NEW PACIFIC METALS CORP.
Management's Discussion and Analysis
Three and nine months ended March 31, 2011
(Expressed in Canadian Dollars, except share, per share data)

DATE OF REPORT May 20, 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 nine months ended March 31, 2011 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, 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 its 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,

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

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, the 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.

As of March 31, 2011, a total of $567,054 exploration expenditures incurred, of which $436,321 was paid during the current quarter.

(i) <u>*Skukum Creek Project*</u>

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 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.

(ii) <u>*Goddell Project*</u>

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 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.

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.

As of the reporting date of this MD&A, the Company has cleared the access road, acquired necessary equipment and supplies, installed a power generator, and recruited four technical staff to assist in the dewatering. The equipment purchased includes generators, a front end loader, dewatering pumps, ventilation, electrical equipment, and underground mine equipment to excavate the new drill stations and to complete future development work.

With prior approval from Yukon government authorities, the Goddell Portal is currently being dewatered and the water level has been lowered markedly from the entrance of the portal since the de-watering started. Based on the dewatering rate of 290 cubic metres per day, it is anticipated that the portal will be completely dewatered in June 2011.

Once de-watered, the portal will be rehabilitated and eight new drill stations will be developed along the 780 metre long decline in addition to the five existing stations. Based on the current dewatered portion of the portal, the rock stability situation is robust and it is anticipated that minimum ground support and rehabilitation is required. The Company has filed for an explosive permit with the Yukon government to allow for underground blasting. Underground drilling is expected to commence in early July and can be carried out year around.

Once the Goddell Portal de-watering is completed, the Company intends to de-water the Skukum Creek Portal in preparation for underground drilling from that Portal.

(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.

More information regarding the Tagish Lake Gold Property can be found from the Company's news release dated on January 13, 2011 and April 20, 2011 from the Company's website at www.newpacificmetals.com.

(b) Eva Lake Project

The Eva Lake Project is comprised 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 nine months ended March 31, 2011, the Company completed airborne geophysical surveys at an area of 45.2 square kilometers for a total cost of $89,510 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.

The Company, through its wholly owned subsidiary Lachlan Gold Ltd. ("Lachlan"), entered a share transfer agreement (the "Agreement") in July 2010 with a Chinese gold investment company, the PGC Group Co. Ltd ("PGC"). The Agreement was subsequently amended in October 2011. Pursuant to this Agreement, the Company has transferred 100% interest of JCJM to PGC for cash consideration of $22.5 million (CNY ¥150 million). JCJM's main assets consist of the XSK and HNK gold-polymetallic projects (collectively the "Huaiji Project") located in Guangdong, China.

The transaction was closed in March 2011 and the Company recognized a gain of $16,122,795 on disposition of JCJM, which was included in the consolidated financial statements. As of March 31, 2011, the net proceeds of $19.5 million (CNY ¥130.5 million), which consisted of gross proceeds of $22.5 million (CNY ¥150 million), net of withholding taxes of $1.6 million (CNY ¥10.4 million) and transaction costs of $1.4 million (CNY ¥9.1 million), was received by the Company.

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.

(d) Sichuan Project and Kang Dian Project

In October 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.

As at March 31, 2011, HXM's main assets include Sichuan Project with net book value of $120,902, 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 March 31, 2011, four exploration permits have been disposed of by the Company, and the other four exploration permits remain with HXM.

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.

(e) Exploration Expenditures

The following table summarizes the exploration expenditures of Tagish Lake Gold property and Eva Lake Property for the nine months ended March 31, 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 acquisition costs	28,079,670	-	28,079,670
Capitalized exploration and development costs			
First nation consultation	10,000		10,000
Reporting & assessment	253,257	-	253,257
Drilling and assay	-	1,474	1,474
Geophysical and geochemical surveys	-	85,795	85,795
Site activities	298,950	2,241	301,191
Site preparation	1,800	-	1,800
Permitting	3,047	-	3,047
Balance, March 31, 2011	**$ 28,646,724**	**$ 98,719**	**$ 28,745,443**

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 three months ended March 31, 2011, the Company completed the sale of JCJM, and a gain of $16,122,795 from disposition of a subsidiary was recorded in the consolidated statement of income. Net proceeds of $19.5 million (CNY ¥130.5 million) was also received.

During the nine months ended March 31, 2011, the Company acquired all of the outstanding shares of TLG through a take-over bid effect by a plan of arrangement and achieved 100% ownership.

