



(Formerly Mega Silver Inc.)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011**

**Date of Report: November 24, 2011**

### **General**

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The following Management's Discussion and Analysis ("MD&A") of Mega Precious Metals Inc. (the "Corporation" or "Mega") should be read in conjunction with the unaudited condensed consolidated interim financial statements for three and nine months ended September 30, 2011 and the notes thereto. The Corporation's condensed consolidated interim financial statements have been prepared in accordance with International financial reporting standards ("IFRS"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of November 24, 2011, and all information is current as of such date. Readers are encouraged to read the Corporation's public information filings on SEDAR at [www.sedar.com](http://www.sedar.com).

This discussion provides management's analysis of Mega's historical financial and operating results and provides estimates of Mega's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, reliance should not be placed on forward-looking statements. Mega's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, if any, that Mega will derive there from. Mega disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable law.

### **Corporate Overview**

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Mega Precious Metals Inc. is a Canadian-based junior exploration and development company with exploration projects throughout Canada. The principal business of the Corporation is the acquisition, exploration and development of high value mineral properties.



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## Operational Highlights Q3 2011

During the third quarter of 2011 The Corporation completed 44 diamond drill holes with over 12,200 metres of drilling at its Monument Bay, North Madsen and Red Lake projects.

Mega's success with executing its strategy of identifying and aggressively developing mineable resources was highlighted by the release of an updated NI 43-101 resource estimate for North Madsen which reported a 2,700% increase in measured and indicated gold resources at the project. When combined with the NI 43-101 resource estimate released for the Monument Bay project earlier this year, the Corporation now reports total combined estimated resources of 1.53 million ounces (Measured and Indicated) and 1.57 million ounces (Inferred).

CURRENT GOLD RESOURCES				
Project	Tonnes (000)	Grade g/t	Au Ounces	Category
Monument Bay	222	12.48	88,905	Measured
	2,199	7.12	503,188	Indicated
	2,421	7.61	592,093	M + I
	6,147	6.01	1,187,091	Inferred
North Madsen (Red Lake)	19,638	1.27	803,886	Measured
	3,838	1.08	133,281	Indicated
	23,476	1.24	937,167	M + I
	11,486	1.03	379,026	Inferred
Headway (Red Lake)	Deep High-grade Target in Hanging wall of Red Lake Gold Mines			
Satterly (Red Lake)	Early Stage Project Evaluation and Target Development (Adjacent GCU Discovery)			

### Monument Bay Project

The Corporation's most advanced project, Monument Bay, has steadily and positively progressed since Mega acquired the project in December 2010.

During Q3 Mega completed more than 9,900 metres of definition and step out drilling for a total of 35 drill holes and over 5,590 samples. The drilling, which focused on the Burn Zone, has extended the zone by a minimum of 200 metres along strike (open in all directions) and has identified two new mineralized zones within the current known resource. To date, gold mineralization has been confirmed over a strike length of more than 6.5 km and is open along strike.

Results indicate that gold mineralization is associated with IP, magnetic, and soil geochemical anomalies. These results, coupled with those from previous diamond drilling have enabled Mega to identify 30 new targets within a 3.5 km x 1.5 km area. These targets will be tested during upcoming drill programs.

In addition to continuing to advance its exploration programs Mega also completed initial work on its heritage and environmental base line studies and has upgraded its camp infrastructure and mobilized heavy equipment in order to prepare for multi phase exploration programs during 2012.

During Q3 Mega established a Project Participation Framework that will be used to identify opportunities whereby stakeholders, including local communities and government, can participate in the development of the Monument Bay Project. Guided by this framework, and through the collaborative efforts of Red Sucker Lake First Nation ("RSLFN") and the Province of Manitoba, opportunities for participation by RSLFN were identified surrounding employment training, business development and land use mapping.



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In August the Corporation signed a letter of intent with RSLFN and the Manitoba Government whereby RSLFN, with the financial support of the Manitoba Government, will participate in a non-brokered private placement of 786,000 units of the Corporation at a price of \$0.51 per Unit. The gross proceeds of approximately \$400,000 will be used in connection with the Monument Bay Project for costs associated with the above initiatives involving the RSLFN.

In conjunction with the Project Participation Framework, the Corporation also initiated a Partnership with the University of Manitoba whereby a structural/geological framework for the Monument Bay Project will be established.

Mega is currently in the midst of completing its Q4 drill program which is continuing to expand the footprint of the Burn zone mineralization. An updated NI 43-101 resource, which will incorporate additional exploration resources discovered since the May 2011 cut-off date will be completed for release in Q1 of 2012.

**North Madsen Project**

During Q3 the Corporation announced the completion of an updated NI 43-101 compliant resource estimate for the North Madsen project.

