

RUGBY MINING LIMITED

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Management Discussion and Analysis

August 31, 2010

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Management's Discussion and Analysis For the period ended August 31, 2010

This Management's Discussion and Analysis ("MD&A") of Rugby Mining Limited ("Rugby" or the "Company") is dated October 28, 2010 and provides analysis of Rugby's unaudited interim financial results for the six month period ended August 31, 2010. At October 28, 2010, the Company had 21,695,000 shares outstanding.

The following information should be read in conjunction with, the Company's unaudited interim financial statements and related notes for the six month period ended August 31, 2010, the Company's audited financial statements and related notes for the year ended February 28, 2010, and the Company's Management Information Circular dated June 17, 2010. The unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"), except that they do not contain all the note disclosures required for audited financial statements.

All amounts are expressed in Canadian dollars unless otherwise noted. All documents noted above and any additional information relating to the Company, are available for viewing on SEDAR at www.sedar.com and/or the Company's website at www.rugbymining.com.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

Description of Business

The Company is an emerging mineral resource company exploring for gold, silver and base metals.

The Company was incorporated on January 24, 2007. The Company's most recently completed financial year end was February 28, 2010. The results of the most recent year are set out in the Company's audited financial statements for the year ended February 28, 2010.

The Company began the period with 20,195,000 shares outstanding and ended the period with 21,695,000 shares outstanding.

AUSTRALIA

Hawkwood Project

Pursuant to agreements dated July 10, 2008 and December 2, 2008 between Sunland Properties Limited ("Sunland") and Rowen Company Limited ("Rowen") a company controlled by Bryce Roxburgh, a director of the Company, and subsequent amendment dated December 31, 2009, the Company has the option (the "Option") to acquire up to 90% of the issued and outstanding shares of Sunland. Sunland's wholly owned subsidiary, Rugby Mining Pty Ltd., owns the Hawkwood property in Queensland Australia. Previously the Company had the right to earn up to a 60% interest in Sunland.

Under the Option, the Company paid to Rowen A\$25,000 (\$22,388) as a non-refundable deposit and a further A\$200,000 (\$183,202) to repay a portion of a loan advanced to Sunland by Rowen. In addition, the Company issued 1.5 million shares with a deemed fair value of \$615,000 to Rowen, issued during the period ended August 31, 2010, following approval from the TSX-V on January 25, 2010 and is required to incur exploration expenditures as follows:

- (i) In order to exercise the option to acquire an initial 60% interest in Sunland:
A\$300,000 (\$284,400) by December 31, 2010
A\$200,000 (\$189,600) by December 31, 2011

A\$500,000 (\$474,000) by December 31, 2013

- (ii) In order to exercise the option to acquire an additional 30% interest in Sunland, the Company must incur an additional A\$3.0 (\$2.8) million in expenditures on the property for a total of A\$4.0 (\$3.8) million before December 31, 2017 and issue an additional 3 million shares of the Company to Rowen.

Part of the Hawkwood property is subject to a 2% net smelter royalty payable to Newcrest Operations Limited.

On January 20, 2010, Rugby announced that it had entered into a Joint Venture Heads of Agreement (the “Agreement”) with Eastern Iron Limited (“Eastern Iron”) and Sunland subsidiary, Rugby Mining Pty Ltd. with respect to certain portions of exploration permit 15289 and exploration permit application 17099 (the “Exploration Area”) which comprises a part of the Company’s Hawkwood Project. Under the terms of the Agreement, Eastern Iron can earn a 50% interest in the Exploration Area by funding an A\$200,000 (\$189,600) work program within the first 12 months and thereafter incurring an additional A\$500,000 (\$474,000) in exploration expenditures within the following 2 years. Eastern Iron can increase its interest in the Exploration Area to 80% by incurring an additional A\$3.6 (\$3.4) million in expenditures and completing a bankable feasibility study within the following 5 years. Exploration permit 15289 is subject to a 2% net smelter royalty held by Newcrest Operations Limited.

PHILIPPINES

Mabuhay Project

On October 5, 2010, Rugby announced that it has, subject to regulatory and TSX-V approval, entered into agreements with Pelican Resources Limited (“Pelican”), an ASX listed company, and All-Acacia Resources Inc. (“All-Acacia”), a Philippine company, over the Mabuhay Gold project (“Mabuhay” or the “Mabuhay Project”) in the Philippines granting it the right to earn up to an 80% interest in the project.

