



(Formerly Mega Silver Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2009 AND 2008

Date of Report: APRIL 30, 2010

General

The following Management's Discussion and Analysis ("MD&A") of Mega should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2009 and the notes thereto. The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of April 30, 2010, 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.

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

Mega Precious Metals Inc. (the "Corporation" or "Mega") 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. Mega is considered a development stage company, as defined by Accounting Guideline 11 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook.

Highlights

December 31, 2009 signifies the end of a year marked by significant change for the Corporation. Early in 2009 Mega's board of directors set out to redefine the Corporation. The plan was to establish a company with a strong treasury, a skilled management team and a clear vision.

In May of 2009 Mega acquired Skybridge Development Corp. in an all share transaction. Immediately following the transaction Mega reorganized its board and appointed a new management team. In June 2009 Mega's new management team set out to affect the transition. A vision for the Corporation was established, the Corporation was re-branded and a strategic, focused and aggressive growth plan was put in place. Within weeks, strategic parcels of highly sought after Red Lake "real estate" were identified and a focused and aggressive acquisition campaign ensued. The months that followed saw a rapid progression in land acquisition and project consolidation. Exploration programs followed shortly thereafter and the Corporation quickly positioned itself as a key player in one of the world's preeminent mining districts; Red Lake, Ontario.



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As the year progressed Mega continued with its plan. In addition to raising an additional \$6 million to support its growing exploration platform the Corporation took a strategic shareholder position in Rolling Rock Resources Corporation (TSX-V:RLL), the owner of the Monument Bay Project; an advanced stage gold exploration project well known to Mega's new management team. Mega also executed focused and aggressive follow-up programs on the Yukon and Blue Caribou Projects inherited from Mega's predecessor management team with the objective of determining the future potential of these programs. The Corporation also went on to pursue Tier 1 issuer status on the Venture exchange, which it was granted in early 2010.

OPERATIONAL HIGHLIGHTS

ONTARIO PROJECTS – RED LAKE AREA

Headway Property

The Headway Project was acquired by Mega in October 2009. Located 2.5km south of the #3 Shaft at Goldcorp's Red Lake Gold Mine at the intersection of the Madsen, East Bay and NW Mine Trends, the same three trends that host many of Red Lakes most significant past discoveries, 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 Headway is high if continuity in geology can be established in the vicinity of this existing infrastructure

Mega's plan for the Headway property is to demonstrate continuity in the geological structures that define the Red Lake Gold Mine. The current exploration program, which is comprised of two, 3000 metre diamond drill holes, is testing at depth for Balmer-series mafic and ultramafic volcanic rocks, the same host rocks that are associated with the High Grade Zones within Goldcorp's Red Lake Gold Mine. The first of the two drill holes, which Mega began drilling just prior to year end, is a six month endeavor which has progressed on budget and on schedule to 1750 metres. To date drilling has confirmed the continuity of Confederation (McNeely Sequence) Volcanics to 655 metres depth and Huston Assemblage sedimentary rocks, including Basal Pebble Conglomerate to 1750 metres depth. Results to date confirm the presence of similar geological structures to those that lie above the High Grade Zones within the Red Lake Gold Mine. They also demonstrate a strong correlation to the progression of these same geological structures within Mega's exploration model which targets mafic and ultramafic rock units to lie below 2000 metres. While the Headway drill program is slow and complicated, management is extremely pleased with its progress and the success to date has only increased management's optimism that Mega will enjoy continued success with the program. Management is confident the program will continue on budget and on target to its conclusion.

2009 drill sections and maps can be viewed in Mega's photo gallery http://www.megapmi.com/headway_gallery

North Madsen Project

The North Madsen Project, comprised of the Laverty, East My-Ritt and Skookum properties, is another product of management's aggressive consolidation effort throughout the second half of 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 g/t gold over 11.2m to 18.2 g/t gold over 3.65m. 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.

In early June, 2009 Mega initiated exploration on a 1.5km portion of a promising northeast-trending structure traversing the entire North Madsen Project. Mega has compiled historic geological and geophysical work on the East My-Ritt and Laverty properties and has completed geological mapping, outcrop stripping, channel sampling and INSIGHT Induced Polarization Geophysical Surveys.

