DATE OF REPORT November 26, 2010

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 months ended September 30, 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 mineral properties in Canada and China. The Company's current projects include the recently acquired the Tagish Lake Gold Project in the Yukon, the Eva Lake Property in northern British Columbia, and the Sichuan Project in China. With experienced management, the Company is well positioned to build shareholders value through discovery, exploration and resource development.

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

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

PROJECTS OVERVIEW

(a) Tagish Lake Gold Project

During the quarter, through a take-over bid offering, the Company completed the acquisition of 79.2% of the issued and outstanding shares of Tagish Lake Gold Corp. ("TLG") for a consideration of $16.4 million. TLG is a Canadian publicly traded company that explores for and develops high grade gold-silver mineral deposits in the Yukon Territory. The TLG's main asset, the Tagish Lake Gold Project (the "Project"), consists of 982 mining claims with three identified gold and gold-silver mineral deposits: Skukum Creek, Goddell Gully and Mount Skukum. The Project, covering an area of 178 km^2, is located 80 km south of Whitehorse, Yukon. The Project has a 270 tonne/day mill, a 55-man all season camp on the site and is accessible year around by all-weather road. Measured and indicated Resources of the Project are 1.4 million tonnes at 7.4 gram/tonne ("g/t") gold and 140.0 g/t silver and inferred resources of 574,200 tonnes at 9.35g/t gold and 42.6 g/t silver.

A pre-feasibility study on the Project was conducted by the previous owner in 2003, and was last updated in February 2008. The previous exploration expenditures on the Project were more than $30 million for works include: 64,477 meters of surface and underground diamond drilling in 422 holes drilled between 1987 to 2008, and 4,830 meters of drift completed, which will enable smooth startup of mining operation.

The Company intends to acquire the remaining TLG shares by conducting a subsequent acquisition. With a 100% ownership, the Company plans to develop Skukum Gold Project to production while exploring the resource potential in this area.

More information regarding the Project can be found from the TLG's website at www.tagishgold.com.

(b) 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.

In July 2010, JCJM signed a share transfer and cooperation framework agreement (the "Transfer Agreement") with a Chinese gold investment company, the PGC Group Co. Ltd ("PGC"). According to the Transfer Agreement, the Company will transfer its 100% interest in JCJM to PGC for $30.5 million (CNY¥200 million). JCJM's main assets consist of the XSK and HNK gold-polymetallic projects (collectively "Huaiji Project") located in Guangdong, China.

Pursuant to the Transfer Agreement, PGC will first purchase a 60% interest of JCJM for $15.25 million (CNY¥100 million) in three installments: 1) first payment of $3.05 million (Chinese Yuan, or CNY ¥20 million) within 5 business days of signing the Agreement; 2) second payment of $4.58 million (CNY ¥30 million) within 25 business days of required due diligence documents are provided to PGC; and 3) third payment of $7.63 million (CNY ¥50 million) within 5 business days of the 60% interest being officially transferred to PGC, as evidenced by a new business license issued by Chinese government authorities. After the first purchase, JCJM will become a 60%/40% sino-foreign joint venture business between PGC and the Company

PGC will purchase the remaining 40% interest from the Company for $15.25 million (CNY ¥100 million) within 24 months of signing the Transfer Agreement. The consideration for the payment will be through the issuance of shares of a subsidiary of PGC. The subsidiary is in the process of applying for an initial public offering ("IPO") or reverse take-over ("RTO") on one of the Chinese stock exchanges. In the event that the subsidiary of PGC fails to be listed through IPO or RTO, or if it does not wish to issue shares to the

Company, PGC agrees that it will make a cash payment of $15.25 million (CNY ¥100 million) to the Company for the remaining 40% interest.

The Company has agreed to pay a finder's fee of 6% for the first $15.25 million payment and 5% for the second $15.25 million payment to a third party. The completion of the whole transaction is subject to government and regulatory authorities' approval.

On August 12, 2010, the initial installment of $3.08 million (CNY¥20million) was received by the Company and recorded as deposits received on the Company's consolidated balance sheet.

