



(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, 2009 AND 2008**

**Date of Report: November 30, 2009**

## **General**

The following Management's Discussion and Analysis ("MD&A") of Mega should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 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 November 30, 2009, 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.

## **Highlights**

### ***Mega acquires option to acquire 100% interest in the "Headway" property in Red Lake, Ontario***

- The Headway property, located in the shadow of Goldcorp's Red Lake Gold Mines head frame, appears to have all the essential geological elements that are associated with the high grade gold system on the adjacent Goldcorp property. The first of two 3,000 metre holes to test the deep down dip geological stratigraphy and extension of Goldcorp's neighboring High Grade Zone commenced earlier this month.

### ***Drilling on the Laverty property confirms historic results on the "Laverty Dyke Zone"***

- The Corporation completed 20 diamond drill holes during the 3<sup>rd</sup> quarter for a total of 2676.5 meters to confirm and develop a NI 43-101 compliant resource on the Dyke Zone. The analytical results confirmed the historic drill results associated with the north-northwest trending dyke extending to a depth of 200m.



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### ***Drilling program initiated on East My-Ritt property***

- Initial drilling targeted a potential plunge extension and westerly extension of the My-Ritt Zone, a mineralized northeast trending sheared deformation zone. Preliminary indications from the drill core suggest that an east-northeast dyke and shear structure are present.

### ***Completed \$6,037,500 private placement***

- On October 20, 2009 the Corporation announced the completion of the sale of 8,050,000 flow-through units (the "Units"), after full exercise of the over-allotment option, at a price of \$0.75 per Unit. Each Unit consists of one flow-through common share and one whole share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share of Mega at any time up to October 20, 2011 for an exercise price of \$1.15. These funds will be used to complete a significant drill program for 2010.

## **Corporate Overview**

Mega Precious Metals Inc. (the "Corporation" or "Mega") is a junior Canadian-based exploration and development company with exploration projects in Canada. The Corporation received all necessary approvals on September 14, 2009 to change its name from Mega Silver Inc. and to continue into the jurisdiction of Ontario. 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.

### ***Transaction with Skybridge Development Corp.***

On May 26, 2009, the Corporation announced that it acquired Skybridge Development Corp. through an all share transaction (the "Transaction"). Under the terms of the Transaction, shareholders of Skybridge received one (1) Mega common share in exchange for each two and one-half (2.5) Skybridge common shares held. Upon completion of the Transaction, Mega issued an aggregate of 8,105,384 common shares to Skybridge shareholders, representing approximately 23% of the 35,058,972 outstanding Mega common shares immediately following the transaction. The Transaction was effected by way of a three-cornered amalgamation, whereby a wholly-owned subsidiary of Mega consolidated with Skybridge. The common shares of Skybridge ceased trading on the TSX-V as of close of trading on May 26, 2009.

The allocation of the purchase price related to the Skybridge transaction is preliminary and will be refined as information relating to the valuation of the fair value of net assets and the determination of certain tax values of those assets are finalized. The preliminary allocation of the purchase consideration totaling \$7,093,052 is as follows:

Cash	\$165,612
Accounts receivable	44,615
Prepays	24,173
Short term investments	75,000
Equipment	4,439
Mineral properties	8,671,730
Accounts payable	(90,826)
Future tax payable	(1,772,292)
Long term tax payable	(29,399)
<b>Total net assets</b>	<b>7,093,052</b>
<b>Purchase consideration:</b>	
8,105,384 common shares issued	6,370,914
Obligation to issue shares	722,138



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## **OPERATIONAL HIGHLIGHTS**

### ***ONTARIO – RED LAKE AREA***

#### ***Headway Property***

On October 5, 2009 the Corporation signed a definitive agreement with King's Bay Gold Corporation for the option to acquire a 100% interest in the Headway property. The property, comprised of 6 patented and one unpatented mining claim and totaling 127.98 hectares, is situated on Highway 125, 4 km south of Balmertown, Ontario and 2.4km southwest of Goldcorp's #3 shaft. Acquisition of the Headway Property would bring Mega's total land position in the Red Lake District to 321.78 hectares.

