

**INSPIRATION MINING CORPORATION**  
**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR FISCAL QUARTER ENDED JUNE 30, 2010**

The following Management Discussion and Analysis, prepared as of August 2, 2010 should be read together with the Company's Consolidated Financial Statements for the fiscal quarter ended June 30, 2010, and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the Company's Annual Consolidated Financial Statements for the years ended September 30, 2009, September 30, 2008 and September 30, 2007, each of which have been audited, and the Management Discussion & Analysis for those years.

Certain statements included in this Management Discussion and Analysis are 'forward-looking statements'. These statements are based on the opinions, estimates and anticipated occurrences of management at the date the statements are made. Accordingly, those are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ materially from those projected in those forward-looking statements. These factors include, but are not limited to, the inherent risks involved in project planning and execution, the estimations of time of occurrences, estimations of costs and expenditures, changes in management priorities, availability of personnel, equipment and services, interpretation of coring and assay results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, metallurgical recovery rates, currency exchange rates, exploratory and other expenditures on property, increases and decreases in reserves and/or resources and anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions and other factors.

The Company disclaims any obligation to update or revise any forward-looking statements if circumstances or management's estimates or opinions should change. Actual results may differ materially from those anticipated. The reader is cautioned not to place undue reliance on forward-looking statements due to these and other obvious inherent uncertainties.

## **Brief Corporate History**

The Company was incorporated on November 15, 1972 pursuant to the *Company Act* of British Columbia upon amalgamation of two predecessor companies. On August 19, 1996, after various changes during the interim, the Company changed its name to Inspiration Mining Corporation under which it now operates. On March 2, 2004, the Company's stock commenced trading on Tier 2 of the TSX Venture Exchange under the symbol "ISM". On April 26, 2007, its stock became listed for trading on the Toronto Stock Exchange under that same symbol. It is also trades on the Frankfurt Exchange under the symbol O18. On August 18, 2008, the Company continued itself from being a corporation existing and governed by the Business Corporations Act (British Columbia) to being a corporation existing under and governed by the Business Corporations Act (*Ontario*).

Additional information related to the Company is available for viewing on the Company's website at [www.inspirationmining.com](http://www.inspirationmining.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Overview of the Company's Business**

The Company is a junior mining company. The business models with which the general public is most familiar are those which produce a present income stream through the sales of a product or service. The business model of most junior mining entities, on the other hand, is distinctly different in that their business model does not contemplate an income stream during a significant portion of their existence. Junior Mining entities acquire mineral claims which are in the earlier stages of their geological exploration. The junior mining company then undertakes the geological exploration to prove and define the economical minable mineral reserves, if any, which are present on those

properties. No revenue stream occurs during this exploration phase. Profit or revenues will occur in the future at such time as those ore reserves are either sold outright to a senior mining entity or, as an alternative, when one or more of such properties are brought into production, either by itself or through some form of a joint venture arrangement with a senior mining entity.

As the exploratory phase requires significant expenditures of cash, the survivability of a junior mining company is wholly dependent upon its cash reserves on hand or accessible from outside sources. Thus, the ability to acquire capital from the outside on favorable terms is fundamental to all junior mining companies. Different from senior mining and most other production companies, the only income which a junior mining company expects during its exploratory phase is the generally insignificant amount of interest or similar earnings on any cash reserves which it might have.

This business model is reflected in its accounting statements. Applying generally accepted accounting standards, a junior mining company's operating and balance sheet statements generally reflect two major financial categories. All direct expenditures for the acquisition and exploration of the mineral properties are treated as investments and accumulated as assets on the company's balance sheet. All other expenses – generally defined as general and administrative expenses – are treated as current expenses (offset by any earned interest, etc.) and are accrued during this stage as an accumulating operating loss.

The worth of companies which produce a present or projected positive revenue stream is generally evaluated against that revenue stream. Since junior mining entities generally do not produce that revenue stream, their worth must be evaluated against the projected future net value, discounted back to the present, of the mineral reserves which are being explored and defined. The differences between these two distinct business models must be kept in mind in analyzing the data reflected in the financial statements of each model.

## **Description of Mineral Properties**

The Company owns, through its 100% owned subsidiary Metal Mines Inc., a 100% interest in 28 unpatented claims consisting of 69 contiguous claim units (the “**Langmuir Property**”) covering approximately 1,090 hectares in the north-central part of Langmuir Township, Porcupine Mining Division, Ontario. All of those claims are subject to a 1% NSR. The property is approximately 25 km southeast of Timmins, Ontario, and hosts the past producing Langmuir No. 1 Mine, and the majority of the past producing Langmuir No. 2 Mine. More information on this property is compiled and discussed in the two technical reports, one dated February 19, 2007, and the other dated September 1, 2009, each of which is available on the SEDAR website. (See: [www.SEDAR.com](http://www.SEDAR.com).)