For the three months ended March 31, 2011 ("Q3 2011"), the Company recorded net income of $15,232,225 or $0.232 per share, of which a total income of $15,292,495 was from continuing operations, and a loss of $60,270 was from discontinued operations relating to the disposition of JCJM and HXM. The income of $15,492,495 from continuing operations was mainly due to a gain of $16,122,795 recorded on disposal of a subsidiary. For the three months ended March 31, 2010 ("Q3 2010"), the Company recorded a loss of $417,667 or $0.013 per share, of which a total of $345,739 was from continuing operations, and a total of $71,928 was from discontinued operations.

For the nine months ended March 31, 2011, the Company recorded net income of $13,472,536 or $0.277 per share, of which a total income of $13,879,001 was from continuing operations, and a loss of $406,465 was from discontinued operation of JCJM and HXM. The income of $13,879,001 from continuing

operations was mainly due to a gain of $16,122,795 recorded on disposal of a subsidiary. A loss of $1,288,704 or $0.040 per share was record for the nine months ended March 31, 2010. Of the total loss reported, $1,044,284 was from continuing operations and $244,420 was from discontinued operations relating to the disposition of JCJM and HXM.

(b) *Expenses*

During the three months ended March 31, 2011, the Company incurred total expenses of $919,083, an increase of $555,675, compared to same period last year of $363,408. During the nine months ended March 31, 2011, the Company incurred total expenses of $2,417,959, an increase of $1,319,010 compared to same period last year of $1,098,949. The analysis for main expense items are as follows:

(i) *Audit and accounting*

During the three months ended March 31, 2011, audit and accounting fees increased by $14,418 to $29,418 (Q3 2010 - $15,000).

During the nine months ended March 31, 2011, audit and accounting fees increased by $47,247 to $87,388 (nine months ended March 31, 2010 - $40,141).

The increase was mainly due to fees paid to the Company's auditor for services related to quarterly review and IFRS conversion.

(ii) *Filing and listing*

During the three months ended March 31, 2011, the Company incurred filing and listing expenses of $4,465, comparable with filing and listing fees of $3,985 in same period last year.

During the nine months ended March 31, 2010, the Company incurred filing and listing expenses of $79,623, an increase of $67,332 compared to same period last year (nine months ended March 31, 2010 - $12,291). The increase was mainly due to listing and regulatory fees incurred by TLG.

(iii) *Interest and finance charge*

During the three months ended March 31, 2011, interest and finance charge was $980 (Q3 2010 - $276) for bank service charges.

During the nine months ended March 31, 2011, interest and finance charge increased by $89,681 to $90,784 (Q3 - $1,103). 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.

(iv) *Investor relations*

During the three months ended March 31, 2011, investor relations expenses increased by $18,553 to $30,967 (Q3 2010 - $12,414) as the Company attended more conferences and shows during the period.

During the nine months ended March 31, 2011, investor relations was $67,251, which was comparable with $63,132 incurred in the same period last year.

(v) *Legal and professional fees*

For the three months ended March 31, 2011, legal and professional fees increased by $10,949 to $13,922 (Q3 2010 - $2,973).

During the nine months ended March 31, 2011, legal and professional fees increased by $172,378 to $181,109 (nine months ended March 31, 2010 - $8,731).

The increase was primarily attributed to professional fees incurred in connection with the TLG CCAA proceeding.

(vi) *Salaries and benefits*

During the three months ended March 31, 2011, salaries and benefits expense increased by $209,734 to $301,064 (Q3 2010 - $91,330).

During the nine months ended March 31, 2011, salaries and benefits expense increased by $399,313 to $637,458 (nine months ended March 31, 2010 - $238,145).

In connection with the acquisition of TLG, the Company assembled a core team of professionals to carry out the exploration and development of Tagish Lake Gold 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.

(vii) *Office and administration*

During the three months ended December 31, 2010, office and administration was $21,803 (Q3 2010 - $20,419).

During the nine months ended March 31, 2011, office and administration increased by $12,976 to $65,233 (nine months ended March 31, 2010 - $52,257).

(viii) *Stock-based compensation*

During the three months ended March 31, 2011, stock-based compensation increased by $112,687 to $191,504 (Q3 2010 - $78,817) due to the increased number of options granted.

During the nine months ended March 31, 2011, stock-based compensation increased by $366,554 to $720,395 (nine months ended March 31, 2010 - $353,841).

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 $337,243 related to option cancellation and amendment.