The Headway property, which is adjacent to Goldcorp's High Grade Zone, appears to host the essential geological elements associated with the high grade gold system on Goldcorp's property. Two, 3,000 metre holes will be drilled to test the deep down dip geological stratigraphy and extension of Goldcorp's High Grade Zone. Drilling on the first of the two holes, which are expected to take approximately 6 months to complete, commenced at the beginning of November.

#### ***North Madsen Project***

The North Madsen Project is comprised of the Laverty and East My-Ritt properties. During 2009 the Corporation entered into option agreements to acquire a 100% interest in each of the Laverty and East My-Ritt properties. Management believes that the Laverty and East My-Ritt properties are part of a much larger gold system that encompasses the adjacent Howey, Hasaga and Gold Shore mines properties which produced approximately 640,000 ounces of gold within similar host rock to those located on the East My-Ritt and Laverty claims.

Previous exploration targets include diamond drill results for gold ranging from nil to 18.2 g/t gold over 3.65m on the East My-Ritt Property to the southwest, and values from trace to 7.74 g/t gold over 11.2m on the Laverty portion of regional geological structures.

In June 2009 Mega initiated an exploration program on a 1.5km portion of a promising northeast-trending structure traversing the East My-Ritt and Laverty properties. 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 channel sampling program and the phase 1 drill program consisting of a minimum of 4,000 metres of diamond drilling are being conducted under NI 43-101 quality assurance and quality control reporting standards.

Surface sampling and drill results to date have confirmed historic results, and will allow the company to continue to drill and develop a NI 43-101 compliant resource estimate for Laverty.

Follow up drilling on the My-Ritt Property to test the down plunge extension and westerly extension of the My-Ritt Zone, a mineralized northeast trending sheared deformation zone, is planned following completion of drilling on the Laverty Property.

#### ***Laverty***

The Laverty property is located 1.5km west of the town of Red Lake, Ontario and is comprised of six (6) patented claims totaling 56.4 hectares on the boundary between Heyson and Dome Townships.

The property mineralization hosts two styles of gold mineralization, including near surface, steeply dipping north-northwest striking diabase Dyke Zone north-northwest trending dyke hosting up to 3.56 g/t over 27.9m (ML0905) and the east-west trending, steeply dipping gold mineralization in sheared granodiorite similar to the near-by Howey and Hasaga mines.



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Field work consisted of geological investigation of historic properties with mechanical stripping, channel sampling across prospective zones and geological mapping on mineral occurrences to identify proper attitudes to drill test geological targets, with geophysical surveys such as Gradient Induced Polarization, deep penetrating INSIGHT IP sections, VLF-EM and magnetic surveys. This field work helped to identify historic and new targets for drilling.

Mechanical stripping and systematic channel sampling at 10 to 15 metre intervals across on the surface exposure of the Dyke Zone confirmed continuity of gold grades across and along strike on the dyke. Historic sampling of the Dyke, at surface had been intermittent.

During the 3<sup>rd</sup> quarter, 20 diamond drill holes totaling 2676.5 metres have been completed on the Laverty Property to confirm and to develop a NI 43-101 compliant resource on the Dyke Zone. Initial drilling on the Laverty Option confirmed historic results on the "Laverty Dyke Zone". Drilling on the Laverty Option consisting of 8 diamond drill holes is consistent with historic drilling that identified a north northwest trending dyke and associated shear zone.

The analytical results of the first phase of drilling results confirmed the historic drill results associated with the north-northwest trending dyke extends to a depth of 200m.

Assay results from the initial twenty (20) diamond drill holes (ML0901 – ML0920) of Phase 1 drilling on the Laverty Property have been very encouraging. The first seven (7) holes on the Dyke Zone are consistent with historic results by Wilanour Resources Limited (Camflo Mines Limited) in 1981. TS81- ML0901 through ML0908. Holes ML0909 through ML0913 were completed to test historic drill intersections to the southwest of the Dyke Zone to test the Main Zone and South Zone. A Phase 2 infill drilling program on Laverty is currently underway to delineate a National Instrument 43-101 ("NI 43-101") compliant resource estimate to a depth of 200 meters along a 210 meter strike length of the dyke. A historical resource of 790,000 tons at 0.08 ounces/ton (2.73 g/t) by Wilanour (Camflo Mines Limited) is documented in government assessment files (MNDM Assessment file 52N02SW0085 63.4032 Heyson Twp - B. Gillies, 1982).

