NEW PACIFIC METALS CORP.
Management's Discussion and Analysis
Three and six months ended December 31, 2010
(Expressed in Canadian Dollars, except share, per share data)

DATE OF REPORT February 24, 2011

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements of New Pacific Metals Corp. (the "Company") for the three and six months ended December 31, 2010 and related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles. In addition, the following should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2010, the related annual Management Discussion and Analysis, and Annual Information Form. This Management's Discussion and Analysis contains "forward looking" statements that are subject to risk factors set out in the cautionary note contained herein. All figures are in Canadian ("CAD") dollars 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 web-site at www.newpacificmetals.com.

BUSINESS STRAGEGY

New Pacific Metals Corp**.** is a Canadian-based junior mining company engaged in the exploration and development of gold poly-metallic properties in Western Canada. The Company's current projects include the Tagish Lake Gold Property in Yukon Territory and the Eva Lake Property in northern British Columbia. 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 and Alberta and trades on the TSX Venture Exchange under the symbol NUX.

PROJECTS OVERVIEW

(a) Tagish Lake Gold Property

In December 2010, the Company completed its acquisition of 100% of Tagish Lake Gold Property through acquisition of Tagish Lake Gold Corp.("TLG"). TLG is accounted for as a wholly owned subsidiary of the Company. The Tagish Lake Gold Property is located 80 kilometres by road south of Whitehorse, Yukon, Canada, and consists of 982 mineral claims covering about 170 square kilometres. Three geographically distinct projects have been identified within the Property: the Mount Skukum, Skukum Creek and Goddell projects. The Mount Skukum Project includes the Mount Skukum Mine, which was discovered in 1980 and operated from 1986 to 1988. On-site infrastructure includes an all-weather access road, extensive underground workings and roads to each project, a 300 tonne per day mill, a tailings reclamation site, service buildings and an all-weather 50-person camp.

Mineral resources conforming to NI 43-101 have been developed at the Skukum Creek and Goddell projects. The total undiluted measured plus indicated mineral resources on 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 silve**r** 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, Carcross/Tagish First Nation ("CTFN") and TLG signed a Memorandum of Understanding ("MOU") recording the values, principles and shared interests of the CTFN and TLG. CTFN supports mining in its traditional territory that adheres to its values, interests and principles. The MOU 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. Opportunities for the CTFN on the Skukum property include employment, training and service contracts.

(i) *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.

(ii) *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 20 up to 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 plus 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.

(iii) 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 be 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 have 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.

More information regarding the TLG Property can be found from the Company's news release dated on January 5, 2010 and January 13, 2010 from the Company's website at www.newpacificmetals.com.

(b) Eva Lake Project

The Eva Lake Project composed of 65 contiguous claims covering an area of 260 km^2 located in the west of Gladys Lake, approximately 35 km northeast of Atlin, B.C.

During the three months ended December 31, 2010, the Company completed airborne geophysical surveys at an area of 45.2 square kilometers for a total cost of $46,974 at the Eva Lake Project.

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

During the quarter, the Company, through its wholly owned subsidiary Lachlan Gold Ltd. ("Lachlan"), finalized the share transfer agreement earlier entered in July 2010 with a Chinese gold investment company, the PGC Group Co. Ltd ("PGC"). Pursuant to this share transfer agreement, the Company will transfer its 100% interest in JCJM to PGC for total cash consideration of $22.5 million (CNY ¥150 million).

As of December 31, 2010, a total deposit of $3.0 million (CNY¥20million) was received by the Company and recorded as deposits received on the Company's consolidated balance sheet. Subsequent to December 31, 2010, the Company received another $8.3 million (CNY ¥55 million) payment from PGC Group after the government approval was obtained. As Lachlan does not have a bank account in China, Guangdong Found Mining Co. Ltd., a wholly-owned subsidiary of Silvercorp Metals Inc. ("SVM"), holds the deposit on behalf of Lachlan.

The assets of JCJM are therefore classified as assets held for sale and its operations are reported under discontinued operations on the consolidated statements of loss and cash flows.