(ix) *Foreign exchange loss*

During the three months ended March 31, 2011, the Company recorded foreign exchange loss of $224,362 (Q3 2010 - $1,200) due to weakening Chinese yuan relative to the Canadian dollar.

During the nine months ended March 31, 2011, foreign exchange loss was $234,752 (nine months ended March 31, 2010 - $8,782)

(c) Gain on Disposal of a Subsidiary

During the three and nine months ended March 31, 2011, the Company closed the sale transaction of JCJM and recorded a gain of $16,122,795 (three and nine months ended March 31, 2010 - $nil).

(d) Gain on Disposal of Marketable Securities

During nine months ended March 31, 2011, the Company recognized a gain of $62,117 (nine months ended March 31, 2011 - $nil) on the disposal of marketable securities the Company acquired in previous quarters through the open market.

(e) Interest Income

During the three months ended March 31, 2011, the Company recorded interest income of $88,783, an increase of $71,114 compared to the interest income of $17,669 recorded in the same period last year.

During the nine months ended March 31, 2011, the Company recorded interest income of $112,048, an increase of $57,383 compared to interest income of $54,665 recorded in the same period last year.

The increased income was from the interest on a $20 million investment in guaranteed interest certificates.

SUMMARY OF QUARTERLY RESULTS

	For the Quarters Ended			
	31-Mar-11	31-Dec-10	30-Sep-10	30-Jun-10
Expenses	$ (919,083)	$ (1,015,870)	$ (483,006)	$ (445,770)
Other income and expenses	16,211,578	70,391	14,991	6,039
Income (loss) from continuing operations	15,292,495	(945,479)	(468,015)	(439,731)
Loss from discontinued operations	(60,270)	(210,242)	(135,953)	(23,000)
Net income (loss)	15,232,225	(1,155,721)	(603,968)	(462,731)
Basic earning (loss) per share from continuing operations	0.233	(0.020)	(0.014)	(0.014)
Diluted earning (loss) per share from continuing operations	0.226	(0.020)	(0.014)	(0.014)
Basic and diluted loss per share from discontinued operations	(0.001)	(0.004)	(0.004)	(0.001)
Total assets	72,633,097	56,830,214	45,864,404	14,511,208

	For the Quarters Ended			
	31-Mar-10	31-Dec-09	30-Sep-09	30-Jun-09
Expenses	$ (363,408)	$ (370,010)	$ (365,531)	$ (551,138)
Other income and expenses	17,669	18,498	18,498	54,218
(Loss) income from continuing operations	(345,739)	(351,512)	(347,033)	(496,920)
(Loss) income from discontinued operations	(71,928)	(87,939)	(84,553)	87,522
Net (loss) income	(417,667)	(439,451)	(431,586)	(409,398)
Basic and diluted (loss) earnings per share from continuing operations	(0.011)	(0.011)	(0.011)	(0.016)
Basic and diluted (loss) earnings per share from discontinued operations	(0.002)	(0.003)	(0.003)	0.003
Total assets	14,623,548	14,967,730	15,373,053	15,376,817

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.

During the three months ended March 31, 2011, the Company completed the sale of JCJM and recorded a gain of $16,122,795 from its disposition

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 $1.1 million.

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

(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 March 31, 2011, the Company had a working capital position of $40,263,087 (June 30, 2010 - $8,964,681) comprised of cash and cash equivalents $22,493,662 (June 30, 2010 - $6,333,154), short term investments $20,023,000 (June 30, 2010 - $2,904,360), receivables and prepaid expenses $336,039 (June 30, 2010 - $85,623), inventories $43,813 (June 30, 2010 - $nil), and asset held for sale $304,308 (June 30, 2010 - $436,490), offset by current liabilities of $2,937,735 (June 30, 2010 - $794,946).

(d) Cash Flows

(i) Operating Activities

During the three months ended March 31, 2011, cash provided by operating activities of continuing operations of $929,797 (Q3 2010 - used $351,569), mainly resulted from income of $15,232,225 (Q3 2010 - loss $417,667) including loss from discontinued operations of $60,270 (Q3 2010 - $71,928), increase of non-cash working capital of $1,561,828 (Q3 2010 - decrease $85,908), offset by items not affecting cash $15,924,526 (Q3 2010 - $80,078).