The assets of JCJM are 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 September 30, 2010, a total of $4,336,032 exploration expenditures have been incurred at Huaiji Project and $1,091,198 has been recovered from the sales of tunneling by-product. As at September 30, 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

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

During the three months ended September 30, 2010, one permit of the Sichuan Project with exploration costs of $327,472 was disposed of for $64,895(CNY¥430,000), and a loss of $262,577 was recorded as loss on disposal of mineral property interest on the consolidated statements of loss.

(d) Kang Dian Project

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

During the three months ended September 30, 2010, the Company completed disposition of an exploration permit of the Kang Dian Project, the book value of which was written off during the year ended June 30, 2008. The total proceeds and gain of the disposition were $277,020 (CNY¥1.8 million).

(e) 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 September 30, 2010, the Company conducted airborne geophysical surveys at an area of 45.2 square kilometers for a total cost of $42,536 at the Eva Lake Project.

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

(f) Project Expenditures

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

Expenditures	**Tagish Lake**	**Eva Lake**	**Sichuan**	**Total**
Balance, June 30, 2010	$ -	$ 9,209	$ 441,562	$ 450,771
Mineral property acquisition costs	30,451,992	-	-	30,451,992
Capitalized exploration and development costs				
Drilling and assay	-	1,474	-	1,474
Geophysical and geochemical surveys	-	38,821	-	38,821
Site activities	-	2,241	6,812	9,053
Disposition of mineral property interest	-	-	(327,472)	(327,472)
Balance, September 30, 2010	**$ 30,451,992**	**$ 51,745**	**$ 120,902**	**$ 30,624,639**

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

For the three months ended September 30, 2010 ("Q1 2011"), the Company incurred a loss of $603,968, or $0.018 per share (three months ended September 30, 2009 or Q1 2010 - $431,586, or $0.014 per share). Of the total loss reported, $470,433 (Q1 2010 - $373,342) was from continuing operations and $133,535 (Q1 2010 - $58,244) was from discontinued operation relating to the disposition of JCJM.

(b) Expenses

During the three months ended September 30, 2010, the Company incurred total expenses of $500,041, an increase of $109,730 compared to same period last year (Q1 2010 - $390,311). The analysis for main expense items are as follows:

(i) Consulting

Consulting fees of $49,500 incurred in Q1 2011 are comparable with consulting fees of $50,531 incurred in Q1 2010.

(ii) Filing and listing

During the three months ended September 30, 2010, the Company incurred filing and listing expenses of $41,276, an increase of $38,904 compared to same period last year (Q1 2010 - $2,372). The increase was mainly due to listing fees for the Company shares which were issued in exchange of TLG shares.

(iii) Investor relations

During the three months ended September 30, 2010, investor relations expenses decreased by $22,731 to $16,682 (Q1 2010 - $39,413) as the Company attended fewer conferences and shows during the period.

(iv) Salaries and benefits

During the three months ended September 30, 2010, salaries and benefits expense increased by $62,101 to $135,209 (Q1 2010 - $73,108). The increase was mainly attributed to the increased corporation activities and additional head office staff compared to prior year.

(v) Office and administration

Office and administration of $20,650 in Q1 2011 were comparable with $22,943 in the same period last year.

(vi) Stock-based compensation

During the three months ended September 30, 2010, stock-based compensation increased by $49,514 to $196,107 (Q1 2010 - $146,593) mainly due to the vesting of new options granted in June 2010.

(c) Gain on Disposal of Mineral Property Interest

During the three months ended September 30, 2010, the Company recognized a gain of $14,443 (CNY¥93,848) (Q1 2010 - $nil) on disposal of exploration permits, as the Company completed the disposition of two exploration permits, respectively of the Kang Dian Project and the Sichuan Project, while there was no such disposition during the same period last year.

(d) Loss from Discontinued Operations

During the three months ended September 30, 2010, in connection with the Transfer Agreement to transfer 100% interest in JCJM to a third party, the Company accounted for JCJM as discontinued operation. The loss of $133,535 incurred by JCJM was recorded as loss from discontinued operation on the consolidated statements of loss. The loss of 58,244 incurred by JCJM in Q1 2010 was also reclassified for comparative purposes.