<b>MEGA September 20, 2011</b>			
<b>North Madsen Mineral Resource Estimate</b>			
<b>Classification</b>	<b>Tonnes</b>	<b>Gold Grade (grams/tonne)</b>	<b>Contained Ounces</b>
Measured (M)	19,638,140	1.27	803,886
Indicated (I)	3,838,000	1.08	133,281
<b>Sub Total (M+I)</b>	<b>23,476,140</b>	<b>1.24</b>	<b>937,167</b>
Inferred	11,486,000	1.03	379,026

*The estimates are in-situ and undiluted and figures are rounded  
Resource model is using a 0.5 g/tonne cut off for Main Zone, Lavery and Buffalo West Extension zones*

*Highlights of the resource estimate include:*

- Increase of over 2,700% (in Measured and Indicated) resource ounce categories
- Sensitivity analysis indicates robust economics, excellent potential to improve resource grades at lower gold prices and higher cut off grades;
- Resources remain open at depth and along strike; and
- Potential for further resource additions in nearby areas is excellent.

During the quarter the Corporation completed a total of 2,025 metres of definition and step out drilling for a total of 7 drill holes and over 1,524 samples. The drilling, which focused on the Buffalo Zone, has extended the zone both along strike and at depth and has identified that 2 styles of mineralization exist (Disseminated and Quartz Tourmaline Zones) within the zone.

Metallurgical testing studies have also been initiated and 3 new targets that are not included in current resource estimate have been identified.



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Mega will begin an infill drill program in Q1 2012 that will continue to expand the footprint of the various mineralized zones.

The North Madsen Project, comprised of the Lavery (6 patented mining claims), East My-Ritt (eight patented mining claims) and Skookum properties, is another product of management's aggressive consolidation effort throughout 2009.

The properties that comprise the North Madsen Project are believed to be part of a much larger gold system that encompasses the adjacent Howey, Hasaga and Gold Shore mine properties which produced approximately 640,000 ounces of gold within host rock units similar to those located on the North Madsen Project. Previous diamond drilling results on these properties include 7.74 grams per tonne (g/t) gold over 11.2 metres to 18.2 g/t gold over 3.65 metres. While the Red Lake Gold district is famous for its high grade gold discoveries, it is a relatively young gold camp and management believes that the future of this district includes not only the potential for new high grade gold discoveries, but also the potential to consolidate low to medium grade resources which can be mined and then processed at a large, centralized milling facility.

### ***Headway Property***

During Q3 the Corporation completed 270 metres of deep exploration drilling and produced a total of 114 samples from holes MH 0903 and MH1103. To date the geological model has been tested and proven to a depth of 2603 metres. Both drill holes continue to penetrate the lower balmer mafic volcanics that currently host the sulphiditic mineralization ore type at the Red Lake Mine (see Headway Stratigraphy posted on our mega website). These holes have been designed to continue through these lower mafic volcanics and penetrate the upper sequence of balmer mafic volcanics that host the current high grade plunging mineralization at the Red Lake Gold Mine.

The next step is to push these drills a little deeper and prove that the structural corridor contains economic mineralization.

The Headway Project was acquired by Mega in October, 2009. Located at the southern border of Goldcorp's Red Lake Gold Mine property, the Headway Project lies at the intersection of the Madsen, East Bay and NW Mine Trends, the same three trends that have hosted many of Red Lakes most significant past discoveries. Given its proximity to the Red Lake Gold Mine coupled with the well documented plunge direction of the high grade ore shoots the Headway Project is viewed by Mega as a strategic play on Goldcorp's existing underground infrastructure.

Mega believes that the potential for a high grade gold discovery at the Headway project is high if continuity in both the geological stratigraphy and major structural corridors that control high grade mineralization can be established in the vicinity of this existing underground infrastructure.

Mega's plan for the Headway property therefore is to demonstrate continuity in the geological and structural controls that define the Red Lake Gold Mine.

Drill sections and maps can be viewed in Mega's photo gallery [http://www.megapmi.com/headway\\_gallery](http://www.megapmi.com/headway_gallery)

### ***Satterly Property***

On May 9, 2011 the Corporation entered into an agreement in respect to an option to acquire a 100% interest in twenty two (22) mining claims located in the Satterly and Casummit Lake are of the Red Lake mining division in the Province of Ontario.

During Q3 the Corporation completed more than 210 Channel and Grab Samples from 8 pressured washed targets. An airborne magnetic program was also completed and various new targets have been identified.



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### ***Nunavut Project***

The Blue Caribou Project is one of several projects acquired by Skybridge Development Corp. prior to the reorganization. In May 2009, independent consulting geologist, G. Harron and Associates on behalf of Mega, completed a NI 43-101 compliant inferred resource estimate of 2.77 million tonnes averaging 2.82% Copper, 0.06% Molybdenum, 31.26 g/t Silver and 0.20 g/t Gold based on the drill results of 2008 drill program (reported in Press Release dated June 9, 2009).

