilities.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following summarizes the remaining contractual maturities of the Company's financial liabilities.

	June 30, 2011		June 30, 2010
	Due within a year		Due within a year
Accounts payable and accrued liabilities	\$	1,877,487	\$ 131,108
Due to related parties		24,539	98,272
Liabilities held for sale		-	565,566
	\$	1,902,026	\$ 794,946

(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 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, 2011		June 30, 2010
United States dollar	\$	19,268,762	\$ 562,157
Chinese yuan		-	408,903
Total financial assets	\$	19,268,762	\$ 971,060
Chinese yuan		-	565,566
Total financial liabilities	\$	-	\$ 565,566

As at June 30, 2011, with other variables unchanged, a 1% strengthening (weakening) of the U.S. dollar against the Canadian dollar ("CAD") would have increased (decreased) net income by approximately \$200,000.

(d) 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's cash equivalents and short term investments primarily include highly liquid investments that earn interest 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. Due to 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, 2011.

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(e) Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. 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 financial assets included on the balance sheet represents the maximum credit exposure.

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 loss to be remote, as the majority of its cash and cash equivalents and short term investments are with major financial institutions in Canada.

RELATED PARTY TRANSACTIONS

Related party transactions not otherwise disclosed in the MD&A are as follows:

Transactions with related parties	Year ended June 30,	
	2011	2010
Silvercorp Metals Inc. (a)	\$ 514,609	\$ 229,362
R. Feng Consulting Ltd. (b)	72,000	72,000
0799952 BC Ltd. (c)	97,500	126,341
	\$ 684,109	\$ 427,703

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

As at June 30, 2011, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties	June 30, 2011		June 30, 2010
Silvercorp Metals Inc. (a)	\$	24,539	\$ 79,372
R. Feng Consulting Ltd. (b)		-	18,900
	\$	24,539	\$ 98,272

- (a) Silvercorp Metals Inc. ("SVM") has a director and two officers in common with the Company and shares office space and provides various general and administrative services to the Company. On May 1, 2011, the Company revised the existing agreement with SVM, which was first entered in October 2007 and revised in May 2011, to increase the office rental expense from 15% to 25%. During the year ended June 30, 2011, the Company recorded total expenses of \$514,609 (year ended June 30, 2010 - \$229,362) for services rendered and expenses incurred by SVM on behalf of NUX.

In October 2010, the Company withdrew a total of \$2.1 million from a credit facility provided by SVM pursuant to a Credit Agreement the Company entered into with SVM in previous quarter. With the completion of the private placement, the Company terminated the credit agreement and repaid the full amount of \$2.1 million principle plus \$85,285 interest and termination fees.

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- (b) During the year ended June 30, 2011, the Company incurred \$72,000 (year ended June 30, 2010 - \$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, 2011, the Company paid \$97,500 (year ended June 30, 2010 - \$126,431) to 0799952 BC Ltd., a company controlled by a former director and an officer of the Company, for consulting services.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

There are no proposed acquisitions or disposals of assets or businesses, other than those in the ordinary course of business, approved by the board of directors as at the date of this report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include assumptions and estimates relating to but not limited to, the recoverability of amounts receivable and investments, mineral property interests, valuation of stock-based compensation, valuation of warrant, valuation allowances for future income tax assets, and assessing and evaluation of contingencies. Actual results could differ from these estimates.

FUTURE ACCOUNTING CHANGES

The Accounting Standards Board (AcSB) adopted International Financial Reporting Standards (IFRS) as Canadian GAAP for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. The Company will report its first consolidated financial statements in accordance with IFRS for the three months ending September 30, 2011, with comparative figures for the corresponding period for 2010. In addition, the adoption will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended June 30, 2011, and restatement of the opening balance sheet as at July 1, 2010.

The Company continues to advance through its IFRS transition project plan, including determining key accounting policies, developing financial statements including note disclosures, implementing business requirements, continuously addressing internal controls and internal control over financial reporting requirements and preparing the Company's opening balance sheet under IFRS.

- (a) The Condensed Consolidated Opening Statement of Financial Position

The preliminary condensed consolidated opening IFRS balance sheet as at July 1, 2010 with reconciliations to the previously reported June 30, 2010 audited consolidated balance sheet prepared in accordance with Canadian GAAP is presented below. The preliminary amounts presented below are based on accounting policies the Company expects to apply in preparing its first consolidated financial statements. The

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amounts determined for the final consolidated opening IFRS balance sheet as at July 1, 2010 may differ from these preliminary amounts.