During the nine months ended March 31, 2011, cash used in operating activities of continuing operations of $7,569,927 (nine months ended March 31, 2010 - $844,292), mainly resulted from income of $13,472,536 (nine months ended March 31, 2010 - loss $1,288,704) including loss from discontinued operations of $406,465 (nine months ended March 31, 2011 - $244,420), decrease of non-cash working capital $5,997,358 (nine months ended March 31, 2011- $157,431), and items not affecting cash $15,451,570 (nine months ended March 31, 2010 - positive $357,423).

During the three and nine months ended March 31, 2011, cash used in operating activities of discontinued operation was $207,562 and $535,349 (three and nine months ended March 31, 2010 - $212,055 and $409,675) respectively.

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

(ii) Investing Activities

During three months ended March 31, 2011, cash provided by investing activities of continuing operations of $18,399,200 (Q3 2010 - $1,326,435) mainly resulted from: net proceeds of $19,487,073 (Q3 2010 - $nil) from disposal of a subsidiary, offset by expenditures for mineral property interests of $436,321 (Q3 2010 - $nil), acquisition of plant and equipment of $324,425 (Q3 2010 - $nil), purchase of short term investments of $23,000 (Q3 2010 - redemption $1,691,459), and cash disposed of as a result of disposition of discontinued operations $304,127 (Q3 2010 - $312,738).

During nine months ended March 31, 2011, cash used in investing activities of continuing operations of $1,195,458 (nine months ended March 31, 2010 - provided $2,323,527) mainly resulted from: acquisition of net assets of TLG of $2,474,396 (nine months ended March 31, 2010 - $nil), purchase of short term investments of $17,118,640 (nine months ended March 31, 2010 - redemption of $2,691,459), expenditures of $616,078 for mineral property interest (nine months ended March 31, 2010 - $nil), acquisition of plant and equipment of $347,173 (nine months ended March 31, 2010 - $2,908); and cash disposed of as a result of disposition of discontinued operations $304,127 (nine months ended March 31, 2010 - $312,738); offset by proceeds of $19,487,073 from disposal of a subsidiary (nine months ended March 31, 2010 - $nil), and proceeds of $192,883 from disposal of marketable securities (nine months ended March 31, 2010 - $nil).

During three and nine months ended March 31, 2011, cash provided by investing activities of discontinued operations was $nil and $31,685 (three and nine months ended March 31, 2010 - provided $294,838 and used $231,070) respectively.

(iii) Financing Activities

For the three months ended March 31, 2011, cash provided by financing activities of continuing operations of $1,533,027 (Q3 2010 - $9,743) was mainly from shares issued upon the exercise of employee options of $1,445,128 (Q3 2010 - $nil), and from increase of amount due to related parties of $87,899 (Q3 2010 - $9,743).

For the nine months ended March 31, 2011, cash provided by financing activities of continuing operations of $24,727,339 (nine months ended March 31, 2010 - $78,998) was mainly from shares issued from a private placement and the exercise of options for a total of $24,681,985 (nine months ended March 31, 2010 from exercise of options - $43,250), and increase of amount of due to related parties of $45,354 (nine months ended March 31, 2010 - $35,748).

During the three and nine months ended March 31, 2011, cash provided by financing activities of discontinued operation was $381,175 and $nil (three and nine months ended March 31, 2010 - $304,425 and $nil) respectively.

(iv) Foreign Exchange Effect

For the three and nine months ended March 31, 2011, foreign exchange rate had a negative effect of $3,032 and $14,966 (three and nine months ended March 31, 2010 - $10,691 and $49,094) respectively on cash and cash equivalents.

(e) Liquidity and Capital Resources

As at March 31, 2011, the Company had working capital of $40,263,087, 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 March 31, 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 have 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 March 31, 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	$ 22,493,662	$ -	$ -	$ 22,493,662
Short term investments	20,023,000	-	-	20,023,000

(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.

The Company manages liquidity by maintaining sufficient cash and cash equivalent and short term investment. As at March 31, 2011, the Company has a working capital of $40,263,087, 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.

	March 31, 2011	June 30, 2010
	Due within a year	Due within a year
Accounts payable and accured liabilities	**$ 2,484,379**	$ 131,108
Due to related parties	**143,626**	98,272
Liabilities held for sale	**309,730**	565,566
	$ 2,937,735	$ 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		March 31, 2011		June 30, 2010
United States dollar	**$**	**20,820,840**	$	562,157
Chinese yuan		**304,308**		408,903
Total financial assets	**$**	**21,125,148**	$	971,060
United States dollar		**18,956**		-
Chinese yuan		**309,730**		565,566
Total financial liabilities	**$**	**328,686**	$	565,566

As at March 31, 2011, with other variables unchanged, a 1% strengthening (weakening) of the U.S. dollar against the Canadian dollar would have increased (decreased) net income by approximately $200,000.