In June 2009, Mega set out to determine the most cost effective way of establishing the potential for growth in the Blue Caribou resource, and thus the future potential of the Project. Two diamond drill holes, (BC09-series), 400 meters apart, intersected the down dip extension of the inferred resource.

Mega is very encouraged by the results of its 2009 exploration program which establishes continuity in the deposit from the current resource bottom at 90 metres to Mega's recent drill intercept at 225 metres. These results are consistent with Mega's exploration model, and demonstrate the potential to increase the deposit significantly at depth. Mega sees great potential associated with the Blue Caribou deposit and views the project as a strategic option on both the price of copper and future infrastructure development within the region.

In 2010 Mega engaged SGS - Lakefield Research of Lakefield, Ontario to complete geometallurgical testing on the Copper Zone drill core in preparation for project scoping studies to establish the economic potential of the deposit. The final report was received in January 2011.

The 2009-2010 drill map can be viewed in Mega's photo gallery, [http://www.megapmi.com/nunavut\\_gallery](http://www.megapmi.com/nunavut_gallery).

### ***Yukon***

Based on a thorough assessment of the Yukon Project's exploration potential late in 2009 the Corporation did not budget for continued exploration in the region during 2010 and began to divest its Yukon property interests.

At December 31, 2010 the Corporation's only remaining interest in the Yukon was its Spidermann properties and on May 20, 2011 the Corporation finalized the sale of its Spidermann property interests.



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## Quality Control & Assurance

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On all projects, channel sampling and diamond drill core sampling was conducted under NI 43-101 quality assurance and quality control reporting standards. QA/QC procedures include the insertion of two blind independent gold standards and blank samples into the sample stream by Mega project geologists. Duplicate analytical determinations on sample pulps are conducted on every 10<sup>th</sup> sample, and replicate analysis of reject samples are completed on each 50<sup>th</sup> sample. Gravimetric check analysis is undertaken on all original assays with greater than 3 grams per tonne. Analytical values greater than 15 grams are usually subjected to a Pulp Metallic analytical technique. Assay results are completed at Accurassay Laboratories, a commercial mineral analysis laboratory in Thunder Bay, Ontario, accredited for preparation and mineral analysis utilizing both fire assay and screen metallic methods. Independent analytical check sampling is completed by Activation Laboratories of Ancaster, Ontario with accredited analytical facilities in Thunder Bay, Ontario. The Yukon project utilized Acme Analytical Laboratories in Vancouver, BC, accredited for preparation and mineral analysis. A Chain of Custody protocol for the handling of samples from all projects to the laboratories and between laboratories was rigorously followed.

## Results of Operations

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The following table provides selected financial information and should be read in conjunction with the Corporation's audited consolidated financial statements for the periods below.

	Year ended December 31, 2010 \$ (Under IFRS)	Year ended December 31, 2009 \$ (Under CDN GAAP)	Year ended December 31, 2008 \$ (Under CDN GAAP)
<b>Operations</b>			
Total revenue	39,496	118,105	465,958
Loss for the year	2,094,317	2,594,562	6,505,037
Basic and diluted loss per share	-	0.08	0.25
<b>Balance Sheet</b>			
Working capital	3,984,331	11,713,985	11,546,634
Total assets	36,188,641	24,802,884	12,147,725
Total liabilities	3,257,284	1,425,876	120,558

The nine months ended September 30, 2011 is the third reporting period completed using International financial reporting standards ("IFRS"). Previously, the Corporation prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP. An explanation of the impact of the transition from Canadian GAAP to IFRS is included below.



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## Summary of Quarterly Results

The following table sets out selected quarterly financial data for the most recently completed interim quarters:

	2011	2011	2011	2010	2010	2010	2010	2009
Quarter	Third	Second	First	Fourth	Third	Second	First	Fourth
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	Under IFRS							Under CDN GAAP
Revenue	3,284	4,280	5,368	13,781	11,333	11,339	3,043	2,357
Operating Expenses	429,144	1,231,104	647,325	558,006	645,665	749,422	622,181	719,527
Loss from operating activities	(376,901)	(1,226,804)	(641,956)	(544,225)	(645,665)	(749,422)	(614,826)	(717,170)
Comprehensive income (loss)	(626,408)	(1,714,309)	(895,016)	(1,291,473)	91,780	(247,943)	(646,690)	1,053,010
Net Earnings (loss) per common share (basic and diluted)	(0.02)	(0.03)	(0.01)	(0.02)	0.00	(0.01)	(0.02)	0.05

### Overall Performance

Comprehensive loss for the three months ended September 30, 2011 was \$626,408 compared to the comprehensive income of \$138,629 during the same period of the previous year. The previous year gain was influenced by the change in fair value of investments held for trading of \$831,800 and the deferred tax expense of \$43,259. Deferred tax expense increased to \$246,110 for the three months ended September 30, 2011. Due primarily to the adoption of IFRS policies with respect to the derecognition of future tax assets. In previous year's the Corporation had recognized future tax assets associated with loss carry forward's and share-issue costs.