Under an asset purchase agreement dated November 21, 2008, the Company acquired two patented land claims (HR1181 and HR1182) from the Keefe Cooke Corporation. Those two claims, referred to as the Keefe Cooke Claims, consist of approximately 100 acres and are located adjacent to the west side of the Langmuir Claims.

The Company also owns a lease on, and an option to acquire a 100% interest (less a 5% Net Smelter Return but, by special definition, that NSR also includes deduction of costs associated with mining, milling, processing, transportation and refining, etc. expenses), ownership in 31 contiguous lode claims (the “Barton Syndicate Property” or “**Dry Fork Property**”) covering 246 hectares located approximately 35 km southwest of Salt Lake City, Utah, in the United States. This lease and option are held in the Company's wholly owned subsidiary, Inspiration Mining–Utah, Inc., which is incorporated under the laws of the State of Utah. To date, exploration of these mineral claims has not commenced. However, the results of the initial geological qualification report which was compiled and discussed in a technical report dated June 30, 2004, is available from the SEDAR website. Those results deemed sufficiently encouraging to warrant additional exploration of the Barton Syndicate Property for gold mineralization.

During the fiscal year ended September 30, 2007, the Company acquired two more claim groups south of Timmins, Ontario, area. On June 13, 2007, the Company entered into an option agreement to acquire certain rights and mineral claims located in the Porcupine Mining Division in the Province of Ontario (the “**Cleaver Property**”). This property consists of 13 mining claims containing 192 mining claim units and is located in the northeastern portion of Cleaver Township, the southeastern portion of Fallon Township, the southwestern portion of Fasken Township and the northwestern portion of McNeil Township. The property is accessed by an all weather gravel logging road approximately 47 km south of Highway 101 at South Porcupine, Ontario. The vendor also granted an exclusive option to the Company to acquire 100% interest of the mineral claims. In the event that the option is fully

exercised, as the Company expects to do, the Company will then own a 100% undivided interest in the mineral claims, free and clear of all liens and encumbrances, subject only to 3% NSR in favor of the vendor. The Company also has the option to purchase 2% of the 3% NSR for the sum of \$2,000,000 expiring June 13, 2017.

On August 1, 2007, the Company acquired an option to acquire 100% ownership, subject to a 3% NSR, of a second claim group (the “**Douglas Property**”) in that same general area. The option for these mineral claims provided the Company to gain full ownership of that property in exchange for certain exploration expenditures to be made on those claims. All of those expenditures have now been timely met resulting in the Company now owning this property. This property consists of 5 mining claim containing 16 mining claim units and is located in the southeast corner of Douglas Township, Porcupine Mining Division, Ontario. The property is accessed by the same all weather gravel logging road just described above and is approximately 43.97 km south of Highway 101 at South Porcupine, Ontario. It is also approximately 4.1km west of the Cleaver Property. The vendor of those claims also granted the Company the option to purchase 2% of the 3% NSR for the sum of \$1,000,000 expiring August 1, 2027.

During the third fiscal quarter of the fiscal year ended September 30, 2009, the Company staked an additional six claims, consisting of 88 claim units covering approximately 1,408 ha (i.e. approximately 3,520 acres) adjacent to a portion of the west side of the Cleaver Property and extending to the Douglas Property. Those new claims are adjacent to and surround the Douglas Property on its eastern, northern and westerly borders.

On November 25, 2008, the Company completed the acquisition of 100% of the issued and outstanding shares of 1691063 Ontario Ltd. (“1691063”), a privately held company. 1691063 is the owner of the **Desrosiers Property** which consists of six claim units located in Desrosiers Township, Ontario. At the time of acquisition, the acquired entity owned six claims, comprised of 42 claim units covering 680 hectares.