As at March 31, 2011, with other variables unchanged, the effect from strengthening (weakening) of the Chinese Yuan against the Canadian dollar is negligible.

(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 March 31, 2011.

(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 March 31,		Nine months ended March 31,	
Transactions with related parties	**2011**	2010	**2011**	2010
Silvercorp Metals Inc. (a)	**$ 96,266**	$ 79,159	**$ 356,482**	$ 172,917
R. Feng Consulting Ltd. (b)	**18,000**	18,000	**54,000**	54,000
0799952 BC Ltd. (c)	**31,500**	31,500	**94,500**	94,500
	$ 145,766	$ 128,659	**$ 504,982**	$ 321,417

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 March 31, 2011, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Amount due to a related party	**March 31, 2011**	June 30, 2010
Silvercorp Metals Inc. (a)	**$ 123,466**	$ 79,372
R. Feng Consulting Ltd. (b)	**20,160**	18,900
	$ 143,626	$ 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 nine months ended March 31, 2011, the Company recorded total expenses of $96,266 and $356,482 (three and nine months ended March 31, 2010 - $79,159 and $172,917) 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 the last quarter. With the completion of the private placement, the Company terminated the credit agreement and repaid SVM the full amount of $2.1 million principle plus $85,285 interest and termination fees.

(b) During the three and nine months ended March 31, 2011, the Company incurred $18,000 and $54,000 (three and nine months ended March 31, 2011 - $18,000 and $54,000) 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 nine months ended March 31, 2011, the Company paid $31,500 and $94,500 (three and nine months ended March 31, 2010 - $31,500 and $94,500) respectively to 0799952 B.C. 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.

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 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 as of March 31, 2011.

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 - 67,314,203 common shares with a recorded value of $56,221,249
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
33,000	1.25	November 30, 2011
232,000	1.55	July 16, 2012
79,572	1.55	January 30, 2013
585,000	0.50	January 18, 2014
1,338,750	0.65	June 13, 2015
250,000	1.44	November 1, 2015
510,000	1.60	November 29, 2015
220,000	1.65	December 21, 2015
10,000	2.04	December 28, 2015
150,000	2.02	March 29, 2016
3,408,322		

(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 March 31, 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 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.

FISCAL 2012 YEAR OUTLOOK AND EXPLORATION PROGRAM BUDGET

The Company's focus is the development of the Tagish Lake Gold Property, a property which consists of 178 square kilometres of mineral claims in 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. The fiscal 2012 planned expenditures are broken down as follows:

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

2. *Surface Infrastructure ($0.68 million)* - The budget include expansion of the camp from 25 person to 50 person by refurbishing an 11,000 square feet camp facility already on site, refurbishing a 5,000 square feet geological office and core logging facility, and repairing some access roads.

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)* - The de-watering, rehabilitation, and new drill station preparation at Goddell portal is currently underway and will be completed by the end of June 2011. Underground drilling is expected to start in mid-July with two underground drill rigs being employed to carry out about 23,000 metres of underground drilling. The underground drilling will focus on the area of 1,000 metre long and 600 metre down or up dip of the PD Zone and the Merged Zone, 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)* - At the Skukum Creek site, located at about six kilometres southwest from the Goddell Portal, 13,000 metres of underground drilling is planned to target depth extensions of four mineralized zones where historical drilling has only focused on portions of the four mineralized zones and only to about 300 metres from the surface.

6. *Surface drilling and geophysics ($4.6 million)* - Commencing July 2011, a total of 24,000 metres of surface drilling is planned, of which 5,500 metres is at the Raca site. For 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 the known historical drilling and surface gold anomalies. The 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 the surface, soil gold anomalies outlined before 1998 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 1,000 ppb gold. Based on a 1986 geological report by West Mount Resources, several surface chip samples over >10 metres wide 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, a surface extension of the Goddell mineralization zone, and a copper-molybdenum anomaly at the Porter alteration structure zone.

The Company is also expanding its land holding by staking the area surrounding its existing land position. Concurrent with this surface drilling, the Company will conduct airborne geophysical survey of 1,000 line kilometers and ground survey of 40 line kilometers.

7. *General operations ($1.5 million)* – These costs are for general operations such as camp operations, safety measures, and salaries and administration.