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

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

SUMMARY OF QUARTERLY RESULTS

	For the Quarters Ended			
	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09
Expenses	$ (500,041)	$ (535,778)	$ (380,751)	$ (384,967)
Other income and expenses	29,608	(2,662)	17,663	34,074
Loss from continuing operations	(470,433)	(538,440)	(363,088)	(350,893)
(Loss) income from discontinued operations	(133,535)	75,709	(54,579)	(88,558)
Net loss	(603,968)	(462,731)	(417,667)	(439,451)
Basic and diluted loss per share from continuing operations	(0.014)	(0.017)	(0.011)	(0.011)
Basic and diluted (loss) earning per share from discontinued operations	(0.004)	0.002	(0.002)	(0.003)
Basic and diluted loss per share - total	(0.018)	(0.015)	(0.013)	(0.014)
Total assets	45,864,404	14,511,208	14,623,548	14,967,730

	For the Quarters Ended			
	30-Sep-09	30-Jun-09	31-Mar-09	31-Dec-08
Expenses	$ (390,311)	$ (582,403)	$ (18,824)	$ (423,568)
Other income and expenses	16,969	242,702	82,584	312,510
(Loss) income from continuing operations	(373,342)	(339,701)	63,760	(111,058)
Loss from discontinued operations	(58,244)	(69,697)	-	-
Net (loss) income	(431,586)	(409,398)	63,760	(111,058)
Basic and diluted (loss) earning per share from continuing operations	(0.012)	(0.011)	0.002	(0.004)
Basic and diluted loss per share from discontinued operations	(0.002)	(0.002)	-	-
Basic and diluted (loss) earnings per share - total	(0.014)	(0.013)	0.002	(0.004)
Total assets	15,373,053	15,376,817	15,630,760	14,821,056

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

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

For the quarter ended September 30, 2010, the Company recorded a loss of $133,535 from discontinued operation JCJM.

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

(a) Credit Agreement with Silvercorp Metals Inc. ("SVM")

Dated on July 21, 2010 and subsequently amended on August 24, 2010, the Company entered into a Credit Agreement (the "Credit Agreement") with Silvercorp Metals Inc., an affiliate of the Company. Pursuant to the Credit Agreement, SVM will provide a non-revolving credit under which the Company may borrow by way of a multiple advances from SVM an aggregate principal amount up to $15 million (the "Credit"). The Credit bears an interest rate at prime rate by Bank of Montreal plus 7%, payable on the 1st day of each month and is secured by a first fixed charge on the Company assets, including the Company newly acquired assets of TLG. Subsequent to September 30, 2010, the Company has withdrawn a total of $2.45 million including establish fees of $350,000 as required by the Credit Agreement.

(b) Settlement of TLG's debts

In September 2010, the Company completed the acquisition of a 79.2 % controlling interest in TLG, at which time TLG was under creditor protection under the Companies' Creditors Arrangement Act ("CCAA"). For the purpose of lifting from CCAA, a plan of compromise and arrangement (the "Plan"), authorized by the Court, was approved by creditors on October 22, 2010. Pursuant to the Plan, on October 25, 2010, The Company and TLG entered into a loan agreement, according to which the Company agreed to provide a loan to TLG for settlement of all the proven secured and unsecured debts. On October 26, 2010, The Company advanced a principal amount of $8.25 million to TLG, who in turn repaid all of the creditors' proven claims. As a result, TLG has been released from CCAA on October 29, 2010.

(c) Working Capital

As at September 30, 2010, the Company had a working capital deficit of $250,985 (June 30, 2010 – positive $8,964,681) mainly comprised of cash and cash equivalents $5,046,753 (June 30, 2010 - $6,430,588), cash held in trust of $3,078,000 (June 30, 2010 - $nil), short term investments $3,000,000 (June 30, 2010 - $2,904,360), receivables and prepaid expenses $246,608 (June 30, 2010 - $93,937), asset held for sale $94,729 (June 30, 2010 - $330,742), offset by current liabilities of $11,717,075 (June 30, 2010 - $794,946). The decrease of working capital was mainly due to the consolidation of TLG's debts of $8.3 million.