Up to December 31, 2010, a total of $4,336,032 exploration expenditures had been incurred on the Huaiji Project and $1,091,198 has been recovered from the sales of tunneling by-product. As at December 31, 2010, the net $3,244,834 mineral property interest of Huaiji Project was reclassified and included as assets held for sale on the consolidated balance sheet.

(c) Sichuan Project and Kang Dian Project

During the three months ended December 31, 2010, the Company's subsidiary, SKN Nickel & Platinum Ltd. ("SNP"), 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 75% interest in Huaxi Mining Co. Ltd.("HXM") to MGEI for $0.8 million (CNY¥5 million). Pursuant to the SNP Agreement, MEGI will pay the full $0.8 million (CNY ¥5million) to SNP 40 days after the government approval was obtained. The Company has not received any funds as of December 31, 2010.

HXM's main assets include Sichuan Project with net book value of $120,902 as at December 31,2010 and Kang Dian Project with book value of $nil.

The Sichuan Project is composed of four exploration permits of copper-poly-metal and nickel-poly-metal (collectively called the "Sichuan Project"), covering 145 square kilometers in Sichuan, China.

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. As of December 31, 2010, four exploration permits have been disposed of by the Company, and the other four exploration permits remain with HXM. The book value of Kang Dian Project was written off during the year ended June 30, 2008 due to unfavourable exploration results.

The assets of HXM are classified as assets held for sale and its operations are reported under discontinued operations on the consolidated statements of loss and cash flows.

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

(a) Highlights

During the quarter, through a court-approved plan of arrangement, the Company acquired the remaining shares of TLG and achieved 100% ownership. The Company also paid off all proven claims of $8.3 million against TLG, and TLG was therefore released from the proceedings of the Companies' Creditors Arrangement Act ("CCAA").

For the three months ended December 31, 2010 ("Q2 2011"), the Company incurred a loss of $1,155,721 or $0.024 per share, an increase of $716,270 compare to the three months ended December 31, 2009 ("Q2 2010") of $439,451, or $0.014 per share. Of the total loss reported, $945,479 (Q2 2010 - $351,512) was from continuing operations and $210,242 (Q2 2010 - $87,939) was from discontinued operations relating to the disposition of JCJM and HXM.

For the six months ended December 31, 2010, the Company incurred a loss of $1,759,689, or $0.044 per share, an increase of $888,652 compared to the six months ended December 31, 2009 of $871,037, or $0.027 per share. Of the total loss reported, $1,413,494 (six months ended December 31, 2009 - $698,545) was from continuing operations and $346,195 (six months ended December 31, 2009 - $172,492) was from discontinued operations relating to the disposition of JCJM and HXM.

(b) *Expenses*

During the three months ended December 31, 2010, the Company incurred total expenses of $1,015,870, an increase of $645,860 compared to same period last year of $370,010. During the six months ended December 31, 2010, the Company incurred total expenses of $1,498,876, an increase of $763,335 compared to same period last year of $735,541. The analysis for main expense items are as follows:

(i) *Audit and accounting*

During the three months ended December 31, 2010, audit and accounting fees increased by $47,829 to $57,970 (Q2 2010 - $10,141) mainly due to quarterly review fees paid to the Company's auditor, as well as expenses accrued for audit services related to IFRS conversion.

During the six months ended December 31, 2010, audit and accounting fees increased by $32,829 to $57,970 (six months ended December 31, 2009 - $25,141).

(ii) *Filing and listing*

During the three months ended December 31, 2010, the Company incurred filing and listing expenses of $33,882, an increase of $27,948 compared to same period last year (Q2 2010 - $5,934). The increase was mainly due to listing and regulatory fees of TLG.

During the six months ended December 31, 2010, the Company incurred filing and listing expenses of $75,158, an increase of $66,852 compared to same period last year (six months ended December 31, 2009 - $8,306).