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Corporation allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. As a result of this most recent financing, the Corporation has set up \$1,868,750 as a deferred flow through premium liability for the difference. The liability is reversed when the expenditures are made and is recorded in the statement of loss and comprehensive loss. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

The Corporation recorded \$3,284 in interest revenue during the three months ended September 30, 2011 compared to \$11,333 during the same period in the previous year. These amount are comparable and are expected to remain consistent throughout the year.



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Operating expenses were \$216,521 lower during the three months ended September 30, 2011 compared to the same period in the previous year. The most significant component of operating expenses responsible for the difference was share-based payments which decreased \$309,357 from that of the prior year. Another component was the 100% decrease in the flow-through interest penalty of \$14,190 as the Corporation did not complete a flow-through financing during 2010 and therefore was not subject to the associated interest penalty during 2011. However, professional fees increased by \$33,013, or 157% from \$21,077 in the prior year to \$54,090 in the current period, due to increased legal expenses related to property negotiations, and exploration expenses increased by \$20,505, or 418% from 4,911 in the prior year to \$25,416 in the current. Of the \$429,144 in operating expenses incurred during the three months ended September 30, 2011, \$76,610 related to non-cash charges for share-based payments and \$7,232 related to non-cash charges for depreciation. Despite the added administrative load associated with the acquisition of Rolling Rock Resources and the Monument Bay Project, General and administrative expenses increased only slightly from \$213,167 to \$265,796. The major components of general and administrative expenses include listing fees of \$19,395, transfer agent fees of \$13,678, corporate accounting fees of \$49,087, business insurance costs of \$8,119, investor relations costs of \$60,689, lease expenses of \$20,369, and salaries and wages of \$80,047.

At September 30, 2011 the Corporation had exploration and evaluation assets of \$42,696,632, with the breakdown as follows:

<i>Mineral Property Exploration and Development Expenditures</i>	<i>At September 30, 2011</i>
<i>Ontario</i>	
North Madsen property	\$ 6,465,648
Headway property	4,405,437
<i>Manitoba</i>	
Monument Bay	21,434,586
Domain	1,678,866
<i>Nunavut</i>	
Blue Caribou property	8,494,925
Other	217,170
Total	\$ 42,696,632

Exploration and evaluation programs during the nine months ended September 30, 2011 resulted in \$11,570,870 in related expenditures compared to \$9,900,178 during the same period in the prior year.

Of the \$11,570,870 in total exploration expenditures incurred by Mega during the period, over 64% or \$7,820,540 was in relation to diamond drilling at the Monument Bay project. Other exploration expenditures incurred during the period were \$1,824,228 in relation to diamond drilling on the North Madsen project and \$1,482,608 in relation to diamond drilling on the Corporation's Headway project.

As a result of the change to IFRS, the Corporation derecognized a future tax bump on the acquisition the Blue Caribou property.

A summary of the year to date mineral property expenditures is as follows:



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	Balance January 01, 2010 (Audited)	Expenditures	Balance December 31, 2010 (Audited)	Expenditures	Balance September 30, 2011 (Unaudited)
<b>BLUE CARIBOU, NUNAVUT, CANADA</b>					
<i>Deferred Exploration:</i>					
Analytical	\$ 12,629	\$ 1,200	\$ 13,829	\$ 2,358	\$ 16,187
Geological	44,652	20,705	65,357	(5,000)	60,357
Geophysical	77,691	12,586	90,277	-	90,277
Fuel	(4,800)	-	(4,800)	-	(4,800)
Transportation and accommodation	6,805	-	6,805	129	6,934
Exploratory drilling	325,001	(1,255)	323,746	-	323,746
Property work	3,484	-	3,484	-	3,484
Advanced property work	-	87,993	87,993	2	87,995
Operations support	72,520	(903)	71,617	30	71,647
Administration	471,626	19,240	490,866	49	490,915
	1,009,608	139,566	1,149,174	(2,432)	1,146,742
<i>Deferred Development:</i>					
Acquisition costs and option payment paid	7,349,005	-	7,349,005	(822)	7,348,183
	7,349,005	-	7,349,005	(822)	7,348,183
	<b>8,358,613</b>	<b>139,566</b>	<b>8,498,179</b>	<b>(3,254)</b>	<b>8,494,925</b>
<b>NORTH MADSEN, ONTARIO, CANADA</b>					
<i>Deferred Exploration:</i>					
Analytical	127,143	269,262	396,405	191,167	587,572
Geological	85,454	222,777	308,231	198,017	506,248
Geophysical	86,439	50,000	136,439	-	136,439
Geochemical	3,747	-	3,747	-	3,747
Fuel	2,094	4,827	6,921	3,500	10,421
Transportation and accommodation	77,509	75,972	153,481	60,424	213,905
Exploratory drilling	527,654	1,412,519	1,940,173	1,176,266	3,116,439
Property work	91,788	110,540	202,328	29,467	231,795
Operations support	94,876	88,891	183,767	73,074	256,841
Administration	118,013	192,737	310,750	92,313	403,063
	1,214,717	2,427,525	3,642,242	1,824,228	5,466,470
<i>Deferred Development:</i>					
Acquisition costs and option payments paid	608,258	295,920	904,178	95,000	999,178
	608,258	295,920	904,178	95,000	999,178
	<b>1,822,975</b>	<b>2,723,445</b>	<b>4,546,420</b>	<b>1,919,228</b>	<b>6,465,648</b>



