Pacific Harbour Capital Ltd.

Management's Discussion and Analysis
of Financial Condition and Results of Operations
Second Quarter Report – September 30, 2010 and 2009

The following discussion is management's assessment and analysis of the results and financial condition of Pacific Harbour Capital Ltd. ("Pacific Harbour" or "Company"), and should be read in conjunction with the accompanying financial statements and related notes. The preparation of financial data is in accordance with Canadian generally accepted accounting principles and all figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is November 29, 2010.

Description of Business

The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. Its common shares are traded on the TSX Venture Exchange and the OTC Bulletin Board. The Company has entered into an agreement to acquire a 100% interest, subject to a 2% net smelter returns royalty, in approximately 3,000 mining claims located near Ungava Bay, Quebec.

Acquisition of Iron Ore Mining Claims

On October 7, 2010, the Company announced that it has entered into an agreement with John Patrick Sheridan of Toronto, Ontario and Peter Ferderber of Val D'or, Quebec (collectively the "Vendors"), in which the Company is planning to acquire a 100% interest, subject to a 2% net smelter returns royalty, in approximately 3,000 mining claims (the "Property") located near Ungava Bay, Quebec. The Property is currently subject to a dispute between Kataria Holdings Limited, a British Virgin Islands company, Atulkumar Patel and Ramzy Abdul-Majeed, both of Dubai, UAE, (collectively the "Kataria Group") and the Vendors.

Pursuant to the acquisition agreement, Pacific Harbour will acquire the Property for consideration of 30,000,000 Pacific Harbour Shares to the Vendors. Additionally, in consideration for the Vendors and the Kataria Group dismissing all legal proceedings in respect of the Property, Pacific Harbour will pay US$2 million and issue 8,000,000 common shares to the Kataria Group, of which 4,000,000 common shares will be held in escrow and only released upon receipt of an independent report under NI 43-101 which validates a resource equal to or greater than 450 million metric tonnes of 35% or higher iron content.

The completion of the acquisition is subject, but not limited, to necessary shareholder, board and regulatory approvals, completion of the financing, granting of stock options exercisable at the minimum price as may be permitted by the TSX Venture Exchange, and the satisfactory completion of due diligence reviews by each party.

Private Placement Financings

During October 2010, the Company announced it will complete a private placement of 13,125,000 units at a price of $0.40 per unit for gross proceeds of $5,250,000. Each unit will consist of one common share and one-half of one common share purchase warrant exercisable at $0.65 per share for a period of five years.

On November 23, 2010, the Company announced it will complete a private placement of 10,450,000 flow-through units and 17,950,000 non-flow-through units at a price of $0.55 and $0.50 respectively for gross proceeds of $14,722,500. Each unit will consist of one common share and one common share purchase warrant exercisable at $1.00 per share for a period of five years.

Overall Performance and Results of Operations

Total assets increased to $3,079,318 at September 30, 2010 from $344,760 at March 31, 2010. The most significant asset at September 30, 2010 was cash and cash equivalents of $2,919,868 (March 31, 2010: $194,169).

The increase in cash and cash equivalents during the period was the result of private placement proceeds of $2,969,290, partially offset by $243,591 used in operating activities.

The Company recorded a net loss of $224,051 during the six months ended September 30, 2010.

Three month periods ended September 30, 2010 and 2009

The most significant expenses incurred during the three months ended September 30, 2010 were wages and benefits of $75,909 (2009: $17,821), professional fees of $30,628 (2009: $9,292), rent and utilities of $24,732 (2009: $24,614) and consulting and management of $24,445 (2009: $6,000).

During the three months ended September 30, 2010, the Company recorded interest income of $4,714 (2009: $2,550), which consisted of interest earned on the Company's term deposits and an unrealized gain on marketable securities of $10,500 (2009: $17,400).

Six month periods ended September 30, 2010 and 2009

The most significant expenses incurred during the six months ended September 30, 2010 were wages and benefits of $94,148 (2009: $36,028), rent and utilities of $48,928 (2009: $48,723), consulting and management of $37,000 (2009: $12,000) and professional fees of $31,255 (2009: $17,293).

During the three months ended September 30, 2010, the Company recorded interest income of $5,569 (2009: $5,100), which consisted of interest earned on the Company's term deposits and an unrealized gain on marketable securities of $5,750 (2009: $23,793).

Liquidity and Capital Resources

As at September 30, 2010, the Company had working capital of $2,957,229. The Company has sufficient cash resources to settle outstanding liabilities.

The Company has no bank debt or banking credit facilities in place.