The Dyke Zone was the first target to be tested. Diamond drilling continues to include confirmation and extension of other historic drill intercepts as well as new areas where there is interpreted potential for litho-structural traps that may host economic mineralization. The detailed channel sampling returned an average grade of 3.63 grams per tone (g/t) over an average width of 6.15m. These results from fifteen composite channel lines across the dyke tested a



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190 metre (m) strike length of the 210m long surface exposure of the north-northwest striking, steeply east dipping dibasic textured dyke. Definition drilling on the Lavery dyke was completed in February 2010 and a 43-101 compliant resource estimate by a third party independent consulting geologist is pending.

Five holes were also completed to drill test the historic Main and South Zone (Holes ML0909-ML0913), the second of numerous targets planned for the project. This drilling confirmed the Main and South Zones as a part of a much larger stockwork breccia vein system hosted in the Dome Granodiorite that requires more drilling. Highlights include 4.9 g/t Au over 10 metres and 1.87 g/t Au over 16.4 metres within an 800 by 225 metre anomalous gold zone.

Late in 2009 Mega acquired the Skookum properties (9 unpatented mining claims), located within the Dome stock and along the NE striking Madsen Mine trend approximately 1.5 kilometers west of the Town of Red Lake. The acquisition of these claims is part of Mega's strategy to expand and consolidate the North Madsen Project.

Mega continues to test, and is currently drilling additional targets throughout the North Madsen Project.

The 2009 drill map can be viewed in Mega's photo gallery http://www.megapmi.com/north_madsen_gallery

OTHER ONTARIO PROJECTS

Sunshine Lake Project

In October 2009, Mega acquired a 12 claim block 101 unit, in the Upper Manitou Lake area, 66km south of the town of Dryden Ontario under an option agreement with P. English. The area hosts historic gold occurrences with assay results ranging to 20.54 g/t (0.599 ounces gold per ton) (Giant Prospect – Glatz Property) and 6.51 g/t (0.19 ounces gold per ton) on the shore of Sunshine Lake. Prospectors were sent to explore the property before the snows in November. Selected grab samples were taken of the best exposed geological units, a strongly sericite and pyritic altered, quartz feldspar porphyry unit. No significant gold values were returned. Additional prospecting is targeted on Sunshine Lake in the spring.

Mink Lake Project

In October 2009, Mega acquired a nine (9) claim block comprising 143 unit, in the Cassummit Lake - Mink Lake area, 68km by air northeast of Red Lake, Ontario an option agreement with P. English. The area has been explored by Bralorne Can-Fer Resources, Dome Exploration, Noranda Exploration, Ezzo Minerals, Murgor and Frontier Development Group between 1974 and 2004. The area hosts up to thirteen historic gold occurrences with assay results range up to 30 g/t over 1.14m at the Finn Showing to the shore of Mink Lake. Prospectors visited the property before the snow in late October. Selected grab samples were taken from the veins and wallrock from five of the more significant occurrences (Moly, Wet Boot, Finn, Hatch, Bent Birch) and a critical assessment made to evaluate the regional geological environment and to provide recommendations. The best grab sample returned 9.038 g/t Au of highly schistose wallrock from the Hatch Occurrence. It appears the Hatch, Finn and Peninsula showings may be associated with a regional structure that hosts the Argosy Mine, a historic past producer (100K oz) situated 5 km to the northeast of the property. Additional prospecting is proposed for the spring.



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YUKON

The Yukon Project is comprised of the Eagle, Fisher & SpiderMann Properties. These properties were acquired to explore for high grade silver veins which the Keno Hill area of Yukon was known for.

The Eagle Property, which was under option with Avino Silver and Gold Mining, was a block of fourteen (14) quartz mining claims totaling 210.92 hectares on Keno Hill, 3 km west of Keno City, Yukon.

The Fisher Property, which was under option with StrataGold Corporation, is comprised of 67 contiguous unpatented quartz mining claims totaling 1347.39 hectares approximately five (5) km southwest of Keno City, Yukon.

The Spidermann Properties, which are owned by the Corporation, are comprised of 5 unpatented quartz claims totaling 85.59 hectares approximately 4 km west of Keno City, Yukon.

During 2009 the Corporation executed an intensive exploration program on its Yukon based project the purpose of which was to quickly assess the potential of its mineral property interests in the region. The 2009 field program, which included some 4,000 metres of diamond drilling and over 1,700 metres of rotary air blast (RAB) drilling and was completed between May 27th and September 17th 2009 did not deliver anticipated results. Exploration efforts were limited by bad ground and poor recoveries. Other than weakly mineralized fault hosted vein zones encountered in holes D09EF0-01 and 02, no significant results were encountered.