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	Balance January 01, 2010	Expenditures	Balance December 31, 2010	Expenditures	Balance September 30, 2011
	(Audited)		(Audited)		(Unaudited)
<b>HEADWAY, ONTARIO, CANADA</b>					
<i>Deferred Exploration:</i>					
Analytical	3,434	32,172	35,606	4,308	39,914
Geological	21,066	83,140	104,206	83,830	188,036
Geophysical	7,858	-	7,858	-	7,858
Geochemical	1,930	4,506	6,436	-	6,436
Fuel	-	2,237	2,237	1,403	3,640
Transportation and accommodation	8,295	18,151	26,446	11,360	37,806
Exploratory drilling	163,428	1,755,352	1,918,780	1,243,271	3,162,051
Property work	30	24,132	24,162	1,402	25,564
Advanced property work	-	-	-	46	46
Operations support	970	34,373	35,343	52,413	87,756
Administration	35,868	173,387	209,255	84,575	293,830
	<b>242,879</b>	<b>2,127,450</b>	<b>2,370,329</b>	<b>1,482,608</b>	<b>3,852,937</b>
<i>Deferred Development:</i>					
Acquisition costs and option payments paid	466,000	86,500	552,500		552,500
	466,000	86,500	552,500		552,500
	<b>708,879</b>	<b>2,213,950</b>	<b>2,922,829</b>	<b>1,482,608</b>	<b>4,405,437</b>
<b>MONUMENT BAY, MANITOBA, CANADA</b>					
<i>Deferred Exploration:</i>					
Analytical	-	-	-	68,264	68,264
Geological	-	62,433	62,433	779,189	841,622
Geochemical	-	-	-	260	260
Fuel	-	-	-	372,030	372,030
Transportation and accommodation	-	5,953	5,953	2,057,493	2,063,446
Exploratory drilling	-	-	-	2,975,800	2,975,800
Property work	-	-	-	160,423	160,423
Advanced property work	-	-	-	130,567	130,567
Operations support	-	-	-	1,001,641	1,001,641
Administration	-	4,436	4,436	274,873	279,309
	-	<b>72,822</b>	<b>72,822</b>	<b>7,820,540</b>	<b>7,893,362</b>
<i>Deferred Development:</i>					
Acquisition costs and option payments paid	-	13,406,646	13,406,646	134,578	13,541,224
	-	13,406,646	13,406,646	134,578	13,541,224
	-	<b>13,479,468</b>	<b>13,479,468</b>	<b>7,955,118</b>	<b>21,434,586</b>



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	Balance January 01, 2010	Expenditures	Balance December 31, 2010	Expenditures	Balance September 30, 2011
	(Audited)		(Audited)		(Unaudited)
<b>DOMAIN (JV), MANITOBA, CANADA</b>					
<u>Deferred Exploration:</u>	-	-	-	-	-
<u>Deferred Development:</u>					
Acquisition costs and option payments paid	-	2,033,274	2,033,274	-	2,033,274
Option payments received	-	(354,408)	(354,408)	-	(354,408)
	-	1,678,866	1,678,866	-	1,678,866
	-	<b>1,678,866</b>	<b>1,678,866</b>	-	<b>1,678,866</b>
<b>OTHER AREAS</b>					
<u>Deferred Exploration:</u>					
Analytical	1,904	-	1,904	7,417	7,417
Geological	43,805	3,318	47,123	24,424	24,637
Geophysical	-	-	-	105,752	105,752
Transportation and accommodation	62	-	62	11,636	11,636
Property work	543	61,271	61,814	-	-
Operations support	-	-	-	599	599
Administration	-	-	-	629	629
	46,314	64,589	110,903	150,670	150,670
<u>Deferred Development:</u>					
Acquisition costs and option payments paid	56,120	-	56,120	66,500	66,500
	56,120	-	56,120	66,500	66,500
Property write-off	-	(167,023)	(167,023)	-	-
	<b>102,434</b>	<b>(102,434)</b>	-	<b>217,710</b>	<b>217,710</b>
<b>TOTAL EXPENDITURES</b>	<b>10,992,901</b>	<b>20,132,861</b>	<b>31,125,762</b>	<b>11,570,870</b>	<b>42,696,632</b>



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### ***Liquidity and Capital Resources***

The Corporation's cash and cash equivalents balance was \$2,200,581 at September 30, 2011 compared to \$4,299,877 at December 31, 2010. Current assets at September 30, 2011 were \$3,246,501 compared to \$4,895,744 at December 31, 2010 and total assets at September 30, 2011 were \$46,113,624 compared to \$36,188,641 at December 31, 2010.