Summary of Quarterly Results

	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Interest and other income (loss)	$ 15,214	$ (3,895)	$ (6,100)	$ 5,150
Expenses	$ (171,662)	$ (63,709)	$ (85,090)	$ (60,495)
Net loss and comprehensive loss for the period	$ (156,448)	$ (67,604)	$ (91,190)	$ (55,345)
Basic and diluted loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)

	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Interest and other income (loss)	$ 12,769	$ 8,943	$ 34,105	$ 2,795
Expenses	$ (70,239)	$ (58,676)	$ (83,637)	$ (67,436)
Net loss and comprehensive loss for the period	$ (57,470)	$ (49,733)	$ (49,532)	$ (64,641)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

Critical Accounting Policies and Estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the annual financial statements for the year ended March 31, 2010.

Changes in Accounting Policies Including Initial Adoption

Business Combinations

In December 2008, the CICA issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Effective April 1, 2010, the Company early adopted all three sections without impact on these financial statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements.

Recent Accounting Standards Not Yet Effective

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises effective January 1, 2011. The Company's first mandatory filing under IFRS, which will be the first quarter of fiscal 2012, will contain IFRS compliant information on a comparative basis, as well as reconciliations for that quarter and as at the April 1, 2010 transition date.

Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The three phases of the Company's transition plan to IFRS are as follows:

- Preliminary planning: This phase involves the development of the IFRS convergence plan, including the impact of IFRS on the Company's accounting policies, information technology and data systems, internal control over financial reporting and disclosure controls and procedures.

- Detailed impact assessment: This phase involves a detailed review of the Company's current accounting policies and accounting policies that are expected to be implemented in preparing IFRS statements, along with quantification of key line items and disclosures, as well as the evaluation of the impact on operational elements.

- Implementation: This phase involves finalizing the accounting policy changes, implementation of additional internal controls, preparation and approval of completed IFRS financial statements and ongoing training of key personnel.

The Company has completed the preliminary planning phase and is currently working through the detailed impact assessment phase of the IFRS conversion plan. The Company expects no material differences in any key line items; however determination of the impact on disclosures is currently underway.

Based on management's review of current processes, minimal impact is expected on information technology and data systems, and internal controls over financial reporting. Management's assessment indicates that there will be revisions to the Company's financial statement disclosures on adoption of IFRS, but there will be no major financial impact. However, IFRS are evolving in advance of the transition date, and such changes may alter management's current assessment.

Risks and Uncertainties

The Company currently has no revenues from operations. If the Company does acquire a mineral property, substantial capital would be required to put the property into commercial production. Although the Company presently has sufficient financial resources to undertake its currently planned acquisition program and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

The Company is engaged in the acquisition of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The Company will seek to counter these risks to the extent possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

The Company depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

Financial Instruments and Other Instruments

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, marketable securities, receivables, investments and accounts payable and accrued liabilities.

Cash and cash equivalents and marketable securities are designated as held-for-trading and therefore carried at fair value, with the unrealized gain or loss recorded in interest income. Receivables are designated as loans and receivables and are measured at amortized cost. Investments are designated as available-for-sale and therefore carried at fair value, with the unrealized gain or loss recorded in other comprehensive income. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The fair values of cash and cash equivalents, marketable securities, receivables, investments and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and cash equivalents. The Company reduces its credit risk by maintaining its bank accounts and term deposits at a large international financial institution. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity Risk

The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. Management has concluded that the Company has adequate financial resources to settle obligations as at September 30, 2010.

Market Risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in trading its marketable securities and investments. The Company manages market risk by investing in diverse industries and companies. The Company also has set thresholds on purchases of investments.

The Company invests surplus cash in fixed rate term deposits. It is the Company's policy to reduce interest rate risk over future cash flows through the use of fixed rate instruments.

Commitments

Effective September 1, 2010, the Company entered into a financial advisory and office rental agreement with Endeavour Administration Services Ltd. ("Endeavour"). Endeavour charges $10,000 per month for the advisory services and $1,000 per month for the rent, and may also earn success fees on certain transactions. The initial term of the agreement is for one year after which it will continue in force on a month-to-month basis.

Related Party Transactions and Amounts Due

No related party transactions occurred during the six month periods ended September 30, 2010 and 2009.

Outstanding Share Data

As at the date of this report, there were 47,599,717 common shares issued and outstanding.

As at the date of this report, there were 782,014 stock options and 40,000,000 common share purchase warrants outstanding.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Outlook

The Company is working to complete the acquisition of the Property and pursuing other opportunities in the natural resource industry.

Additional information relating to the Company is available on SEDAR at www.sedar.com.