Based on a thorough assessment of the Yukon Project's future exploration potential the Corporation has not budgeted for exploration in the region in 2010. Furthermore, based on Mega's assessment of the realizable value of these properties the carrying value of \$1,982,387 in deferred exploration and development costs relating to these properties as at December 31, 2009 has been charged to income during the period. The breakdown of amounts written off is as follows: Eagle - \$1,086,418, Fisher - \$665,790, and Spider-Mann - \$230,179.

Given management's decision to no longer proceed with exploration on these properties, the Corporation chose not make the option payment due to Avino Silver and Gold Corporation on November 12, 2009 and provided formal notice of its intention to terminate the related earn-in agreement. As well, the Corporation terminated its agreement with Stratagold Corporation in respect of the Fisher property on April 1, 2010.

As of April 30, 2010, the Corporation's only remaining interests in the Yukon are the Spidermann Properties.

NUNAVUT

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. It was determined that with a budget of approximately \$1 million the Company could complete a geophysical study and then follow it up with a small number of strategically positioned diamond drill holes. During July-August, 2009, JVX Inc., geophysical contractors were contracted to conduct Induced Polarization, Moving Loop electromagnetic, magnetic, and gravity ground geophysical surveys to delineate rich sections of the Blue Caribou Copper Zone. Between September 17, and October 20, 2009, Mega completed 4 diamond drill holes totaling 1331m on the Blue Caribou project. Two holes totaling 697m were completed on the Copper Zone were very encouraging and the company is pleased to report that the Copper Zone extends to depth. 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.



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Mega's budget for the upcoming year includes approximately \$200,000 for Metallurgical testing and Project Scoping to establish the economic potential of the deposit.

The 2009 drill map can be viewed in Mega's photo gallery, http://www.megapmi.com/nunavut_gallery.

Quality Control & Assurance

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. Duplicate determinations are conducted on every 10th sample, and gravimetric check analysis is undertaken on original assays greater than 3 grams per tonne. Analytical values greater than 15 grams are usually subjected to a pulp metallic analytical technique. Assay results from 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. 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 was rigorously followed.

Summary of Quarterly Results

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

	2009	2009	2009	2009	2008	2008	2008	2008
Quarter	Fourth	Third	Second	First	Fourth	Third	Second	First
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	2,357	-	54,971	60,777	100,763	121,944	130,751	112,500
Expenses	719,527	733,806	798,552	745,754	233,718	828,713	1,357,501	796,793
Net Earnings (Loss)	1,053,010	(2,417,157)	(390,055)	(684,977)	(132,955)	(4,461,039)	(1,226,750)	(684,293)
Net Earnings (loss) per common share (basic and diluted)	0.05	(0.08)	(0.02)	(0.03)	0.00	(0.17)	(0.05)	(0.03)

Overall Performance

Net loss for the year ended December 31, 2009 was \$2,443,379 as compared to \$6,505,037 the same period of the previous year. The decrease in net loss was due to the significant mineral property write-offs in 2008, and a future tax recovery in 2009.

The Corporation recorded \$118,105 in interest revenue on its investments, compared to \$465,958 in the previous year. Of the \$2,997,639 in operating expenses incurred during year ended December 31, 2009, \$34,063 related to non-cash charges for amortization. Of the remaining \$2,963,576 in operating expenses, \$1,390,240 was related to stock compensation, \$1,357,906 related to general and administrative expenses, \$154,302 to professional fees, and \$34,199 to flow through interest expense. The major components of general and administrative costs include listing fees of \$56,217, transfer agent fees of \$25,039, corporate accounting fees of \$75,610, general consulting fees of \$376,372, investor relations expenses of \$144,297, Thunder Bay office lease of \$39,778, Vancouver office lease of \$65,888, executive salaries of \$325,493, and communication expenses of \$18,909.



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Exploration and development programs during the year ended December 31, 2009 resulted in \$4,634,840 in related expenditures. As at December 31, 2009, the Corporation decided to relinquish its interest in certain mineral properties located in the Yukon Territory. As such, the carrying value of the Corporation's Yukon based mineral properties as at December 31, 2009 have been charged against earnings in the current period. The properties affected include Eagle, Fisher, and Spider-Mann.

Liquidity and Capital Resources

The Corporation's cash and cash equivalents balance was \$10,387,322 at December 31, 2009 compared to \$199,064 at December 31, 2008. Current assets at December 31, 2009 were \$12,483,455 compared to \$11,667,192 at December 31, 2008 and total assets at December 31, 2009 were \$24,802,884 compared to \$12,147,725 at December 31, 2008. The \$12,655,159 increase in total assets relates to the acquisition of Skybridge and net mineral property expenditures.