The Dyke Zone remains open along strike to the property boundary and to depth. The next phase of drilling will be the zone at depth and on strike to define a resource estimate. Drilling will also target geophysical expressions of parallel structural breaks to the Dyke Zone structure.

Laverty Dyke surface channel sampling and diamond drill results as well as related maps can be found on the Mega website [http://www.megapmi.com/north\\_madsen\\_gallery](http://www.megapmi.com/north_madsen_gallery).

### ***East My-Ritt***

The East My-Ritt Property, comprised of eight (8) contiguous patented mining claims totaling approximately 137.4 hectares, is contiguous with and southwest of the Laverty Property and is located 1.5km west of the town site of Red Lake, Ontario. The property is contiguous with the historic Laverty Property and is adjacent to the historic Hasaga and Howey gold mine properties which produced approximately 640,000 ounces of gold within similar host rock to those located on the East My-Ritt and Laverty claims.

Exploration work consisting of INSIGHT Gradient Induced Polarization (IP) and deep penetrating INSIGHT Section IP, mechanical stripping, channel sampling, geologic mapping and six (6) diamond drill holes on the My-Ritt Zone were completed during the third quarter. Assay results from channel sampling and diamond drilling are pending.

Initial drilling on the East My-Ritt Property targeted a potential plunge extension and westerly extension of the My-Ritt Zone, a mineralized northeast trending sheared deformation zone.

Three holes (MM0901 – MM0903) tested the down plunge extension of a mineralized structure identified by historic drilling (NM0406), two (2) holes (MM0905 – MM0906) tested the western extension of the east-northeast trending dyke structure. One (1) hole (MM0904), stepping north from the east-northeast trending structure was drilled to test a geophysical anomaly. Preliminary indications from the drill core suggest an east-northeast trending dyke and shear structure are present.



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## **ONTARIO – OTHER PROJECTS**

### ***Sunshine Lake***

The Sunshine Lake Property, comprised of a block of twelve (12) unpatented mining claims totaling 101 claim units or approximately 1616 hectares, is located in the Upper Lake Manitou area, 45 km south of Dryden, Ontario. Historic work in the area has exposed numerous narrow high grade gold bearing veins with minor historic production. Geologically, the region hosts favourably hydrothermally altered volcanic and sedimentary host rocks, with regionally extensive geological structures hosting felsic and mafic intrusive rocks and gold.

In 1986, the Ontario Geological Survey completed geological investigations of the area, recommending additional prospecting and detailed mapping. Grab samples of various rock types ranged from pyritic metasediments – 50ppb, pyritic crystal tuff – 39 ppb, pyritic carbonatized gabbro – 130 ppb, pyritic dacitic flows – 210 ppb, to 0.19 ounces per ton from a carbonatized, pyritic mafic volcanic flow.

Prospecting will be completed by Mega, on the Sunshine Lake Property to evaluate known mineral occurrences, assess favourable rock units and recommend additional work.

### ***Mink Lake***

The Mink Lake Property, comprised of a block of nine (9) unpatented mining claims totaling 123 claim units or approximately 1968 hectares, is located in the Casummit Lake area of the Birch-Uchi greenstone belt approximately 100 km east-northeast of Red Lake, Ontario. Historic work in the area has exposed numerous narrow gold bearing veins. Geologically, the region hosts favourably hydrothermally altered volcanic and sedimentary host rocks, with regionally extensive geological structures hosting felsic and mafic intrusive rocks and gold. The region hosts limited gold production.

The project hosts twelve (12) gold and one (1) molybdenum occurrence. Exploration work on each of the occurrences has ranged from grab samples only to several diamond drill holes.

Prospecting will be undertaken by Mega, on the Mink Lake Property to evaluate the mineral occurrences that are covered by the property in the search for a regional controlling influence on the mineralized system.

## **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 is 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 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 27<sup>th</sup> and September 17<sup>th</sup> 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 Management's assessment of the Project's future exploration potential the Corporation has not budgeted for exploration in the region in 2010. As a result, the Corporation did not make the option payment due to Avino Silver and Gold Corporation on November 12, 2009 and provided formal notice of its intention to drop out of the related earn-in agreement. Management will be



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evaluating the potential of its other interests in the area and will respond accordingly to its future payment commitments as they come due. Based on managements assessment of the realizable value of these properties the carrying value of \$1,848,731 in deferred exploration and development costs relating to these properties as at September 30, 2009 has been charged to income during the period. The breakdown of amounts written off is as follows: Eagle - \$1,008,443, Fisher - \$630,547, and Spider-Mann - \$209,741.