#### ***Operating Activities***

In the nine months ended September 30, 2011, the Corporation used \$1,358,123 in cash related to operating activities. During the same period of the previous year, the Corporation used \$984,326 in cash related to operating activities. The reason for the change year to year is simply the change in non-cash working capital balances. At the end of the period in 2010, the Corporation carried a larger accounts payable balance relative to the current year. For the nine months ended September 30, 2011, the majority of the cash used in operating activities can be attributed to funding of day to day operations.

#### ***Investment Activities***

Cash used in investment activities for the nine months ended September 30, 2011 was \$11,456,590. During the same period of the previous year the Corporation used cash of \$3,537,888 on its investment activities. This change is a result of higher spending on exploration and evaluation assets. The Corporation does not believe it is exposed to any material liquidity risks in relation to its investment activities.

#### ***Financing Activities***

In the nine months ended September 30, 2011, the Corporation generated cash of \$10,715,417; this was attributed to net proceeds from the private placement completed during the period, and funds generated from the exercise of options.

### ***Financial Instruments***

Financial instruments consist of cash and cash equivalents, investments, accounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the short term to maturity, unless otherwise noted.



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### **Outstanding share data**

#### *Common Shares*

The Corporation's shares are listed on the TSX Venture Exchange under the symbol "MGP". Authorized share capital consists of an unlimited number of common shares without par value. As at November 24, 2011, 92,783,580 common shares were issued and outstanding.

#### *Warrants*

The following table reflects the share purchase warrants outstanding as at November 24, 2011:

Expiry Date	Exercise Price	Warrants Outstanding
February 25, 2012*	0.50	240,000
February 25, 2012*	0.75	240,000
February 25, 2012*	0.75	2,400,000
February 24, 2013	0.80	1,006,250
November 9, 2013	0.53	27,888
November 9, 2013	0.70	8,030,800
		11,944,938

\*Relates to Rolling Rock Resource Corp acquisition and are included in obligation to issue shares.

#### *Stock Options*

The following table reflects stock options that have vested as at November 24, 2011:

Expiry Date	Exercise Price	Options Granted	Options Vested
March 1, 2012	0.88	40,000	40,000
July 24, 2012	0.88	60,000	60,000
February 27, 2013	1.79	500,000	500,000
July 21, 2013	0.40	120,000	120,000
June 11, 2014	1.15	1,450,000	1,450,000
October 22, 2014	0.75	160,000	160,000
October 22, 2014*	0.75	25,000	25,000
May 27, 2015	0.33	1,100,000	1,100,000
August 30, 2015	0.30	200,000	200,000
November 24, 2015	0.72	75,000	75,000
February 16, 2016**	0.62	300,000	300,000
June 23, 2016	0.45	2,050,000	2,050,000
		6,080,000	6,080,000

(\*) Options vest equally over four consecutive quarters (12 months).

(\*\*) ½ of options vest immediately, ½ after six months



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### **Related Party Transactions**

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

	Nature of transactions
DSA Corporate services	Corporate secretarial
D & R Filing services	Filing services
The Alyris Group	Accounting, management and facilities rental
Premier Gold Mines Ltd.	Facilities rental

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

[a] Included in general and administrative expenses are amounts totaling \$20,488 (2010 - \$10,986) for corporate secretarial services provided by companies related to the Corporation through a common officer.

[b] Included in general and administrative expenditures are amounts totaling \$209,672 (2010 - \$199,676) and included in the mineral property expenditures are amounts totaling \$75,940 (2010 - \$77,653) for rent, facilities related charges, and accounting and management services provided by a company related to the Corporation through common officer and an officer and director.

[c] Included in other revenue are amounts totaling \$15,900 (2010 - \$22,950) for rental of a core shack to a company related to the Corporation through a common director.

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2011	2010
Salary and wages	<b>\$249,807</b>	\$225,422
Share-based payments	<b>\$412,600</b>	\$127,075
Other compensation	<b>4,052</b>	-
Total	<b>\$666,469</b>	\$352,497

### **Subsequent Event**

On November 9, 2011 the Corporation completed a private placement (the "Offering") of 4,190,000 Units at a price of \$0.53 per Unit ("Units") and an additional 11,871,600 Flow-Through Units ("Flow-Through Units") at a price of \$0.65 per Flow-Through Unit for gross proceeds of \$9,937,240. Each Unit is comprised of one common share and one-half of one common share purchase warrant, and each Flow-Through Unit is comprised of one common share that is a "flow-through share" within the meaning in the Income Tax Act (Canada) and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable to purchase one common share of Mega for a period of 24 months of closing at a price of \$0.70. In connection with the Offering, a syndicate of agents received a commission equal to 7% of the aggregate gross proceeds and compensation warrants exercisable at any time for a period of 24 months following the closing of the offering, to purchase up to an aggregate of 27,888 common shares of Mega at a price of \$0.53 per common share.