The agreement with Pelican and its Philippine subsidiary, SunPacific Resources Inc. (“SunPacific”), together with the agreement with All-Acacia Resources grants Rugby the right and option (the “Option”) to earn an 80% interest in the Mabuhay Project. Under the Mabuhay Agreement, Rugby will be required to make staged payments to Pelican and All-Acacia totalling US\$900,000 (\$959,850) over four years and incur staged expenditures of US\$6.5 (\$6.9) million over six years. In addition, Rugby paid Pelican US\$20,000 (\$20,466) as a signature fee. Pelican will be paid a further US\$5.0 (\$5.3) million if commercial production commences at Mabuhay.

A pre-feasibility study on the Mabuhay Project must also be completed. Upon the exercise of the Option, All-Acacia and Rugby will form a joint venture with respect to the development of and conduct of mining operations on the Mabuhay project and on each anniversary date thereafter, Rugby must pay an additional US\$200,000 (\$213,300) to All-Acacia towards All-Acacia’s pro-rata share of expenditures until commencement of production from the Mabuhay Project.

COLOMBIA

Comita Project

On October 12, 2010, Rugby announced that it has, subject to regulatory and TSX-V approval, entered into an agreement (the “Comita Agreement”) with Rio Tinto Mining and Exploration Columbia (“Rio Tinto”), over the Comita Porphyry Copper Gold Project (“Comita” or the “Comita Project”) in Colombia granting it the right to earn up to a 60% interest in the Comita Project.

The Comita Agreement provides that all of the mineral titles at Comita owned by Rio Tinto, will be transferred to a new Colombian entity (“Newco”) and grants Rugby the right to earn an initial 40% interest in Newco upon completion of certain exploration activities and incurring expenditure commitments, with a further option to earn an additional 20% interest, for a total interest of 60% in Newco. Under the terms of the Comita Agreement, Rugby can earn the 60% interest in Newco (an effective 60% indirect interest in the Project) if it completes the obligations set out in the two options as follows:

Option 1: Rugby has an initial 5 year option to acquire an indirect 40% undivided interest in the Comita Project by incurring US\$10.0 (\$10.7) million in exploration expenditures which include at least 10,000 metres of drilling as follows:

- (i) US\$250,000 (\$266,625) on or before October 21, 2011, the first anniversary date of the Comita Agreement.
- (ii) Thereafter Rugby has the option, but not the obligation to incur US\$9.75 (\$10.4) million over the following four years with minimum annual expenditures of US\$250,000 (\$266,625) until such time as the Concession Applications are granted and the Comita Project is removed from the forestry reserve, following which the minimum annual expenditure will increase to US\$1.0 (\$1.1) million.

Excess expenditure in any given year may be carried forward to the next year however such carry forward is limited to US\$1.0 (\$1.1) million at the end of the initial 5 year option.

Upon incurring the expenditures set out above, Rugby is required to provide Rio Tinto with notice that it has met the requirements to acquire the initial 40% interest in Newco following which Rio Tinto has 90 days to elect to resume management of the Comita Project. In the event that Rio Tinto elects to resume management of the Comita Project, a joint venture will be formed and dilution provisions will apply. Should Rio Tinto elect not to resume management of the Comita Project, Rugby will be granted a second option to acquire a further 20% indirect interest in Newco as set out below.

Option 2: Upon Rugby being granted the second option it will have 3 years to acquire an additional 20% undivided interest in Newco for a total 60% indirect interest in the Comita Project by incurring an additional US\$15.0 (\$16.0) million in expenditures, including 20,000 metres of drilling with minimum annual expenditures of US\$1.0 (\$1.1) million.

Results of Operations for the six month period ended August 31, 2010

The Company recorded a net loss for the six month period of \$453,388 which is the result of administrative expenses (which includes general administrative costs, bank charges, insurance, transfer agent fees and amortization) of \$56,606, project evaluation expenditures of \$148,609, professional fees of \$47,344, and stock based compensation of \$192,327.

Summary of Quarterly Results

	2011		2010				2009	
	2nd Quarter	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter	3 rd Quarter
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121	\$ 2,139	\$ 4,558
Administrative expenses	28,839	27,767	18,581	20,671	33,777	28,657	10,703	142
Professional fees	22,662 ⁽¹⁾	24,682 ⁽¹⁾	33,415 ⁽¹⁾	1,913	4,026 ⁽²⁾	15,689 ⁽¹⁾	45,569 ⁽²⁾	27,539
Project evaluation costs	110,974 ⁽³⁾	37,635	658,346 ⁽⁴⁾	97,200	275,207 ⁽⁵⁾	61,644	50,266	-

⁽¹⁾ Includes legal and accounting fees related to project agreements and year end audits.