In November 2008 the Company acquired all of the issued and outstanding securities of 1691063 Ontario Ltd. 1691063 Ontario Ltd. owns a 100% interest in 42 claim units located in Desrosiers Township, Ontario. The Desrosiers Property is approximately 150 km southwest of the City of Timmins and contains 6 staked mining claims. The Property hosts quartz – feldspar pegmatites and pegmatitic veins that contain molybdenite concentrations of potential economic value along with elevated concentrations of bismuth and silver. Previous work has reported a total of 33 showings or occurrences, four (4) of which have been the subject of systematic work including trenching, stripping and drilling

Following the acquisition of that entity, the Company staked an additional 17 claims adjacent to the initial claims. Those additional staked claims are comprised of 219 claim units covering approximately 3,504 hectares. Together, those claims now total approximately 4,184 hectares (i.e. approximately 10,440 acres). All claims are subject to a 6% NSR on the initial 15,000 tonnes of ore mined and a 3% NSR on all tonnage mined thereafter. That 3% NSR is subject to an option by the Company to buy that NSR for \$3,000,000.

The Company also owns approximately fifty-three percent of the outstanding shares of the common stock Nitinat Minerals Corporation (“Nitinat”), a British Columbia company whose stock is listed for trading on the Toronto Venture Exchange. Nitinat owns a 100% interest in a group of mineral claims on Vancouver Island, British Columbia (the “Jasper Property”) covering approximately 6,615 hectares. Prior to 2004, four separate (4) exploration programs had been conducted on the Jasper Property on behalf of the Company. The results of this exploration work are compiled and discussed in a technical report dated October 28, 2003, which is also available from the SEDAR website, and are deemed sufficiently encouraging to warrant additional exploration of the Jasper Property for poly-metallic massive sulphide mineralization. In 2004, further ground and stream sediment geochemical surveys and ground geophysical surveys were conducted. The results of those surveys, are contained in an Assessment Report dated February 16, 2005, and are available on the Company’s website. That property, prior to November 4, 2009, was owned by Inspiration Mining Corporation but was then transferred to Nitinat in exchange for shares of Nitinat’s common stock .

On January 5, 2010, the Company entered into a purchase agreement for a property in the Bateman Lake area of Thunder Bay, Ontario. That property consists of nine mining claims consisting of 62 claim units and targets both gold and nickel. Under the acquisition agreement, the Company may acquire 100% ownership of the mineral claims by payment of the following sums:

- (i) \$10,000 (paid) on the date of execution of the agreement;
- (ii) \$25,000 on the date of the first anniversary of the agreement;

- (iii) \$35,000 on the date of the second anniversary of the agreement;
- (iv) Common shares of Inspiration with an aggregate value of \$3,000 (issued).

The vendors of the property retains a 2.5% net smelter return ("NSR"). Inspiration has the right to purchase 1.5% of the NSR for \$1,500,000 expiring on the date that is the ten year anniversary of the date the first payment was made.

## **Overview of Current Operations**

### ***Exploration Operations***

**Langmuir Property:** Due to the more advanced state of exploration and the promising results of the Company's Langmuir Property, the project was the principal focus of the Company's resources and attention during the earlier part of the fiscal year ended September 30, 2009.

During the calendar year ended December 31, 2009, the Company has been actively involved in four functions:

- the analysis of its past exploration data to determine the amount and recoverability of nickel resources discovered and delineated to date. That report was released in January 6<sup>th</sup> 2010,
- the pursuit of its application for dewatering and underground exploration of the Langmuir No. 1 mine,
- the application to convert the mineral claims to a mineral lease and
- the collection of the time-sensitive and long lead time baseline data required to support approval applications related to future works on that property.

A more detailed discuss on the current activity appears under "Performance Summary" below.

**Cleaver Property:** Since the acquisition of the Cleaver Property, the Company has conducted extensive line cutting, surveying, mapping and drilling on the property. Previous reverse circulation drilling (RC) in the central portion of the property returned values at the base of the overburden ranging from 0 ppm up to 3,110 ppm (0.30%) of copper and from 0 ppb up to 521,460 ppb (15.209 ounces per ton) gold. The known Flinsky copper-zinc showing is located approximately 2.3 km southwest of the property. Further detailed information is described below under "Performance Summary".

**Douglas Property:** Since the acquisition of the option of the Douglas Property, the Company has conducted extensive line cutting, soil and geophysics surveying, mapping and drilling on the property. Three known copper showings consisting of disseminated chalcopyrite in quartz carbonate veining occur in the west central portion of the property. Minor amount of molybdenite along fracture surfaces within quartz veins intruding a porphyritic granodiorite occurs 1.3km to the northwest of the property. Further detailed information is described below under "Performance Summary".

**Desrosiers Property:** Since the acquisition of the option of the Desrosiers Property, the Company has conducted extensive line cutting, soil and geophysics surveying, mapping and drilling on the property. In the eastern portion of the property, molybdenum grades in the pegmatites are very irregular, with reported sample results ranging from 0.03% to 10.64% MoS<sub>2</sub> (Molybdenum disulfide) across true widths from 2 cm to 2 meters. Further detailed information is described below under "Performance Summary".