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### **Changes in accounting policy – Adoption of IFRS**

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IFRS 1 “First-time Adoption of International Financial Reporting Standards” sets forth guidance for the initial adoption of IFRS. Under IFRS1 the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. Following the initial examination the Corporation plans to apply the following exemptions to its opening balance sheet dated January 1, 2010:

- (i) **Business Combinations**  
IFRS 1 indicates a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Corporation will take advantage of this election and will apply IFRS 3 to business combinations that occur on or after January 1, 2010. As the Corporation has not chosen to early adopt, these standards will affect the accounting for any business combinations completed after January 1, 2011.
- (ii) **IFRS 2 - Share-based payment transactions**  
IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payments* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Corporation has elected not to apply IFRS 2 to awards that vested or will vest prior to January 1, 2010.
- (iii) **IAS 23 – Borrowing costs**  
IAS 23 *Borrowing costs* has not been applied to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption of IFRS will not have any material impact on the financial information previously disclosed under Canadian GAAP. The Corporation identified the following adjustments as a result of the adoption of IFRS:

- (i) IFRS requires that the functional currency of each entity of the Corporation be determined separately and record the foreign exchange resulting from the consolidation in equity rather than in the statement of operations. IFRS 1 provides an exemption and allows for such adjustments to be made as of the transition date, resulting in no change to the December 31, 2009 financial statements on the transition date.

For the year ended December 31, 2010, the foreign exchange resulting from the consolidation amounted to a loss of \$68,186, which will result in a decrease in the current year’s loss in the statement of operations and an “Exchange reserve” being recorded in the Statement of Equity on application of IFRS.



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- (ii) Income tax expense is calculated in a similar manner in accordance with GAAP and IFRS. Future income tax assets / liabilities are also calculated in a similar manner in accordance with GAAP and IFRS. However, the treatment of future income taxes with respect to asset purchases will differ and, consequently, the purchase price allocation for the Skybridge Development Corp. acquisition will change.

In order to allow the users of the financial statements to better understand other changes between IFRS and GAAP that do not have any quantitative effect or adjustments to the Corporation's financial statements, the following qualitative explanation of the differences between GAAP and IFRS is provided:

- (i) Property, plant and equipment GAAP and IFRS allow the use of original cost less depreciation as the cost base. IFRS requires separate depreciation rate for components that depreciate differently.

Exploration for and Evaluation of Mineral Resources GAAP and IFRS allow the capitalization of costs associated with the exploration for and evaluation of mineral resources.

As stated in note 2 of the condensed consolidated interim financial statements, these are the Corporation's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in note 2 have been applied in preparing the condensed consolidated interim financial statements for the nine months ended September 30, 2011, the comparative information for the three months ended September 30, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the three months ended September 30, 2010 and financial statements for the year ended December 31, 2010, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemption for first time adopters of IFRS. The Corporation elected to take the following IFRS 1 optional exemptions:

[a] Basis of Consolidations

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Corporation elected to apply IFRS 3 prospectively, the Corporation has also elected to apply IAS 27 prospectively.

[b] Share-based payment

Under GAAP, the Corporation measured share-based compensation related to share purchase options at the fair value of the options granted using the Black-Scholes option pricing formula and recognized its expense over the vesting period for the options. For the purposes of accounting for share based payment transactions an individual is classified as an employee when he individual is consistently represented to be an employee under law. The fair value of the options granted to employees was measured on the date of grant. The fair value of options granted to contractors and consultants were measured on the date the services were completed. Forfeitures were recognized as they occurred.



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IFRS 2 Share-based payment requires the Corporation to measure share-based compensation related to share purchase options granted to employees at the fair value of the options on the grant date and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "graded vesting" methodology as opposed to the straight-line vesting method allowed under Canadian GAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods, whereas under Canadian GAAP forfeitures are recognized as they occur. Furthermore, for options granted to non-employees, IFRS requires that share-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured. For the purpose of accounting for share based payment transactions an individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that previously applied by the Corporation and resulted in certain contractors and consultants being classified as employees under IFRS.