## **NUNAVUT**

### ***Blue Caribou Copper Project***

The Blue Caribou Copper Project is located in Nunavut, 480km northeast of Yellowknife, NWT. The property consists of 25 unpatented mining claims totaling 25060hectares in a contiguous block. In 2007, the Blue Caribou Copper Occurrence was acquired by Alyris Gold Corporation, which subsequently combined with Skybridge Development Corp. through a reverse-takeover transaction.

In 2008, Skybridge drilled 32 holes on the Copper Zone, delineating a NI 43-101 compliant resource of **2.77 million tonnes at a weighted average grade of 2.82% Copper, 0.06% Molybdenum, 31.26 g/t Silver and 0.20 g/t Gold** (reported in Press Release dated June 13, 2009).

In the 3<sup>rd</sup> quarter, 2009, Mega mobilized a drill team to assess the greater potential of the Copper Zone, and drill test a significant geophysical conductor proximal to the Copper Zone. Four diamond drill holes totaling 1331m were completed on two grids on the Blue Caribou project claim holding in Nunavut. Also, the company commissioned an ASTER (Airborne Spectral Thermal Emission Radiography) study over the entire property, completed detailed ground EM and IP geophysical surveys on the Beechey and Blue Caribou grids.

The ASTER study successfully applied in the search for mineralization in other areas of the world, was intended to evaluate the huge Blue Caribou land package. Numerous prospective targets were identified, but none appeared to expose any significant alteration assemblages or mineralization. The ASTER targets appeared to be various types of soil and overburden cover.

On the Blue Caribou Copper Zone, two diamond drill holes, 400 meters apart, tested the down dip extension of the inferred mineral resource on the Blue Caribou Copper Zone. The Copper Zone appears to continue as a strong geophysical anomaly located approximately 300-400 m south of the inferred mineral resource identified in the 2008 drill campaign. Both holes intersected the mineralized quartz vein with chalcopyrite, pyrrhotite, and molybdenite over 3 meters at a vertical depth of 175-225 meters below surface, and 500-700 metres down dip of the surface expression of the Copper Zone. The copper results are pending.

The copper-bearing quartz vein system with accessory molybdenite mineralization appears to be a very consistent zone as demonstrated in this year's drilling and reflecting on 2008 drill results. Although these drill holes are spatially too far from the area of the resource estimate to be utilized, this current successful drilling suggests the inferred tonnes could be significantly increased with additional drilling. The NI 43-101 compliant inferred mineral resource estimate for the Blue Caribou Copper Zone, using a minimum true width of 2m and a 1% cut-off grade for copper, is **2.77 million tonnes at a weighted average grade of 2.82% Copper, 0.06% Molybdenum, 31.26 g/t Silver and 0.20 g/t Gold** (reported in Press Release dated June 13, 2009).

Two diamond drill holes were also completed on the Beechey Grid to drill test a significantly larger conductor MEGATEM airborne geophysical anomaly than the Blue Caribou Copper Zone anomaly identified by the company's proprietary regional airborne survey completed in 2007. The anomaly was subsequent defined by detailed ground geophysical surveys. Drilling on the Beechey Grid anomaly intersected greywacke sediments with minor silicic alteration and few quartz veins. The geophysical conductors are pyrrhotite-rich graphitic sediments. Assay results have been received for these two holes and the best results are 261 ppb Au, 279 and 521 ppb Au.

Metallurgical studies on the Copper Zone drill core and preliminary scoping studies are proposed for later in the year.