(d) Cash Flows

(i) Operating Activities

During the three months ended September 30, 2010, cash used in operating activities of continuing operations of $481,282 (Q1 2010 - $220,569), mainly resulted from loss of $603,968 (Q1 2010 - $431,586) including loss from discontinued operations of $133,535 (Q1 2010 - $58,244), decrease of non-cash working capital $195,695 (Q1 2010 – $1,675), offset by items not affecting cash $184,846 (Q1 2010 - $154,448).

During the three months ended September 30, 2010, cash used in operating activities of discontinued operation was $221,658 (Q1 2010 - $203,643)

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

(ii) Investing Activities

During three months ended September 30, 2010, cash used by investing activities of continuing operations of $964,990 (Q1 2010 - provided $684,657) mainly resulted from: acquisition of net assets of TLG of $787,076 (Q1 2010 - $nil), purchase of short term investments of $95,640 (Q1 2010 – redemption of $1,000,000), reclamation deposit paid of $15,000 (Q1 2010 - $nil), expenditures of $49,351 for mineral property interest (Q1 2010 - $6,993) and cash disposed of as a result of disposition of discontinued operations $73,183 (Q1 2010 - $426,008); offset by proceeds of $55,260 from disposal of mineral property interest (Q1 2010 - $nil), deposit of $nil received for transfer of mineral property permits (Q1 2010 - $102,848), and proceeds of $nil from disposal of plant and equipment (Q1 2010 - $14,810).

During three months ended September 30, 2010, cash used by investing activities of discontinued operations was $16,760 (Q1 2010 - $275,692).

(iii) Financing Activities

For the three months ended September 30, 2010, cash used by financing activities of continuing operations of $5,425 (Q1 2010 – provided $51,668) was attributed to decrease of amount of due to related parties of $43,025 (Q1 2010 – increase $37,918), and shares issued for cash of $37,600 (Q1 2010 - $13,750) upon exercise of options.

During the three months ended September 30, 2010, cash provided by financing activities of discontinued operation was $nil (Q1 2010 - $78,500)

(iv) Foreign Exchange Effect

For the three months ended September 30, 2010, foreign exchange rate had a negative effect of $9,045 (Q1 2010 - $24,774) on cash and cash equivalent.

(e) Liquidity and Capital Resources

As at September 30, 2010, the Company had a working capital deficit of $250,985. As the Company entered into a credit facility of $15 million during the quarter, and also is expecting cash flows from the transfer of JCJM over the next twelve months, management believes that the Company has sufficient funds to complete current acquisition and 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 September 30, 2010.

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 September 30, 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	$ 5,046,753	$ -	$ -	$ 5,046,753
Short term investments	3,000,000	-	-	3,000,000
Cash held in trust	3,078,000	-	-	3,078,000
Long term investments	103,680	-	-	103,680
Financial Liabilities				
Deposits received	$ -	$ 3,078,000	$ -	$ 3,078,000

(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, its committed loan facilities, and cash flow expected from its investing activities. During the quarter, the Company entered into a $15 million credit facility for funding the acquisition of TLG.

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.

	September 30, 2010	June 30, 2010
	Due within a year	Due within a year
Accounts payable and accured liabilities	**$ 8,418,958**	$ 133,990
Due to related parties	**55,247**	98,272
Liabilities held for sale	**164,870**	301,496
	$ 8,639,075	$ 533,758

The Company expects to be able to meet its obligations with proceeds available from the $15 million line of credit facility and expected proceeds from disposition of JCJM.

(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		September 30, 2010		June 30, 2010
United States Dollar		**38,081**		562,157
Chinese Yuan		**3,299,841**		408,903
Total financial assets	**$**	**3,337,922**	$	971,060
United States Dollar		**1,321**		-
Chinese Yuan		**3,245,934**		565,566
Total financial liabilities	**$**	**3,247,255**	$	565,566

As at September 30, 2010, with other variables unchanged, a 5% strengthening (weakening) of the Chinese Yuan against the Canadian dollar would have decreased (increased) net loss by approximately $3,000.