At December 31, 2009 the Corporation had mineral property assets of \$12,216,952, with the breakdown as follows:

<i>Mineral Property Exploration and Development Expenditures</i>	<i>At December 31, 2009</i>
<i>Ontario</i>	
East My-Ritt property	\$ 778,508
Lavery property	1,044,467
Headway property	708,879
<i>Nunavut</i>	
Blue Caribou property	9,579,346
<i>Other</i>	105,752
<hr/>	
Total	12,216,952

Operating activities

During the year ended December 31, 2009, the Corporation reported \$678,619 in cash used in relation to operating activities. The most significant non-cash charges to earnings were the mineral property write down of \$1,982,387, stock compensation of \$1,390,240, and amortization of \$34,063. The most significant non-cash credits to earnings were unrealized gain on investments of \$407,040, and future tax recovery of \$2,017,360.

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 April 30, 2010, 43,968,780 common shares were issued and outstanding.

Warrants

The following table reflects the share purchase warrants outstanding as at April 30, 2010:

Expiry Date	Exercise Price	Warrants Outstanding
November 2, 2010	1.60	1,375,000
November 2, 2010	1.50	6,500,000
October 20, 2011	1.15	8,050,000
October 20, 2011	0.75	805,000
		16,730,000

Stock Options

The following table reflects stock options that have vested as at April 30, 2010:

Expiry Date	Exercise Price	Options Granted	Options Vested
October 2, 2010	0.30	50,000	50,000
October 11, 2010	0.30	25,000	25,000
January 2, 2011	1.25	100,000	100,000
February 27, 2013	1.79	500,000	500,000
June 11, 2014	1.15	1,550,000	774,999
October 22, 2014	0.75	160,000	53,334
October 22, 2014*	0.75	25,000	12,500
		2,410,000	1,515,833

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

On June 11, 2009 the Corporation granted 1,550,000 options to various directors, officers, employees and consultants of the Corporation. The options, which vest equally over six consecutive quarters (18 months), have an exercise price of \$1.15 and expire in 5 years. The Corporation applies the fair value method of accounting for all stock based compensation awards. The fair value of \$1,643,000 assigned to this grant was estimated using the Black-Scholes option pricing model with the following assumptions: no dividends to be paid, volatility 156%, risk free interest rate 2.07%, and an expected life of 5 years.

On October 22, 2009 the Corporation granted 185,000 options to a director and a consultant of the Corporation. Of the 185,000 options granted, 160,000 vest equally over six consecutive quarters, and 25,000 vest equally over four consecutive quarters (12 months). The options have an exercise price of \$0.75 and expire in 5 years. The Corporation applies the fair value method of accounting for all stock based compensation awards. The fair value of \$105,080 assigned to this grant was estimated using the Black-Scholes option pricing model with the following assumptions: no dividends to be paid, volatility 156%, risk free interest rate 2.74%, and an expected life of 5 years.

A total of \$1,390,240, including \$547,920 related to the most recent grant, was recorded as compensation for the 1,114,165 stock options that vested during current period [2008 - \$1,678,300 was recorded as compensation for the 945,832 stock options that vested].



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Related Party Transactions

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 \$19,607 (2008 - \$8,292) for corporate secretarial services provided to the Corporation by companies related to the Corporation through a common officer.

[b] Included in general and administrative expenses are amounts totaling \$134,934, and included in the mineral property expenditures are amounts totaling \$50,626 (2008 - \$nil) for rent, facilities related charges, and accounting and management services provided by a company related to the Corporation through a common officer.

[c] Included in general and administrative expenses are amounts totaling \$50,000 (2008 - \$30,000) for management fees paid to a former director and officer of the Corporation.

[d] Included in general and administrative expenses are amounts totaling \$28,500 (2008 - \$15,000) for administrative and accounting fees paid to a company owned by a former officer of the Corporation.

[e] Included in project costs are amounts totaling \$1,464 (2008 - \$nil) for geological supplies purchased from a company related to the Corporation through a common director.

[f] Included in mineral property expenditures are amounts totalling \$22,950 (2008 - \$nil) for the rental of a core shack provided by a company related to the Corporation through a common director and officer.

[g] During the year, the Corporation entered into an agreement to acquire a mineral property from a company related to the Corporation through a common director and officer.