	Canadian GAAP	Transitional Adjustments			IFRS
		(i)	(ii)	(iii)	
Current Assets	\$ 9,759,627	\$ -	\$ -	\$ -	\$ 9,759,627
Non-current Assets	4,751,581	(226,540)	-	-	4,525,041
Total Assets	\$ 14,511,208	\$ (226,540)	\$ -	\$ -	\$ 14,284,668
Current Liabilities	\$ 794,946	\$ -	\$ -	\$ -	\$ 794,946
Non-current Liabilities	-	-	-	-	-
Total Liabilities	794,946	-	-	-	794,946
Total equity attributable to equity shareholders of the Company	13,716,262	(226,540)	-	-	13,489,722
Total Shareholders' Equity	13,716,262	(226,540)	-	-	13,489,722
Total Liabilities and Shareholders' Equity	\$ 14,511,208	\$ (226,540)	\$ -	\$ -	\$ 14,284,668

Transitional adjustments are made according to the following notes:

(i) Foreign exchange impact on transitional balance

Upon adoption of IFRS, the Company's Chinese Subsidiaries changed their functional currency from CAD to Chinese RMB ("RMB"). CAD no longer serves as the "group functional currency" as it did under Canadian GAAP. Such change resulted in a foreign exchange difference between the two accounting standards on certain non-monetary assets. These assets were translated from RMB to CAD by using historical rates and were translated from RMB to CAD by using period ending rates. Total foreign exchange differences of \$226,540 are adjusted to the respective assets.

(ii) Cumulative translation difference

The Company has elected to eliminate its cumulative translation difference that existed at the date of transition to IFRS. A total of \$226,540 cumulative translation difference was reclassified from accumulated other comprehensive income to retained earnings on July 1, 2010.

(iii) Stock based compensation

Under both the Canadian GAAP and IFRS, each tranche of a grant with different vesting dates is considered as a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranche.

Under Canadian GAAP, forfeitures of grants were recognized as they occurred. However, under IFRS, forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

As a result, stock based compensation was reduced by \$20,190 at July 1, 2010 with the respective adjustments made to contributed surplus and deficit.

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(iv) Deemed cost on mining interests

On June 30, 2008, the Company did a revaluation on its Kang Dian Project due to the unfavorable exploration potential. Impairment charges were taken after the revaluation to bring down the carrying value of these properties to zero, which represented the fair value of these properties at that time.

The Company has chosen to use fair values at the date of that revaluation as deemed costs for these respective mining interests under IFRS. This election has no quantitative impact on the Company's consolidated statement of financial position at July 1, 2010 under IFRS.

(b) Exemptions applied

IFRS 1 - First-time Adoption of International Financial Reporting Standards ("IFRS 1") sets forth guidance for the initial adoption of IFRS. It allows the Company to apply IFRS standards retrospectively at the transitional statement of consolidated financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions:

(i) Non-controlling interests

IFRS 1 allows the Company to apply the requirements related to non-controlling interests in IAS 27 - Consolidated and Separate Financial Statements prospectively from the date of transition. Therefore, non-controlling interests that may have a deficit balance prior to the transition date will not be restated.

(ii) Business combination

The Company has elected to not apply IFRS 3 - Business Combinations to acquisitions of subsidiaries or of interests in associates that occurred before July 1, 2010.

(iii) Share based payment

As a first-time adopter of IFRS, the Company has chosen to not apply IFRS 2 - Share based Payment to equity instruments granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS.

(iv) Fair value or revaluation as deemed cost

IFRS 1 provides an option for first-time adopter to elect to use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition to IFRS as deemed cost at the date of the revaluation, if the revaluation was, at the date of revaluation, broadly comparable to fair value. The Company has previously written off certain mining interest (Kang Dian) on June 30, 2008. The Company has elected to use its fair value revaluation of those mining interests (Kang Dian) on June 30, 2008 under Canadian GAAP as their deemed costs at June 30, 2008. During the period from July 1, 2008 to June 30, 2010, there has been no exploration expenditures incurred for Kang Dian Project. As a result, the mineral property interest for Kang Dian Project, under IFRS, remains \$nil as of July 1, 2010.

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(v) *Cumulative translation difference*

The Company has chosen to not comply with the requirements of IAS 21 - The Effects of Changes in Foreign Exchange Rates for cumulative translation differences that existed at the date of transition to IFRS. The application of this exemption resulted in the elimination of the cumulative translation difference by adjusting retained earnings. Any subsequent disposal of foreign operations shall exclude translation differences that arose before the date of transition and shall include later translation differences.

OUTSTANDING SHARE DATA

As at the date of this report, the following securities were outstanding:

(a) *Share Capital*

Authorized - unlimited number of common shares without par value
Issued and outstanding - 67,316,703 common shares with a recorded value of \$56,226,099
Shares subject to escrow or pooling agreements is nil.