As at September 30, 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 September 30, 2010.

(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.

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

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

RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in this report are as follows:

	Three months ended September 30,			
Transactions with related parties		**2010**		2009
Silvercorp Metals Inc. (a)	$	**96,144**	$	52,241
R. Feng Consulting Ltd. (b)		**18,000**		18,000
0799952 BC Ltd.(c)		**31,500**		31,500
	$	**145,644**	$	101,741

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

Amount due to a related party		**September 30, 2010**		June 30, 2010
Silvercorp Metals Inc. (a)	**$**	**55,247**	$	79,372
R. Feng Consulting Ltd. (b)		**-**		18,900
	$	**55,247**	$	98,272

(a) Silvercorp Metals Inc. ("SVM") has a director and officers in common with the Company and shares office space and provides various general and administrative services to the Company. During the three months ended September 30, 2010, the Company recorded total expenses of $96,144 (three months ended September, 2009 - $52,241) for services rendered and expenses incurred by SVM on behalf of the Company.

On July 21, 2010, The Company entered into a Credit Agreement (the "Agreement") with SVM, which was subsequently amended on August 24, 2010, for the purpose of proceeding with take- over bid of Tagish Lake Gold Corp. Pursuant to the Agreement, SVM agrees to provide a non-revolving credit line under which the Company may borrow by way of multiple advances from SVM an aggregate principal amount up to $15,000,000 (the "Credit"). The Credit bears an interest rate at prime rate by Bank of Montreal plus 7%, payable on the 1st day of each month and is secured by a first fixed charge on the Company's assets, including the Company's newly acquired assets Tagish Lake Gold Project. As of October 26, 2010, the Company has withdrawn a total of $2.45 million including establish fees of $350,000 as required in the Agreement.

(b) During the three months ended September 30, 2010, the Company incurred $18,000 (three months ended September 30, 2009 - $18,000) 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 three months ended September 30, 2010, the Company paid $31,500 (three months ended September 30, 2009 - $31,500) to 0799952 BC Ltd., a company controlled by a director of the Company, for consulting services.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

(a) Credit Agreement with TLG

On October 25, 2010, the Company entered a credit agreement (the "TLG Agreement") with TLG to provide a loan in the principal amount of up to $8.25 million (the "Loan") to TLG to fund the required repayment of all proven claims of creditors against TLG as determined pursuant to the CCAA proceedings. As of October 26, 2010, the Company has provided the proceeds of the Loan directly to Grant Thornton Limited, the monitor appointed under the CCAA proceedings.

(b) Acquisition of remaining TLG shares

On November 3, 2010, the Supreme Court of British Columbia issued an interim order authorizing TLG to call a meeting of its shareholders to consider and pass a special resolution approving the proposed arrangement, which will allow the Company to acquire all remaining outstanding TLG shares which the Company does not currently hold at the same term as those previously acquired.

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 earlier adoption permitted. Accordingly, the Company plans to adopt IFRS for fiscal years beginning July 1, 2011.

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

(ii) Business Combinations and Related Sections

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

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

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

The new standards will become effective prospectively to business combination for which the acquisition in on or after January 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 – 45,339,488 common shares with a recorded value of $31,550,860
Shares subject to escrow or pooling agreements is nil.

(b) *Options*

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

Options outstanding	Exercise prices $	Expiry Date
335,000	0.56	March 8, 2011
13,000	0.88	August 28, 2011
250,000	1.25	November 30, 2011
450,000	1.55	July 16, 2012
79,572	1.55	January 30, 2013
200,000	1.85	March 25, 2013
200,000	3.05	May 12, 2013
1,131,200	0.50	January 18, 2014
1,540,000	0.65	June 13, 2015
300,000	1.44	November 1, 2015
4,498,772		

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 months ended September 30, 2010.

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

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

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

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

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

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

OUTLOOK

The Company is planning to increase interest in TLG to 100% by acquiring remaining shares currently not held by the Company, and to develop Tagish Lake Gold Project to production while exploring the resource potential in this area.