**Dry Fork Property:** The Company's Barton Syndicate / Dry Fork Property in Utah also has indications of potentially significant resources. Although that project is considered quite interesting, limited time of management and geological services have continued to limit exploration activities on the property during the past year. Management, at the request of the lessor of the claims, has been working with the Bureau of Land Management to resolving and clarifying its access to that property. Subject to satisfactorily resolving those issues, the Company presently hopes to begin an exploration program on the property in Spring or Summer, 2010.

**Keefe Cooke Property:** In November 2008, the Company also acquired two patented land claims abutting the Langmuir Property to the west. These claims likewise have potential for hosting commercial grades of nickel, but only limited exploration consisting of five diamond drill holes have been completed to date. These returned favourable values in nickel which are reported in the NI43-101 Report on the property completed by Kian Jensen in September 2009, and filed on SEDAR. Additional drilling is anticipated on these claims in the future.

## Selected Financial Information

The following table provides a brief summary of the Company's financial operations for the fiscal quarter ended June 30, 2010, and for the same fiscal quarter ended June 30, 2009, and June 30, 2008. (For more detailed information, refer to the Financial Statements for each of those respective periods.)

SELECTED QUARTERLY INFORMATION	Three Month Period Ended			Nine Month Period Ended		
	30-Jun-2010	30-Jun-2009	30-Jun-2008	30-Jun-2010	30-Jun-2009	30-Jun-2008
Interest & Gain from Sale of Investments	\$ 238,467	\$ 70,326	365,935	529,718	286,849	1,171,065
Net Gain (or loss) before stock based compensation	(162,727)	(671,343)	(503,787)	1,871,714	(1,993,370)	(1,079,663)
Net gain or (loss)	(162,727)	(1,060,589)	(2,068,446)	(408,543)	(6,010,200)	(6,176,215)
Basic and diluted loss per share	(0.00)	(0.01)	(0.03)	(0.01)	(0.08)	(0.09)
Total Assets	52,923,095	51,186,623	49,237,780	52,923,095	51,186,623	49,237,780
Total Long-term liabilities	-	-	-	-	-	-
Shareholders Equity	46,824,825	43,835,620	43,176,175	46,824,825	43,835,620	43,176,175
Cash dividends	-	-	-	-	-	-

Note that the figures in the forgoing table include not just the results of Inspiration Mining's own separate operations but contain the results of its partially owned subsidiary, Nitinat Minerals Corporation. In that regard, refer to "Nitinat Minerals Corporation – As a Subsidiary of the Company", below.

The Company's accounting policy is to record its mineral properties at cost. Acquisition, exploration and development expenditures relating to mineral properties are deferred until either the properties are either brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

In past years, the Company's sole realized cash earnings were interest realized from cash reserves deposited in financial institutions or other loans. The principal causes for the decrease after 2008 related both to the significant decrease in the amount of reserves coupled with a general decrease in the market rate of interest paid generally. To counter that decrease in interest rates paid, the Company has widened its investment targets in recent fiscal quarters.

The Company's Net Income or Loss varies substantially from year to year. This variance is impacted by three principal items. One, of course, is the accounting result of realized/unrealized income just discussed. The second, and often greatest impact, is the compensation paid, not by cash but by "stock-based compensation". The third is the impact of certain non-recurring income or expense items which may skew the Company's operational figures within any particular reporting time period.

When these three factors are excluded to compare only the cash portion of the net income or loss and regularly occurring income or expenses items for each period, the variations for occurring among the time periods, although still present, are far less pronounced. For a discussion of these comparisons, refer to "Results of Financial Operations" below.

Other than future income taxes liabilities which may be owed in the future but are not yet due, the Company does not have, nor has it ever had, long term debt to any non-governmental party.

The Company has no present intention of paying cash dividends on its common shares. However, the Company has announced that it intends to distributing shares of Nitinat Minerals as a dividend to its shareholders. The Company is currently completing the distribution of shares of one of its subsidiaries, Nitinat Minerals Corporation. It has also announced that it is considering spinning off its wholly owned subsidiary Metal Mines, Inc. which holds title to the Langmuir Property and then distributing the stock of Metal Mines, Inc. in some form of a stock dividend.

## Summary of Quarterly Results (unaudited except for periods ending September).

The following charts summarize the quarterly results of the Company's past eight fiscal quarters of operations.