(iii) *Interest and finance charge*

Interest and finance charge increased by $88,339 to $88,679 compared to same period last year of $340 for bank charge only. In October 2010, the Company advanced $2.1 million from the credit line with SVM to fund the debt settlement of TLG. The advance of $2.1 million was paid off in full in December 2010 and this credit facility was terminated. The interest and termination fees incurred for this transaction of $85,285 was included in interest and finance charge.

During the six months ended December 31, 2010, interest and finance charge increased by $88,977 to $89,804 (six months ended December 31, 2009, $827 for bank service charge).

(iv) *Investor relations*

During the three months ended December 31, 2010, investor relations expenses increased by $8,297 to $19,602 (Q2 2010 - $11,305) as the communications with investors were more active and frequent in the process of TLG acquisition.

During the six months ended December 31, 2010, investor relations decreased by $14,434 to $36,284 compared to same period of last year of $50,718 as the Company attended less conferences and shows overall, while the focus has been switched to communication with previously shareholders of TLG.

(v) Legal and professional fees

Legal and professional fees increased by $158,960 to $164,536 (Q2 2010 - $5,576). The increase was primarily attributed to professional fees incurred in connection with TLG CCAA proceeding.

During the six months ended December 31, 2010, legal and professional fees increased by $161,429 to $167,187 (six months ended December 31, 2009 - $5,758).

(vi) Salaries and benefits

During the three months ended December 31, 2010, salaries and benefits expense increased by $126,400 to $207,953 (Q2 2010 - $81,553). In connection with the acquisition of TLG, the Company assembled a core team of professionals to carry out the exploration and development of TLG property. The increase was also attributed to salary cost charged back from management and staff of Silvercorp Metals Inc. ("SVM") for the TLG acquisition and financing activity.

During the six months ended December 31, 2010, salaries and benefits expense increased by $189,579 to $336,394 (six months ended December 31, 2009 - $146,815).

(vii) Office and administration

During the three months ended December 31, 2010, office and administration increased by $12,314 to $26,573 (Q2 2010 - $14,259) mainly due to increased corporate activities.

During the six months ended December 31, 2010, office and administration increased by $11,592 to $43,430 (six months ended December 31, 2009 - $31,838).

(viii) Stock-based compensation

During the three months ended December 31, 2010, stock-based compensation increased by $204,353 to $332,784 (Q2 2010 - $128,431). With the expansion the Company's operations, 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 $141,715 related to the previously unvested portion of cancelled options and $195,528 related to previously unvested portion of amended options.

During the three months ended December 31, 2010, stock-based compensation increased by $253,867 to $528,891 (six months ended December 31, 2009 - $275,024).

(c) Gain on Disposal of Marketable Securities

During the three and six months ended December 31, 2010, the Company recognized a gain of $62,117 (for the three and six months ended December 31, 2009 - $nil) on disposal of marketable securities the Company acquired in previous quarters through open market.

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

SUMMARY OF QUARTERLY RESULTS

	For the Quarters Ended			
	31-Dec-10	30-Sep-10	30-Jun-10	31-Mar-10
Expenses	**$ (1,015,870)**	$ (483,006)	$ (445,770)	$ (363,408)
Other income and expenses	**70,391**	14,991	6,039	17,669
Loss from continuing operations	**(945,479)**	(468,015)	(439,731)	(345,739)
Loss from discontinued operations	**(210,242)**	(135,953)	(23,000)	(71,928)
Net (loss) income	**(1,155,721)**	(603,968)	(462,731)	(417,667)
Basic and diluted loss per share from continuing operations	**(0.020)**	(0.014)	(0.014)	(0.011)
Basic and diluted loss per share from discontinued operations	**(0.004)**	(0.004)	(0.001)	(0.002)
Basic and diluted loss per share - total	**(0.024)**	(0.018)	(0.015)	(0.013)
Total assets	**56,830,214**	45,864,404	14,511,208	14,623,548