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### 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 10<sup>th</sup> 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	2008	2008	2008	2008	2007	2007
Quarter	Third	Second	First	Fourth	Third	Second	First	Fourth	Third
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	-	54,971	60,777	100,763	121,944	130,751	112,500	51,046	9,570
Expenses	733,806	798,552	745,754	233,718	828,713	1,357,501	796,793	245,023	11,508
Net Loss	(2,417,157)	(390,055)	(684,977)	(132,955)	(4,461,039)	(1,226,750)	(684,293)	(193,977)	(1,938)
Net loss per common share (basic and diluted)	0.08	0.02	0.02	0.00	0.17	0.05	0.03	0.02	0.00

### Overall Performance

Net loss for the three months ended September 30, 2009 was \$2,417,157 as compared to \$4,461,039 the same period of the previous year. The decrease in net loss was due to the significant mineral property write-offs in 2008.

The Corporation recorded \$nil in interest revenue on its investments, compared to \$121,944 in the same period of the previous year. Of the \$733,806 in operating expenses incurred during the three months ended September 30, 2009, \$9,147 related to non-cash charges for amortization. Of the remaining \$724,659 in operating expenses, \$339,991 was related to stock compensation, \$334,448 related to general and administrative expenses, \$34,652 to professional fees, and \$15,568 to flow through interest expense. The major components of administrative costs include office costs of \$42,263, corporate office lease of \$20,648, investor relations expense of \$53,628, transfer agent fees of \$18,540, consulting fees of \$18,000, shareholder communications of \$12,998, corporate accounting fees of \$23,707, and salaries of \$84,705.



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Exploration and development programs during the three months ended September 30, 2009 resulted in \$2,343,233 in related expenditures. As at September 30, 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 September 30, 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 \$8,984,471 at September 30, 2009 compared to \$199,064 at December 31, 2008. Current assets at September 30, 2009 were \$9,375,838 compared to \$11,667,192 at December 31, 2008 and total assets at September 30, 2009 were \$19,737,879 compared to \$12,147,725 at December 31, 2008. The \$7,590,154 increase in total assets relates to the acquisition of Skybridge and net mineral property expenditures.

At September 30, 2009 the Corporation had mineral property assets of \$10,249,220, with the breakdown as follows:

<i>Mineral Property Exploration and Development Expenditures</i>	<i>At September 30, 2009</i>
<i>Ontario</i>	
East My-Ritt property	\$ 437,749
Lavery property	431,072
<i>Nunavut</i>	
Blue Caribou property	9,144,814
Other	235,585
Total	10,249,220

### **Operating activities**

During the three months ended September 30, 2009, the Corporation reported \$655,620 in cash provided in relation to operating activities. The most significant non-cash charges to earnings were the mineral property write down of \$1,848,731, stock compensation of \$339,991, and amortization of \$9,147.

### **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.

### **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 30, 2009, 43,835,780 common shares were issued and outstanding. As at November 30, 2009 a total of 3,105,110 common shares and 227,750 warrants were held in escrow.



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*Warrants*

The following table reflects the share purchase warrants outstanding as at November 30, 2009:

Expiry Date	Exercise Price	Warrants Outstanding
January 29, 2010	1.50	137,500
November 2, 2010	1.60	1,375,000
November 2, 2010	1.50	6,500,000
October 20, 2011	1.15	8,050,000
		16,062,500

*Stock Options*

The following table reflects the stock options outstanding as at November 30, 2009:

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	258,333
		2,225,000	933,333

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.

A total of \$1,178,741, including \$274,087 related to the most recent grant, was recorded as compensation for the 949,170 stock options that vested during current period [2008 - \$1,678,300 was recorded as compensation for the 945,832 stock options that vested].

***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 \$15,658 (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 \$120,540 (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.



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[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 \$15,000 (2008 - \$nil) for the rental of a core shack provided by 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 September 30, 2009:

	2009	2010	2011	TOTAL
Contracts	90,405	361,620	180,810	632,835

#### *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 September 30, 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. (note 2), 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 \$603,260 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.

### **Subsequent Events**

On October 5, 2009 the Corporation announced that it had signed a Definitive Agreement to acquire a 100% interest in the "Headway" property. Initial payment obligations at the signing of the definitive agreement between the parties include \$340,000 cash, issuance of 200,000 Mega shares and first year project expenditures of \$750,000. Of the \$340,000 paid on signing the Definitive Agreement, \$140,000 was paid by Mega to Richview to satisfy the Richview Condition, and \$200,000 was paid by Mega to King's Bay. Terms of the 3 year option agreement between Mega and King's Bay include cash payments totalling \$460,000, issuance of 4,425,000 common shares of Mega and project expenditures of \$3,000,000. There is a 2% Net Smelter Royalty payable to the initial vendors of the property.