Summary of Quarterly Results	Fiscal Quarter Ended							
	June 30	March 31	December 31	September 30	June 30	March 31	December 31	September 30
	2010	2010	2009	2009	2009	2009	2008	2008
Total Assets	\$ 52,923,095	\$ 54,415,386	\$ 54,092,033	\$ 50,250,529	\$ 51,186,623	\$ 50,601,563	\$ 53,506,095	\$ 48,545,881
Non-controlling interest	2,125,844	2,143,113	2,153,256	-	-	-	-	-
Mineral property costs	28,711,444	28,216,032	27,636,321	25,392,533	24,702,244	24,123,290	23,656,512	16,667,486
Working capital (deficiency)	14,897,019	15,527,691	17,388,369	24,419,514	25,062,530	25,249,708	25,958,501	30,577,345
Shareholders' Equity	46,824,825	47,858,045	47,768,839	46,288,290	43,835,620	43,444,974	43,682,099	42,128,462
Realized Cash Earnings	231,948	157,195	129,620	87,386	76,581	75,686	132,245	(194,800)
Net Income (Loss)	(162,727)	(895,997)	661,507	(1,417,527)	(1,060,589)	(4,224,377)	127,966	(2,464,800)
Loss per share	0.00	(0.01)	0.01	(0.02)	(0.01)	(0.06)	0.00	(0.04)

Increases in total assets result either from profits or influx in capital from the issuance of stock. The table above shows a significant increase in assets occurred in the fiscal quarter ended December 31, 2009. The proportion of Nitinat not owned by Inspiration Mining is then shown on the Liabilities portion of the Assets & Liabilities as "Non-controlling Interest". That item accounts for a significant portion of the overall increase in both Total Assets and "Shareholders Equity".

Apart from that, a significant increase also occurred in the Company's total assets in the fiscal quarter ended December 31, 2008. As explained in past Management Discussion & Analysis, that increase in assets resulted from two items. One was an increase in cash, as a credit, balanced against increase in payables, as a liability debt. More importantly, however, was the acquisition of a major asset, namely, the corporation which holds the Desrosiers Properties. That acquisition was made through the exchange of the Company's stock for 100% ownership of the acquired entity, thus not decreasing the Company's cash or short term investment reserves. The use of stock in lieu of cash thus significantly preserved the working capital of the Company.

The increases in shareholder equity roughly parallel the Company's expenditures for exploration which, under Canadian accounting rules are capitalized expenditures. The significant increase in Shareholders' Equity occurring in the fiscal quarter ended December 31, 2009, was also a result of the Non-controlling interest of Nitinat consolidated into the financial figures of Inspiration Mining Corp.

Net gains and losses incurred vary substantially. Those variances are most directly related to stock-based compensation and income and expense items which are not regular occurrence in each fiscal period. This is discussed in detail below. (*See: "Results of Financial Operations – Cash Expenditures vs. Stock Based Expenditures"*)

During the last eight fiscal quarters, mineral properties values show a steady increase, reflecting the Company's exploratory expenditures, principally on the Langmuir, Cleaver/Douglas and Desrosier Properties.

## Results of Financial Operations

The following lists the Company's income, its general and operating expenses and its Net Operating Loss for the three month day period (i.e. second fiscal quarter) as well as the combined amounts for the last nine months period ended June 30, 2010. Also shown are the same items for the same portions of the previous two years ended June 30, 2009, and 2008.

For the convenience of the reader, the effects of the consolidation of the Nitinat subsidiary are extracted out as the final two entries at the bottom of this table.