	For the Quarters Ended			
	31-Dec-09	30-Sep-09	30-Jun-09	31-Mar-09
Expenses	$ (370,010)	$ (365,531)	$ (551,138)	$ 21,575
Other income and expenses	18,498	18,498	54,218	81,527
(Loss) income from continuing operations	(351,512)	(347,033)	(496,920)	103,102
(Loss) income from discontinued operations	(87,939)	(84,553)	87,522	(39,342)
Net (loss) income	(439,451)	(431,586)	(409,398)	63,760
Basic and diluted (loss) earnings per share from continuing operations	(0.011)	(0.011)	(0.016)	0.003
Basic and diluted (loss) earnings per share from discontinued operations	(0.003)	(0.003)	0.003	(0.001)
Basic and diluted (loss) earnings per share - total	(0.014)	(0.014)	(0.013)	0.002
Total assets	14,967,730	15,373,053	15,376,817	15,630,760

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 half purchase warrant. Each whole warrant is exercisable at $2.00 per common share for an 18 month period expiring June 22, 2012. All shares and warrant issued pursuant to this private placement are subject to a four month hold period expiring April 23, 2011. Total share issuance cost was $1.2 million.

The proceeds of private placements will be used to finance continuing exploration and development activities of NUX's exploration projects and for its general working capital.

(b) Working Capital

As at December 31, 2010, the Company had a working capital position of $20,716,257 (June 30, 2010 - positive $8,964,681) comprised of cash and cash equivalents $1,433,086 (June 30, 2010 - $6,333,154), cash held in trust of $3,018,000 (June 30, 2010 - $nil), short term investments $20,000,000 (June 30, 2010 - $2,904,360), receivables and prepaid expenses $252,562 (June 30, 2010 - $85,623), asset held for sale $49,372 (June 30, 2010 - $436,490), offset by current liabilities of $4,036,763 (June 30, 2010 - $794,946).

(c) <u>Cash Flows</u>

(i) <u>Operating Activities</u>

During the three months ended December 31, 2010, cash used in operating activities of continuing operations of $8,031,888 (Q2 2010 - $316,667), mainly resulted from loss of $1,155,721 (Q2 2010 - $439,451) including loss from discontinued operations of $210,242 (Q2 2010 - $87,939), decrease of non-cash working capital $7,362,237 (Q2 2010 - $94,790), offset by items not affecting cash $275,828 (Q2 2010 - $129,635).

During the six months ended December 31, 2010, cash used in operating activities of continuing operations of $8,499,724 (six months ended December 31, 2009 - $492,723), mainly resulted from loss of $1,759,689 (six months ended December 31, 2009 - $871,037) including loss from discontinued operations of $346,195 (six months ended December 31, 2009 - $172,492), decrease of non-cash working capital $7,559,186 (six months ended December 31, 2009 - $71,523), offset by items not affecting cash $472,956 (six months ended December 31, 2009 - $277,345).

During the three and six months ended December 31, 2010, cash used in operating activities of discontinued operation was $169,433 and $327,787 (three and six months ended December 31,2009 - provided $50,536 and used $197,620) respectively.

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

(ii) <u>Investing Activities</u>

During three months ended December 31, 2010, cash used by investing activities of continuing operations of $18,682,377 (Q2 2010 - $165,054) mainly resulted from: acquisition of net assets of TLG of $1,687,320 (Q2 2010 - $nil), increase of short term investments of $17 million (Q2 2010 - $nil), expenditures of $137,221 for mineral property interest (Q2 2010 - $nil), and cash disposed of as a result of disposition of discontinued operations $27,971 (Q2 2010 - $162,146); offset by proceeds of $192,883 from disposal of marketable securities (Q2 2010 - $nil).

During six months ended December 31, 2010, cash used by investing activities of continuing operations of $19,622,629 (six months ended December 31, 2009 - provided $834,946) mainly resulted from: acquisition of net assets of TLG of $2,474,396 (six months ended December 31, 2009 - $nil), purchase of short term investments of $17,095,640 (six months ended December 31, 2009 - redemption of $1,000,000), expenditures of $179,757 for mineral property interest (six months ended December 31, 2009 - $nil), and cash disposed of as a result of disposition of discontinued operations $27,971 (six months ended December 31, 2009 - $162,146); offset by proceeds of $192,883 from disposal of marketable securities (six months ended December 31, 2009 - $nil).