⁽²⁾ Professional fees are substantially related to costs associated with completing a QT.

⁽³⁾ Includes US\$20,000 (\$20,466) paid to Pelican as a signature fee.

⁽⁴⁾ Includes \$615,000 being the fair market value of 1.5 million shares issued to Rowen in connection with the Revised Option.

⁽⁵⁾ Includes A\$200,000 (\$183,202) paid to Rowen for re-imbursement of expenditures.

Financial Condition, Liquidity and Capital Resources

As at August 31, 2010 the Company had cash resources of \$653,247 and working capital of \$541,908. The Company believes that its cash resources are sufficient to meet its currently planned expenditures, however as a result of the new property agreements that have been entered into, the Company will have to raise additional funds.

The Company's source of working capital to date has been from the sale of its common shares. Under the current economic environment, access to the capital markets to obtain equity financing is very uncertain, and consequently future equity financing may not be readily accessible to the Company.

On October 26, 2010, the Company announced that, subject to regulatory acceptance, it had arranged a non-brokered private placement consisting of up to 10,000,000 common shares ("Shares") at \$0.85 per Share for gross proceeds of up to \$8,500,000.

Contractual Obligations

Other than the obligations noted above pursuant to the agreement with Rowen for the option to acquire the Hawkwood Property, the Company had no material contractual obligations at August 31, 2010, however pursuant to the agreements entered into subsequent to August 31, 2010, the Company has a US\$250,000 (\$266,625) minimum commitment at Comita.

Related Party Transactions

Amounts due to related parties of \$56,686 at August 31, 2010 (February 28, 2010 - \$102,437) is for administrative support fees, management, consulting and exploration fees, and for expenses incurred while conducting the Company's business.

During the period ended August 31, 2010, in addition to related party transactions described in the Hawkwood agreement, the following related party transactions occurred:

- (a) Paid or accrued project evaluation costs of \$52,340 (2009 - \$55,380) to a company controlled by the Chief Executive Officer of the Company. As at August 31, 2010, the Company had amounts owing of \$40,225 (February 28, 2010 - \$32,783) to this company;
- (b) Paid or accrued administrative support fees of \$30,000 (2009 - \$30,000) to a company with common directors. As at August 31, 2010, the Company had amounts owing of \$16,460 (February 28, 2010 - \$5,250) to this company; and
- (c) As at August 31, 2010, the Company had amounts owing of \$nil (February 28, 2010 - \$64,404) to a company controlled by a director for exploration expenditures incurred.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Financial Instruments

The Company's financial instruments consist of cash, other receivables, and accounts payable and accrued liabilities. The Company's activities expose it to a variety of financial risks, including credit risk, liquidity and market risk.

The Company's financial instruments consist of cash, interest receivable, and accounts payable and accrued liabilities. The Company's activities expose it to a variety of financial risks, including credit risk, liquidity and market risk. Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents by purchasing highly liquid, short term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. The credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with major Canadian financial institutions with strong investment-grade ratings by a primary ratings agency. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

i) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts and cashable GIC's that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of August 31, 2010. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The Company's sensitivity analysis suggests that a 1% change in interest rates would not have a material effect on interest income.

ii) Foreign currency risk

The Company is exposed to foreign currency risk as monetary financial instruments are denominated in US and Australian currencies. The Company has not entered into any foreign currency contracts to mitigate this risk, as it believes this risk is minimized by the minimal amount of cash currently held in US currency. The Company's foreign currency risk is increasing with the increased expenditures being incurred and the related increases in foreign currency payables. The Company's sensitivity analysis suggests that a consistent 5% change in the absolute rate of exchange in all foreign jurisdictions would not have a material impact on these financial statements.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk, foreign exchange risk or commodity price risk. The Company has no financial instruments exposed to such risk.

Risks and Uncertainties

The Hawkwood property in which the Company has an option to acquire an interest, is in the exploration stage only. The securities of the Company should be considered a highly speculative investment due to the high risk nature of the Company's business, which is the acquisition, financing, exploration and development of mining properties. The following risk factors, which are not exclusive, could materially affect the Company's business, financial condition or results of operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

The Company does not have a history of earnings, nor has it paid any dividends and management does not expect this will change in the near future.

The directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time.

Future exploration may be financed in all or in part by the issuance of additional shares of the Company, resulting in further dilution to existing shareholders. Such dilution may be significant, and may also result in a change of control of the Company.

Please also refer to the section under risk factors in the Company's prospectus for the Initial Public Offering and its MD&A for the year ended February 28, 2010 which can be found on SEDAR at www.sedar.com.

Critical Accounting Estimates

The Company's significant accounting policies are described in detail in Note 3 of its unaudited interim financial statements for the six month period ended August 31, 2010. The Company considers the following policies to be most critical in understanding its financial results:

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include accrued liabilities, the determination of the assumptions used in the calculation of stock-based compensation expense and the valuation allowance for future income tax assets. Actual results could differ from those estimates used in the financial statements.

Financial instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value.

Mineral property interests

Exploration expenditures and option payments incurred prior to the determination of the feasibility of mining operations and the decision to commence development are charged to operations as incurred.

Pre-development costs incurred prior to a development decision and the receipt of all necessary permits and licenses for sustained mining operations are charged to operations as incurred.

Development expenditures incurred subsequent to the commencement of commercial production to increase productive capacity or to extend the life of existing production will be capitalized under mine development costs.

Changes in Accounting Policies

Future changes in accounting standards:

(a) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Handbook Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of financial statements.

These new sections apply to interim and annual financial statements relating to the Company's fiscal years beginning on or after March 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

International Financial Reporting Standards ("IFRS") – Transition Update

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the fiscal year commencing March 1, 2010.

The Company is in the process of engaging an accounting firm to assist and provide project management advice with the implementation process to transition from current Canadian GAAP to IFRS. The transition process consists of three primary phases: scoping and diagnostic phase; impact analysis, evaluation and design phase; and implementation and review.

- Scoping and diagnostic phase – A preliminary diagnostic review will be completed in concert with an external accounting firm which includes the determination, at a high level, of the financial reporting differences under IFRS and the key areas that may be impacted. The areas with the highest potential impact will be identified.
- Impact analysis, evaluation and design phase – In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with

an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The Company anticipates that there will be changes in accounting policies and that these changes may materially impact the financial statements. The full impact on future financial reporting is not reasonably determinable or estimable at this time.

- Implementation and review phase – This phase includes execution of any changes to information systems and business processes and completing formal authorization processes to approve recommended accounting policy changes. It will also include the collection of financial information necessary to compile IFRS-compliant financial statements and audit committee approval of IFRS financial statements.

IFRS 1, “First-Time Adoption of International Financial Reporting Standards”, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The various accounting policy choices available are being assessed and those determined to be most appropriate to the Company’s circumstances will be implemented.

The International Accounting Standard Board currently has projects underway that are expected to result in new pronouncements and as a result, IFRS as at the transition date is expected to differ from its current form. The final impact of IFRS on the Company’s financial statements will only be determined once all applicable standards at the conversion date are known.

Management’s Responsibility For Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company’s assets are safeguarded and to facilitate the preparation of relevant and timely information. The Company’s CEO and CFO have confirmed to the Company that they are satisfied with the effectiveness of the Company’s system of disclosure controls and procedures as at August 31, 2010 based upon their evaluation of the effectiveness of such disclosure controls and procedures.

Internal Controls And Disclosure Controls Over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission in which the Company is registered exempted Venture Issuers from certifying disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer, it is now required to file basic certificates, which it has done for the six months ended August 31, 2010. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at August 31, 2010.

Changes In Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the six months ended August 31, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Investor Relations

At this time Company has no formal investor relations program in place.

Additional Information

As at October 28, 2010 the Company had 21,695,000 common shares issued and outstanding, of which 4,707,500 are held in escrow. The escrow shares will be released at a rate of approximately 1,560,000 shares every 6 months. As at October 28, 2010, the Company had outstanding options and warrants as follows:

	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry</u>
Options:	1,125,000	\$0.30	October 9, 2014
	410,000	\$0.30	October 10, 2014
	600,000	\$0.42	July 7, 2015
	1,375,000	\$0.50	July 20, 2015
Warrants:	2,955,000	\$0.30	July 17, 2011

Directors and Officers

Directors:

Paul Joyce
Bryce Roxburgh
Yale Simpson
Robert Reynolds
Cecil Bond

Officers:

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