<b>RESULTS OF OPERATION</b>	<b>Three Months Ended June 30</b>			<b>Nine Months Ended June 30</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>INCOME ITEMS</b>						
Foreign exchange gain	\$ (6,519)	\$ 6,255	\$ -	\$ (10,951)	\$ (5,452)	\$ 22
Interest income	234,646	60,401	365,935	525,897	276,924	1,171,065
Gain on Sale of Investments	3,821	9,925	-	3,821	9,925	-
Gain on Sale of Mineral Property	-	-	-	1,425,052	-	-
<b>TOTAL</b>	<b>\$ 231,948</b>	<b>\$ 76,581</b>	<b>\$ 365,935</b>	<b>\$ 1,943,819</b>	<b>\$ 281,397</b>	<b>\$ 1,171,087</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSE</b>						
Stock Based Compensation -						
Management & Directors	\$ -	\$ 389,246.00	\$ 981,501.00	757,150	\$ 1,930,505.00	\$ 2,695,980.00
Investor relations	61,187	270,589	1,028,025	288,117	756,478	3,284,835
Management fees	140,000	90,000	75,000	320,000	255,000	205,000
Office and miscellaneous	43,191	9,643	9,506	140,991	38,887	41,985
Professional fees	47,421	315,931	260,112	836,211	2,352,137	861,595
Rent and telephone	24,178	11,290	14,407	53,707	39,196	46,601
Shareholders information	7,998	230	27,270	12,630	12,503	51,832
Transfer agent and filing fees	14,087	5,899	21,925	55,357	69,625	91,103
Travel and related	73,882	44,342	16,634	134,663	103,292	68,372
Flow-through share tax expense	-	-	-	-	733,974	-
<b>TOTAL G &amp; A</b>	<b>\$ 411,944</b>	<b>\$ 1,137,170</b>	<b>\$ 2,434,380</b>	<b>\$ 2,598,826</b>	<b>\$ 6,291,597</b>	<b>\$ 7,347,303</b>
<b>NET LOSS FOR THE PERIOD</b>	<b>\$ (179,996)</b>	<b>\$ (1,060,589)</b>	<b>\$ (2,068,445)</b>	<b>\$ (655,007)</b>	<b>\$ (6,010,200)</b>	<b>\$ (6,176,216)</b>
Non-controlling interest in subsidiary results	\$ 17,269	\$ -	\$ -	\$ 246,464	\$ -	\$ -
<b>NET LOSS FOR PERIOD- Inspiration Mining only</b>	<b>\$ (162,727)</b>	<b>\$ (1,060,589)</b>	<b>\$ (2,068,445)</b>	<b>\$ (408,543)</b>	<b>\$ (6,010,200)</b>	<b>\$ (6,176,216)</b>

**Accounting Procedures Background:** Under generally accepted accounting procedures, the net operating income or loss for a junior mining entities results differently than those commonly expected for other operating entities. First, as a developmental entity, little or no significant income is expected to occur during the periods, which can extend for a number of years, while the mineral properties are being explored. Secondly, the largest expenditures occurring during the developmental stages of each property are the exploratory costs. Rather than being accounted as operating expenses, those are accumulated during the developmental periods as commensurate increases in the Company's asset base, identified as "mineral properties". Additionally, most of those exploratory expenditures are "elective" in that management can not only chose the amount of such expenditures but also when and how those expenditures will be made.

During the developmental period of each respective mineral property, a junior mining entity's operating loss is the recording of its general and administrative expenses, which are generally significant, offset against its rather insignificant income from such miscellaneous items such as interest on its cash reserves. Thus, during the development period of junior mining companies, net operating losses are expected to occur. A profit will not occur until the exploration of one or more mineral properties has been completed so that sales of those mineral properties can occur. Due to fact that the acquisition, exploration and disposition of mineral properties does not occur within a single (fiscal) yearly cycle, net operating losses are expected to occur during the interim fiscal periods.

In that regard, the Company incurred an operating loss before taxes of just under \$180,000 for the fiscal quarter ended June 30, 2010. (When the results of the non-controlled interest of the subsidiary are consolidated in, that loss is decreased slightly by \$17,300). During the same fiscal quarter for the preceding year, the Company incurred a net operating loss of just over \$1,060,000. The fiscal quarter for the year prior to that suffered a loss of almost twice that. The losses for nine-month periods likewise have substantial variances. To fully understand the substance of these varying amounts, the context in which those losses were incurred is important.

**Valuation of Stock Based Compensation:** Other significant factors are also important during this developmental period. Acquisition and exploration, as well as general administrative expenses, occur and are ongoing at significant amounts during these interim periods. Since no significant income is occurring at this time, survival and success in the longer term is directly connected to a junior mining entity's ability to both raise and conserve cash. Precisely, this is done through the placement of its securities and, when possible, to substitute payment through the issuance of its securities when possible.

This introduces another major accounting issue which is placing a value on the securities being issued. If those securities are being issued in exchange for cash, services or property, that valuation is straightforward. However, in the case of options exercisable in the future, the current value of those options is more nebulous. Determining a reliably correct value is increased significantly when, as in the case of the majority of junior mining entities, the company is in its earlier stages of public trading, its asset base is both yet changing and not fully stabilized, and the public market for its stock is not fully seasoned.

To meet this issue as best it can, the accounting profession has adopted a standard in which it applies a calculation, known as the Black-Scholes Formula, applying various factors. The formula, when applied to seasoned companies with a positive revenue stream whose asset base is relatively stable and whose stock has been traded within a defined range for a number of years, provides a relatively reliable measure of value. The result, when that formula is applied to entities where those factors may not exist, is more questionable. However, it is the standard of the accounting field.