The Corporation has elected to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date. As a result of the adoption of IFRS the Corporation was required to revalue any options that had not vested as of the transition date. The financial impact on the year ended December 31, 2010 was an increase in share-based payment expenses of \$51,058. Under GAAP, the Corporation measured share-based compensation related to share purchase options at the fair value of the options granted using the Black-Scholes option pricing formula and recognized its expense over the vesting period for the options. For the purposes of accounting for share based payment transactions an individual is classified as an employee when he individual is consistently represented to be an employee under law. The fair value of the options granted to employees is measured on the date of grant. The fair value of options granted to contractors and consultants are measured on the date the services are completed. Forfeitures are recognized as they occur.

[c] Reclassification within equity section

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Corporation reviewed its contributed surplus account and concluded that as at the Transition Date, the entire amount of \$4,147,145 relates to "Equity settled employee benefit reserve". As a result, the Corporation believes a reclassification would be necessary in the equity section between "Contributed surplus" and the "Equity settled employee benefit reserve" account. For comparatives, as at September 30, 2010, the entire "Contributed surplus" account was reclassified into "Equity settle employee benefit reserve". Additionally, as at December 31, 2010, "Contributed surplus" account was reclassified as "Equity settled employee benefit reserve".

[d] Deferred tax on exploration and evaluation assets

Under GAAP, the Corporation, in accounting for its subsidiary, recognized a future income tax liability on temporary differences arising on the initial recognition of the Skybridge Development Corp. mineral property interest (where the fair value of the asset acquired exceeded its tax basis) in a transaction which was not a business combination and affected neither accounting profit nor loss. IAS 12, Income Taxes does not permit the recognition of deferred taxes on such transactions.

As at December 31, 2010, the Corporation has derecognized the impacts of all future income tax liabilities which had previously been recognized on the initial acquisition of Skybridge Development Corp. through transactions deemed not to be business combinations and affecting neither accounting profit or loss nor taxable profit or loss. The effect has been to decrease the deferred tax liability and exploration and evaluation asset accounts by \$1,224,051.

[e] Deferred flow through premium

Under GAAP, the Corporation, in accounting for flow through funds received, recorded the funds to share capital.

IFRS requires that excess to market value upon issuance of flow through common shares be recorded in the statement of loss and comprehensive loss (deferred liability for flow through raised funds at time of issuance of flow through common shares and charged to the statement of loss and comprehensive loss as the necessary expenditures to be renounced under flow through common share agreements are spent).



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[f] Deferred income tax assets

Under GAAP, the Corporation, in accounting for future income tax assets, recognized future income tax assets to the extent that it had taxable temporary differences resulting from the issuance of flow through shares in accordance with EIC-146.

IFRS requires that the Corporation consider it probable that taxable profit will be available against which a deductible temporary difference can be utilized.

As at January 1, 2010, the Corporation derecognized the impact of deductible temporary differences related to future income tax assets.

### Off-Balance Sheet Arrangements

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The Corporation has not participated in any off-balance sheet or income statement arrangements.

### Risk Factors

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An investment in the Corporation involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating the Corporation and its business before making any investment decision in regards to the common shares of the Corporation. The Corporations' business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Corporation. Additional risks not presently known to us may also impair business operations.

#### *Exploration and Mining Risks*

The Corporation is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Corporation has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position.

The Corporation relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.



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#### *Financing Risks*

The Corporation is limited in financial resources, and as a mineral exploration company has no source of operating cash flow. The Corporation has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfill our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future, or that the terms of such financing will be favourable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties.

#### *Regulatory Requirements*

Even if our mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Corporation may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

#### *Uninsurable Risks*

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

#### *No Assurance of Titles*

It is possible that any of our properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

#### *Permits and Licenses*

The operations of the Corporation may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at our projects will be granted.

#### *Competition*

The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Corporation for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Corporation may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital or losing our investment capital.

#### *Environmental Regulations*

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.



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#### *Stage of Development*

The Corporation is in the business of exploring for, with the ultimate goal of producing, mineral resources from our mineral exploration properties. None of our properties have commenced commercial production and we have no history or earnings or cash flow from our operations. As a result of the foregoing, there can be no assurance that we will be able to develop any of our properties profitably or that our activities will generate positive cash flow. We are unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. A prospective investor in the Corporation must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of our management in all aspects of the development and implementation of our business activities.

#### *Markets for Securities*

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

#### *Reliance on Key Individuals*

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Corporation.

#### *Geopolitical risks*

The Corporation may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Corporation cannot be predicted. Any changes in regulations or shifts in political attitudes that may result, among other things, in significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of the Corporation and may adversely affect its business. The possibility that future governments may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

#### **Additional Information**

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Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com), or on the Corporation's web-site at [www.MegaPMI.com](http://www.MegaPMI.com).

Mr. Jim Rogers, P.Geo., President and CEO of Mega Precious Metals Inc. is the Qualified Person for the information contained in this MD&A and is a Qualified Person defined by National Instrument 43-101.

(Signed) Steve Filipovic, CA  
Chief Financial Officer

Thunder Bay, Canada  
November 24, 2011