Commitments

The Corporation has commitments relating to a contract for rent, facilities related charges, and management and accounting services expiring June 2011. The following is a summary of the commitments of the Corporation as at December 31, 2009:

	2010	2011	TOTAL
Contracts	488,879	191,415	680,294

Flow-through renunciation

The Corporation finances a portion of its exploration programs through the issuance of flow-through shares. In 2008 the Corporation and its subsidiary issued a total of 4,000,000 shares for combined gross proceeds of \$3,462,500. The resource expenditure deductions for income tax purposes related to exploration activities funded by these financings were renounced to investors effective December 31, 2008 under the look-back rule. Pursuant to this rule the Corporation is permitted to renounce flow-through related resource expenditures to investors in advance of their incurrence. The Corporation and its subsidiary had until February 1, 2009 to incur the expenditures before monthly interest charges began to accrue on unspent funds. Interest charges incurred by the Corporation and its subsidiary as a result of this income tax legislation were charged to income in the period incurred. Of the \$3,462,500 in flow-through dollars raised in 2008, \$3,462,500 in related resource expenditures were incurred as at December 31, 2009, therefore fulfilling the Corporation's obligation with respect to flow through share renunciation.

Obligation to issue shares

Pursuant to the agreement with Skybridge Development Corp., the Corporation has committed to issuing up to 1,390,000 common shares in relation to Skybridge options and warrants granted prior to the date of the agreement. The fair value in the amount of \$722,318 for the stock options and warrants was determined using the Black-Scholes option pricing model using the following assumptions: no dividends to be paid, risk free interest rate of 1.19%, expected volatility of 132%, expected life of 1.88 years. The obligation has been reduced to \$603,260 at December 31, 2009 due to the exercise of stock options valued at \$73,780 and expiry share purchase warrants valued at \$45,098.



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Subsequent Events

On February 19, 2010 the TSX Venture Exchange approved the Corporation's application to graduate to Tier 1 Issuer status on the TSX Venture Exchange. Mega commenced trading as a Tier 1 issuer on Monday, February 22, 2010.

On February 25, 2010 the Corporation acquired ownership of 1,900,000 common shares of Rolling Rock Resources Corporation ("Rolling Rock") (representing approximately 3.6% of the outstanding common shares of Rolling Rock), and warrants to purchase an additional 1,900,000 common shares of Rolling Rock at a price of \$0.30 per share until February 25, 2012. The shares and warrants were acquired by way of private placement at an aggregate price of \$380,000 in cash, or \$0.20 per unit (each unit consisting of one common share and one warrant of Rolling Rock). Following completion of the private placement, Mega owns an aggregate of 9,900,000 common shares of Rolling Rock (representing approximately 18.9% of the outstanding common shares of Rolling Rock) and warrants to purchase an additional 1,900,000 common shares of Rolling Rock. If all of the warrants are exercised, Mega will have ownership or control over 11,800,000 common shares of Rolling Rock (representing approximately 21.7% of the outstanding common shares of Rolling Rock then outstanding after giving effect to only the exercise of the warrants).

On March 9, 2010, the Corporation announced that the remaining 2,154,587 shares and 148,500 warrants held in escrow would be released from escrow as a result of Mega's graduation to Tier 1 Issuer status on the TSX Venture Exchange (the "Exchange"). Following the release of these securities there are no securities of Mega held in escrow pursuant to the policies of the Exchange.

On March 30, 2010 the 2,500,000 share purchase warrants, granted prior to the date of the agreement with Skybridge, expired. The fair value associated with these warrants was \$434,000.

Critical Accounting Estimates

The Corporation's consolidated financial statements have been prepared in accordance with Canadian GAAP. A discussion of the Corporation's significant accounting policies is contained in the notes to the audited consolidated financial statements for the year ended December 31, 2009. The Corporation's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control. The key areas within the financial statements where management estimates are present are as follows:

- Property, Plant and Equipment
- Mineral properties
- Future income taxes
- Stock compensation and Share purchase warrants

Significant Accounting Policies

The Corporation's consolidated financial statements have been prepared in accordance with Canadian GAAP. A discussion of the Corporation's significant accounting policies is contained in Note 3 to the audited consolidated financial statements for the year ended December 31, 2009. The Corporation's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

Recent Accounting Pronouncements

Business Combinations / Consolidated Financial Statements / Non-Controlling Interests

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which superseded current sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". It was announced that these sections would be applied prospective to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. These new sections were created to converge Canadian GAAP to IFRS. The Corporation will prospectively adopt these new sections.