The Black-Scholes valuation includes four factors, namely, risk-free interest rate, expected life of options, annualized volatility and dividend rate (a factor not applicable to the Company). During the three month period ended June 30, 2010, no stock options were granted by the Company. However, stock options were granted to management and contractors in the same fiscal quarter of the two preceding years.

To knowledgeably grasp the results of General & Administrative operations, it is important to understand how imprecise, and possibly arbitrary, the process necessarily is in assessing an actual cash value of the options which are a part of those expenditures. Both Management, in granting options for services and officers, directors and professional consultants and investor relations firms receiving those as compensation in lieu of cash, inherently must apply their own subjective opinions with respect to that value. In a volatile market, the variance of those opinions can be significant.

In order to more fully discern the actual impact of the expenditures measured using the Black-Scholes formula, it is helpful to sort out the direct cash impact to the Company vs the accounting figures applied.

**Cash Expenditures vs. Stock Based Expenditures:** The Company recorded just under \$232,000 income and just under \$412,000 in total general and administrative expenditures during the three month period ended June 30, 2010, resulting in a net loss of \$180,000 for that period. (\$1,060,000 loss – 2009, \$2,070,000 loss - 2008). However, whereas all general and administrative expenses for the period ended June 30, 2010, were made in cash, less than 25% of those same expense for the fiscal period ended June 30, 2009, were made in the form of cash. The remainder (\$862,292) for that period was recorded in stock-based expenditures. Similar, of the approximately \$2,400,000 general and administrative expense paid for the fiscal year ended June 30, 2008, less than 16% of those were paid in cash, with the remaining 84% being paid in stock-based compensation. The following chart separates cash expenditures vs. stock-based expenditures recorded for the three month periods ended June 30, 2010, and the same fiscal periods ended June 30, 2009 and 2008:

RESULTS OF OPERATION	Fiscal Quarter Ended June 30, 2010			Fiscal Quarter Ended June 30, 2009			Fiscal Quarter Ended June 30, 2008		
	Including Stock-Based Compensation	Excluding Stock-Based Compensation	Stock- Based	Including Stock-Based Compensation	Excluding Stock-Based Compensation	Stock- Based	Including Stock-Based Compensation	Excluding Stock-Based Compensation	Stock- Based
<b>INCOME ITEMS</b>									
Foreign exchange gain	\$ (6,519)	N.A.	\$ (6,519)	\$ 6,255	N.A.	\$ 6,255	\$ -	N.A.	\$ -
Interest income	234,646	N.A.	234,646	60,401	N.A.	60,401	365,935	N.A.	365,935
Gain on Sale of Investments	3,821	N.A.	3,821	9,925	N.A.	9,925	-	N.A.	-
<b>TOTAL</b>	<b>\$ 231,948</b>	<b>N.A.</b>	<b>\$ 231,948</b>	<b>\$ 76,581</b>	<b>N.A.</b>	<b>\$ 76,581</b>	<b>\$ 365,935</b>	<b>N.A.</b>	<b>\$ 365,935</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSE</b>									
Stock-based compensation	-	-	-	-	-	-	-	-	-
Management & Directors	\$ -	\$ -	\$ -	\$ 389,246	\$ 389,246	\$ -	\$ 981,501	\$ 981,501	\$ -
Investor relations	61,187	-	61,187	270,589	200,959	69,630	1,028,025	918,471	109,554
Management fees	140,000	-	140,000	90,000	-	90,000	75,000	-	75,000
Office and miscellaneous	43,191	-	43,191	9,643	-	9,643	9,506	-	9,506
Professional fees	47,421	-	47,421	315,931	272,087	43,844	260,112	151,305	108,807
Rent and telephone	24,178	-	24,178	11,290	-	11,290	14,407	-	14,407
Shareholders information	7,998	-	7,998	230	-	230	27,270	-	27,270
Transfer agent and filing fees	14,087	-	14,087	5,899	-	5,899	21,925	-	21,925
Travel and related	73,882	-	73,882	44,342	-	44,342	16,634	-	16,634
<b>TOTAL G &amp; A</b>	<b>\$ 411,944</b>	<b>\$ -</b>	<b>\$ 411,944</b>	<b>\$ 1,137,170</b>	<b>\$ 862,292</b>	<b>\$ 274,878</b>	<b>\$ 2,434,380</b>	<b>\$ 2,051,277</b>	<b>\$ 383,103</b>
<b>NET GAIN OR (LOSS)</b>	<b>\$ (179,996)</b>	<b>N.A.</b>	<b>\$ (179,996)</b>	<b>\$ (1,060,589)</b>	<b>N.A.</b>	<b>\$ (198,297)</b>	<b>\$ (2,068,445)</b>	<b>N.A.</b>	<b>\$ (17,168)</b>