During three and six months ended December 31, 2010, cash provided by investing activities of discontinued operations was $nil and $31,685 (three and six months ended December 31, 2009 - used $360,881 and $525,908) respectively.

(iii) <u>Financing Activities</u>

For the three months ended December 31, 2010, cash provided by financing activities of continuing operations of $23,199,737 (Q2 2010 - $17,587) was mainly from new shares issued for private placement and exercise of options.

For the six months ended December 31, 2010, cash provided by financing activities of continuing operations of $23,194,312 (six months ended December 31, 2009 - $69,255) was mainly from new shares issued for private placement and exercise of options of $23,236,857 (six months ended December 31, 2009 - $43,250), offset by decrease of amount of due to related parties of $42,545 (six months ended December 31, 2009 - increase $26,005).

During the three and six months ended December 31, 2010, cash used in financing activities of discontinued operation was $nil and $76,750 respectively (three and six months ended December 31, 2010 - $78,500 and $nil)

(iv) *Foreign Exchange Effect*

For the three and six months ended December 31, 2010, foreign exchange rate had a negative effect of $2,889 and $11,934 (three and six months ended December 31, 2009 - $13,629 and $38,404) respectively on cash and cash equivalents.

(d) *Liquidity and Capital Resources*

As at December 31, 2010, the Company had working capital of $20,716,257, mainly from the proceeds of 18 million shares from the private placement. Additional cash flows of $22.5 million are expected from the transfer of JCJM over the next few months. 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 to fund its exploration activities.

The Company has no purchase commitments and contractual obligations as at December 31, 2010.

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

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

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 following table sets forth the Company's financial assets and liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at December 31, 2010, 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	$ 1,433,086	$ -	$ -	$ 1,433,086
Short term investments	20,000,000	-	-	20,000,000
Cash held in trust	3,018,000	-	-	3,018,000
Financial Liabilities				
Deposits received	$ 3,018,000	$ -	$ -	$ 3,018,000

(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.

The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its holdings of cash and short term investments, and cash flow expected from its investing activities. During the quarter, the Company completed a private placement which had raised gross proceeds of $24.3 million to support its continuing exploration and development activities.

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.

		December 31, 2010		June 30, 2010
		Due within a year		Due within a year
Accounts payable and accured liabilities	$	795,260	$	131,108
Due to related parties		55,727		98,272
Liabilities held for sale		167,776		565,566
	$	1,018,763	$	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 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 ("CNY"), 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 Chinese yuan 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		December 31, 2010		June 30, 2010
United States dollar	$	43,673	$	562,157
Chinese yuan		3,045,971		408,903
Total financial assets	$	3,089,644	$	971,060
United States dollar		3,013		-
Chinese yuan		3,174,270		565,566
Total financial liabilities	$	3,177,283	$	565,566

As at December 31, 2010, with other variables unchanged, a 5% strengthening (weakening) of the Chinese yuan against the Canadian dollar would have increased (decreased) net loss by approximately $6,000.

As at December 31, 2010, with other variables unchanged, a 5% strengthening (weakening) of the U.S. dollar against the Canadian dollar would have decreased (increased) net loss by approximately $2,000.

(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 December 31, 2010.

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

(e) Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meets its contractual obligations. The Company is exposed to credit risk primarily associated with cash and cash equivalents, short term investments, cash held in trust, accounts receivable and interest receivable and asset held for sale. 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 majority of its cash and cash equivalents, short term investments and cash held in trust are with major financial institutions in Canada and China.

RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in this MD&A are as follows:

	Three months ended December 31,		Six months ended December 30,	
Transactions with related parties	**2010**	2009	**2010**	2009
Silvercorp Metals Inc. (a)	**$ 164,072**	$ 41,516	**$ 260,216**	$ 93,758
R. Feng Consulting Ltd. (b)	**18,000**	18,000	**36,000**	36,000
0799952 BC Ltd. (c)	**31,500**	31,500	**63,000**	63,000
	$ 213,572	$ 91,016	**$ 359,216**	$ 192,758

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 December 31, 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	**December 31, 2010**	June 30, 2010
Silvercorp Metals Inc. (a)	**$ 37,727**	$ 79,372
R. Feng Consulting Ltd. (b)	**18,000**	18,900
	$ 55,727	$ 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. During the three and six months ended December 31, 2010, the Company recorded total expenses of \$78,787 and \$174,932 (three and six months ended December 31, 2009 - \$41,516 and \$93,758) respectively for services rendered and expenses incurred by SVM on behalf of NUX.

In October 2010, the Company advanced 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 last quarter. With the completion of the private placement, the Company terminated the credit agreement and repaid full amount of \$2.1 million principle plus \$85,285 interest and termination fees.

(b) During the three and six months ended December 31, 2010, the Company incurred \$18,000 and \$36,000 (three and six months ended December 31, 2010 - \$18,000 and \$36,000) respectively 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 three and six months ended December 31, 2010, the Company paid $31,500 and $63,000 (three and six months ended December 31, 2009 - $31,500 and $63,000) respectively to 0799952 BC Ltd., a company controlled by a former director and 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 disposal 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 MD&A.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported on the Consolidated Financial Statements. These critical accounting estimates represent management estimates that are uncertain and any changes in these estimates could materially impact the Company's financial statements. Management continuously reviews its estimates and assumptions using the most current information available.

There has no change to the Company's critical accounting policies and estimates since fiscal year 2010 ended June 30, 2010. Readers are encouraged to read the critical accounting policies and estimates as described in the Company's audited consolidated financial statements and Management's Discussion and Analysis for the year ended June 30, 2010.

FUTURE ACCOUNTING CHANGES

(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 early adoption permitted. Accordingly, the Company plans to adopt IFRS for fiscal years beginning July 1, 2011. The Company's first IFRS financial statements will be its interim financial statements for the first quarter of fiscal 2012 with an opening balance sheet date of July 1, 2010, which will require restatement of comparative information presented.

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. The transition may also impact business activities, such as certain contractual arrangements, debt covenants, capital requirements and compensation arrangements.

The Company has designated the appropriate resources to the conversion project to develop an effective plan and continues to assess resource and training requirements as the project progresses. The Company's conversion plan consists of the following four phases: scoping and planning, diagnostic assessment, operations implementation and post implementation. The Company has completed the scoping and planning phase. The scoping and planning phase involved establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas affected by the conversion and developing a project charter, implementation plan and communication strategy. The resulting identified areas of accounting difference of highest potential impact to the Company, based on existing IFRS, are business combinations, impairment of assets, property plant and equipment, provisions and contingent liabilities, exploration and evaluation expenditures, income taxes, financial instruments and initial adoption of IFRS under the provisions of IFRS 1 First-Time Adoption of IFRS.

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The diagnostic assessment phase ("phase 2") which is in progress will result in the selection of IFRS accounting policies and transitional exemption decisions, estimates of quantification of financial statement impacts, preparation of shell financial statements and identification of business processes and resources impacted. The Company has completed the selection of IFRS accounting policies and transitional exemptions decisions. Estimates of the quantified impacts of anticipated changes to the Company's current accounting policies on the Company's IFRS opening balance sheet have been substantially completed and business processes and resources impacted have been identified. The Company's IFRS transition date balance sheet as at July 1, 2010 is scheduled to be reviewed by the Audit Committee in the third quarter of fiscal 2011.

As a result of phase 2, the Company has identified the key areas where changes in accounting policies are expected on our transition from Canadian GAAP to IFRS, as listed below. This list is intended to highlight the areas that we have determined to be the most significant and should not be regarded as a complete list of changes that will result from the transition to IFRS. As noted above, the Company has substantially, but not yet fully, completed the quantification of the impact of these changes at this stage in our conversion project.