On October 5, 2009 the Corporation entered into a sublease agreement in relation to its office space in Vancouver, BC. Pursuant to the agreement the Corporation will retain ownership of its leasehold improvements and office equipment and furnishings until the expiry of the Head Lease following which title will transfer to the subtenant. The subtenant took possession of the space on November 15, 2009.

On October 20, 2009 the Corporation announced that it had sold, on a best efforts basis, 8,050,000 flow-through units, after full exercise of an over-allotment option ("Units"), at a price of \$0.75 per Unit. Each Unit consists of one flow-through common share and one whole share purchase warrant. Each share purchase warrant entitles the



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holder to acquire on additional common share of Mega at any time up to October 20, 2011 for an exercise price of \$1.15. The agents received an aggregate commission equal to 6% of the gross proceeds of the offering and broker warrants in an aggregate amount of 10% of the number of Units sold. Each broker warrant is exercisable by the agents to acquire one common share of Mega at a price of \$0.75 per share at any time up to October 20, 2011.

On October 21, 2009 the Corporation announced that the TSX Venture Exchange consented to the extension in the expiry date of 1,375,000 warrants, with an exercise price of \$1.60, and 6,500,000 warrants with an exercise price of \$1.50. The expiry date of the warrants has been extended to November 2, 2010.

On November 13, 2009 the Corporation announced that it signed a definitive agreement to acquire a 100% interest in the "Mink Lake" property in Birch Lake area, northeast of Red Lake, Ontario and the "Sunshine Lake" property south of Dryden, Ontario from Perry English, on behalf of Rubicon Minerals Corp.

### ***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, 2008. 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 unaudited interim consolidated financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles applicable for audited annual consolidated financial statements. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the 2008 audited consolidated financial statements.

### ***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. Mega has chosen early adoption of sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests". These sections have been applied concurrently in the 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 Q3 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



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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.

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
<b>Financial Reporting</b> <ul style="list-style-type: none"> <li>Identify differences in Canadian GAAP and IFRS and effect on accounting policies</li> </ul>	Overall assessment to be completed Q4 2009 and updated to Q4 2010	Differences identified and analysis of impact and disclosures ongoing
<ul style="list-style-type: none"> <li>Determine applicable IFRS 1 exemptions</li> </ul>	Assessment initiated Q3 2009 to be updated for and finalized Q4 2010	Exemptions identified and assessment is ongoing
<ul style="list-style-type: none"> <li>Develop financial statements in accordance with IFRS</li> </ul>	To be completed Q4 2010	Accounting policy development initiated, review of comparative adopters in other jurisdictions reviewed.
<ul style="list-style-type: none"> <li>Quantify effects of change in initial IFRS disclosure and 2010 comparative statements</li> </ul>	To be completed Q4 2010	The quantitative impact will be finalized upon completion of transition
<b>Business activities</b> <ul style="list-style-type: none"> <li>Assess effect on budgeting and planning processes</li> </ul>	To be completed Q4 2010	Budgeting and planning not yet impacted by conversion
<ul style="list-style-type: none"> <li>Assess need for IFRS training</li> </ul>	Training is expected to be completed by Q4 2009 to facilitate parallel processing by Q3 2010	Training is ongoing and analysis of the impact on all finance staff is underway
<b>Information technology infrastructure</b> <ul style="list-style-type: none"> <li>Determine that software and business processes are IFRS compliant</li> </ul>	To be 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"> <li>Assess needs for program upgrades and changes to general ledger</li> </ul>	Initial assessment to be completed by Q4 2009 and to be an ongoing process throughout conversion	Assessment is underway in conjunction with analysis of accounting policies
<b>Control Environment</b> <ul style="list-style-type: none"> <li>For accounting policies changes, assess control framework and effectiveness implications</li> </ul>	Control and design effectiveness are continually being monitored throughout the conversion process, with completion of assessment expected Q4 2009	Assessment is underway 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 three months ended September 30, 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](http://www.sedar.com), or on the Corporation's web-site at [www.MegaPMI.com](http://www.MegaPMI.com).

Mr. Gord Yule, P.Geo., 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  
November 30, 2009