(b) *Options*

The outstanding options as at the date of this report are summarized as follows:

Options outstanding	Exercise prices \$	Expiry Date
23,000	1.25	November 30, 2011
214,000	1.55	July 16, 2012
40,000	1.55	January 30, 2013
555,000	0.50	January 18, 2014
1,330,000	0.65	June 13, 2015
250,000	1.44	November 1, 2015
510,000	1.60	November 29, 2015
218,750	1.65	December 21, 2015
10,000	2.04	December 28, 2015
150,000	2.02	March 29, 2016
215,000	1.42	June 15, 2016
200,000	1.51	June 21, 2016
3,715,750		

(c) *Warrants*

As at the date of this report, the outstanding warrants are comprised of the following

Warrants Outstanding	Exercise Price	Expiration Date
9,000,000	2.00	June 22, 2012

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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, 2011.

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 National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 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 NI 52-109. 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 NI 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.

FISCAL 2012 YEAR OUTLOOK AND EXPLORATION PROGRAM BUDGET

The Company's focus is development of the Tagish Lake Gold Property, a property which consists of 178 square kilometres of mineral claims in the Yukon Territory, having three known deposits; Goddell Gold, Skukum Creek Gold-Silver, and Mt. Skukum Gold Projects.

For the 2012 fiscal year, 24,000 metres of surface drilling and 36,000 metres of underground drilling (60,000 metres in total) are planned with total estimated expenditures of \$16.5 million. Fiscal 2012 planned exploration activities and expenditures are broken down as follows:

1. **Permitting (\$0.85 million)** - The Company has initiated an Environmental Assessment Study for the Tagish Lake Gold Property, which is required to apply for the Quartz Mining License. The Company will continue to carry out the feasibility study, using an in-house technical team combined with external consulting firms.

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2. **Surface Infrastructure (\$0.68 million)** – including expansion of the camp from 25 to 50 persons by refurbishing an 11,000 square feet camp facility already on site, refurbishing a 6,000 square feet geological office and core logging facility, and repairing some access roads. Surface infrastructure has been completed as of this reporting date.
3. **Equipment (\$1.4 million)** - This budget includes the purchase of generators, pumps, ventilation, electronic, communication, and camp office equipment.
4. **Underground drilling at Goddell (\$4.4 million)** – about 23,000 metres of underground drilling was planned at Goddell. Underground drilling will focus on the area 1,000 metres long and 600 metres down- and up-dip of the PD Zone and Merge Zones, where previous drilling, such as drill hole 97-41, intercepted 64.69 metres grading 5.75 g/t Au (please refer to January 13, 2011 Press Release).
5. **Skukum Creek underground drilling (\$3.1 million)** - Skukum Creek is located about six kilometres southwest from the Goddell Portal: 13,000 metres of underground drilling was planned to target depth extensions of four mineralized zones where historical drilling was limited to portions of the four mineralized zones, and only to about 300 metres from the surface. The underground drilling commenced in July 2011.
6. **Surface drilling and geophysics (\$4.6 million)** – a total of 24,000 metres of surface drilling was planned and surface drilling commenced at Raca in June 2011 and at Goddell in early July.

At the Raca site, located along the structural extension of the Skukum Creek mineralization zones (Rainbow Zone) to the northeast, 5,500 metres of surface drilling is planned to test extension of known historical drilling and surface gold anomalies. Drill hole Raca 97-1, located about 500 metres northeast of the Rainbow zone of the Skukum Creek Project, intercepted 3.6 metres grading 2.66 g/t gold and 561 g/t silver. At surface, soil gold anomalies outlined before 1988 by a previous owner, (all associated with anomalous values of silver and base metals), extend over two kilometres along a northeast structure hosting rhyolite dykes, with peak values up to 1 ppm 1 (g/tonne) gold. Based on a 1986 geological report by West Mount Resources, several surface chip samples over >10 metres interval returned over 1 g/t gold and one composite chip sample returned 20 metres grading 4 g/t gold and 19.9g/t silver.

In addition, several other regional gold-silver targets have been planned for about 18,500 metres of surface drilling, including the Charleston gold-silver showing, and a copper-molybdenum anomaly at the Porter alteration structure zone.

The Company has expanded its land holding by staking the area surrounding its existing land position. Concurrent with this surface drilling, the Company will conduct geophysical surveys: an airborne survey of 1,000 line kilometres in conjunction with a ground survey of 40 line kilometers.

7. **General operations (\$1.5 million)** – These costs include camp operations, safety measures, and salaries and administration.