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Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January, 2009, the Emerging Issues Committee issued a new abstract concerning the measurement of financial assets and financial liabilities, EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." There had been diversity in practice as to whether an entity's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial instruments. The EIC reached a consensus that these risks should be taken into account in the measurement of financial assets and financial liabilities. EIC-173 was effective for all financial assets and financial liabilities measured at fair value in interim and annual financial statements issued for periods ending on or after the date of issuance of EIC-173 with retrospective application without restatement of prior periods. The Corporation has applied this new abstract at the date of issuance resulting in no impact on its consolidated financial statements.

Fair Value Hierarchy

In January 2009, the CICA adopted amendments to sections 3862 "Financial Instruments Disclosures". These amendments require the Corporation to present certain information about financial instruments measured at fair value in the Consolidated Balance Sheets. In the first of application, comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the December 31, 2009 year end. The following table presents financial assets and liabilities measured at fair value on the consolidated balance sheets in accordance with the fair hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted in active markets for identical assets or liabilities);
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Mining exploration costs

On March 27, 2009, the Canadian Institute of Chartered Accountants approved EIC 174, "Mining Exploration Costs". The EIC provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Corporation has applied this new abstract at the date of issuance resulting in no impact on its consolidated financial statements

Future accounting changes

IFRS Conversion Plan

In 2009, the Corporation put in place a comprehensive IFRS conversion plan which addresses changes in accounting policies, restatement of comparative periods, organization, internal controls and any required changes to business processes. To ensure the full impact of the conversion was understood, personnel responsible for the IFRS conversion project attended training courses on the adoption and implementation of IFRS. Through in-depth training, and thorough review of transitional statements prepared by comparative companies, the Corporation believes the finance personnel are prepared for the transition.

During 2009, the Corporation reviewed its existing accounting system along with internal and disclosure processes and concluded that they would not need significant modification as a result of the Corporation's conversion to IFRS. Included in this review was an assessment of existing reporting templates and checklists, rationalization of the existing chart of accounts, and review of the efficiency of period-end close procedures.



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The eventual changeover to IFRS represents a change due to new accounting standards and is a significant undertaking that may materially affect the Corporation's reported financial position and results of operations. The Corporation is continually assessing the impact of the conversion, and below is a table outlining some of the key milestones, timing, and current status of the Corporation's changeover:

Key Activity	Timing	Current Status
Financial Reporting <ul style="list-style-type: none"> Identify differences in Canadian GAAP and IFRS and effect on accounting policies 	Overall assessment completed Q4 2009 and to be updated to Q4 2010	Differences identified and analysis of impact and disclosures ongoing
<ul style="list-style-type: none"> Determine applicable IFRS 1 exemptions 	Assessment initiated Q3 2009 to be updated for and finalized Q4 2010	Exemptions identified and assessment is ongoing
<ul style="list-style-type: none"> Develop financial statements in accordance with IFRS 	To be completed Q4 2010	Accounting policy development initiated, review of comparative adopters in other jurisdictions reviewed.
<ul style="list-style-type: none"> Quantify effects of change in initial IFRS disclosure and 2010 comparative statements 	To be completed Q4 2010	The quantitative impact will be finalized upon completion of transition
Business activities <ul style="list-style-type: none"> Assess effect on budgeting and planning processes 	To be completed Q4 2010	Budgeting and planning not yet impacted by conversion
<ul style="list-style-type: none"> Assess need for IFRS training 	Training completed by Q4 2009 to facilitate parallel processing by Q3 2010	Training is completed and analysis of the impact on all finance staff is underway
Information technology infrastructure <ul style="list-style-type: none"> Determine that software and business processes are IFRS compliant 	Completed by Q4 2009 to facilitate parallel processing of 2010 general ledger	Assessment is underway in conjunction with analysis of accounting policies
<ul style="list-style-type: none"> Assess needs for program upgrades and changes to general ledger 	Initial assessment to be completed by Q4 2009 and to be an ongoing process throughout conversion	Initial assessment completed in conjunction with analysis of accounting policies
Control Environment <ul style="list-style-type: none"> For accounting policies changes, assess control framework and effectiveness implications 	Control and design effectiveness are continually being monitored throughout the conversion process, with completion of assessment expected Q1 2010	Initial assessment completed in conjunction with analysis of accounting policies



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Off Balance Sheet Arrangements

The Corporation did not have any off-balance sheet arrangements during the year ended December 31, 2009 or as of the date of this report.

Risk Factors

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.

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.



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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

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com, or on the Corporation's web-site at www.MegaPMI.com.

Mr. Gord Yule, P.Geol., Vice President Exploration for 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
April 30, 2010