IFRS 1, "First time adoption of International Financial Reporting Standards", generally requires that all IFRS standards and interpretations be accounted for on a retrospective basis. IFRS 1 provides for certain optional exemptions and other mandatory exceptions to this general principle. The most significant IFRS optional exemptions which we are likely to apply are:

Exemption	Summary of exemptions
IFRS 2, Share-based payments	Full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any related liabilities.
IFRS 3, Business combinations	Allows an entity that has conducted prior business combinations to apply IFRS 3 on a prospective basis from the date of transition. This avoids the requirement to restate prior business combinations.
IAS 21, Cumulative translation differences	Allows an entity to deem all cumulative translation differences to be zero at the date of transition.
IAS 23, Borrowing costs	This exemption allows a first time adopter to apply IAS 23(revised) from the date of transition to IFRS for all qualifying assets for which the capitalization start date is on or after that date.
IAS 27, Non-controlling interests	Allows an entity to apply IAS 27 paragraphs 28, 30, 31, and 34-37 on a prospective basis from the date of transition. This avoids the requirement to restate non-controlling interests that had a deficit balance in prior periods.
IAS 27, Investments in subsidiaries, jointly controlled entities and associates	Allows a first time adopter to measure its investments in subsidiaries, jointly controlled entities and associates at either (a) cost; or (b) fair value at the entity's date of transition as deemed cost.
IFRIC 1, Decommissioning liabilities	This exemption allows a first time adopter to utilize a more straightforward methodology for

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	measuring the liability and cost of the related asset.
Fair value as deemed cost	An entity can elect to measure an asset at the date of transition to IFRS at its fair value, and use that fair value as its deemed cost at that date.

The operations implementation phase ("phase 3") includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the IFRS opening balance sheet at July 1, 2010, fiscal 2012 and thereafter. Phase 3 also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures. Changes to the reporting and system processes to support preparation of the IFRS opening balance sheet at July 1, 2010 were substantially completed during the quarter.

Post implementation ("phase 4") will include sustainable IFRS compliant financial data and processes for fiscal 2012 and beyond. The International Accounting Standards Board continues to amend and add to current IFRS standards with several projects currently underway. The Company's conversion process includes monitoring actual and anticipated changes to IFRS standards and related rules and regulations and assessing the impacts of these changes on the Company and its reporting, including expected dates of when such impacts are effective.

(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.

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.

The new standards will become effective prospectively to business combination for which the acquisition in on or after July 1, 2011, the beginning of the first annual reporting period, with early adoption available. The Company has not early adopted these new standards but continues to evaluate the attributes of early adoption of these standards and their potential effect.

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 - 66,464,203 common shares with a recorded value of $54,549,379
Shares subject to escrow or pooling agreements is nil.

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(b) Options

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

Options outstanding	Exercise prices $	Expiry Date
450,000	0.50-1.85	March 15, 2011
13,000	0.88	August 28, 2011
220,000	1.25	November 30, 2011
432,000	1.55	July 16, 2012
79,572	1.55	January 30, 2013
785,000	0.50	January 18, 2014
1,338,750	0.65	June 13, 2015
250,000	1.44	November 1, 2015
810,000	1.60	November 29, 2015
220,000	1.65	December 21, 2015
10,000	2.04	December 28, 2015
4,608,322		

(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

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 three and six months ended December 31, 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.

OUTLOOK

Beginning early in 2011, the Company plans to initiate an aggressive program to move the newly acquired Tagish Lake Gold Property towards timely gold and silver production. A highly experienced team with expertise in the areas of gold exploration, mining and metallurgy, as well as community development and the environment, is being assembled to assist in bringing the Company's existing gold and silver resources to development and discovering new ones. High priority will be given to compiling, reviewing and synthesizing the vast amount of drill core and surface exploration results amassed from three decades of exploration and underground development. This work will underpin a major surface and underground drilling campaign to explore the priority targets generated during the data review. The Company also intends to file for additional permits to support on-going exploration and development, and will initiate a major program directed to permitting a mine and mill, including First Nations consultations, community, government and stakeholder engagement, and a wide variety of hydrological, wildlife socio-economic and other studies necessary to support a mining application.