In addition to the decline in the spot market for metal commodities over the past two years, the trading price of almost all junior mining companies have been negatively impacted by the international financial problems. By coupling the compensation of the directors, officers and many of the Company's consultants with the price of the Company's stock, the intended result of directly tying those parties interest with that of the Company's shareholders has obviously occurred. The foregoing table vividly illustrates the effects of employing that process of compensation.

## **Capital Financing Activities During the Period**

At this time, the Company has no long term debt, nor has it ever had any during the past decade. During the fiscal quarter ended June 30, 2010, the Company undertook no public offering of its securities nor did it do any private placement of any of its stock for cash. During that period, 850,000 options were exercised and 150,000 expired unexercised. The Company received \$170,000 from the exercise of those previously issued stock options. (*See: "The Company's Securities – Stock Options", below.*)

## **Performance Summary**

### **Langmuir Property**

Beginning in 2005 and continuing into the mid 2009, exploration of the **Langmuir Property** had been the principal focus of Inspiration Mining Corp. This property is approximately 25 km (16 miles) southeast of Timmins, Ontario. The Timmins city centre is approximately 22 km (14 miles) west of Xstrata Copper's metallurgical site, and approximately 467 km (290 miles) north of metallurgical facilities in Sudbury, Ontario. That property currently consists of 28 contiguous unpatented mining claims containing of 69 claim units and covering 1,078.69 hectares (2,211.81 acres), which lies within Langmuir Township, Porcupine Mining Division, District of Cochrane, Ontario.

The Langmuir Property contains the past producing Langmuir No. 1 Mine and portions of the past producing Langmuir No.2 Mine, which lies approximately 2.5 km (1.56 miles) north-northeast of the Langmuir No.1 Mine. Historical production by Timmins Nickel Inc. at the Langmuir No.1 Mine during 1990 and 1991 was 111,502 tons grading an average of 1.74% Ni. (Atkinson, et al 2006) and the historical production by Noranda / INCO at the Langmuir No.2 Mine from 1972 to 1978 was 1,133,750 tonnes grading 1.45% Nickel. Geologically, the property is located on the southeastern portion of the Shaw Dome, which lies south of the Timmins gold camp famous for the amount of gold mined and continuing to be mined in that area.

During 2009, a formal request has been submitted to the Ministry of Northern Development & Mines to convert the Langmuir (including the former Lutha Claims adjacent to the Northeast which were acquired in 2005) into a mineral lease. Mineral claims, under which the Company presently holds the Langmuir Property, provides the holder only the exclusive right to explore the property. A mineral lease provides much broader rights including the rights to produce a mineral product for sale. It also can provide patent rights to the surface of the property.

Part of the process involves a detailed surface survey of the property. The professional surveying firm of Sutcliffe Rody Quesnel, Inc., an Ontario professional land surveyors of Timmins, Ontario, were retained to conduct the necessary land surveys for the leasing process in accordance to the specific instructions of the Ministry of Natural Resources and the Survey General. At present, all matters have been submitted to that Ministry and the surveyors are awaiting its final comments and instructions to be received in the near future. The Company expects to complete the survey and obtain a mineral lease on the entire property during 2010.

### *Langmuir No. 1 Deposit Zone*

The Langmuir No. 1 Mine deposit strikes northeast, dips steeply 80 degrees southeast and is approximately 200 meters in length. Economic nickel mineralization occurs in 3 sub-parallel zones (West, Centre and East Zones), which are localized at the contact between komatiitic rocks and felsic to intermediate footwall volcanic rocks. The mineralized zones are interpreted to be along the same stratigraphic horizon and within a tightly folded structure that has undergone strike slip fault movements sub parallel to the stratigraphy and axial plane of the fold.

To fully test the Langmuir No. 1 Mine deposit, core drilling from the subterranean workings needs to be performed. Those workings are currently flooded and the Company has applied, and is in the process of obtaining, the designation of Advanced Exploration Status from the Ministry of Northern Development & Mines, which is necessary for mine dewatering. That application process involves numerous environmental permits and constructive discussions with representatives of the First Nations in the Timmins, Ontario, area.

In the previous fiscal year, Environmental Management Inc. of Timmins, Ontario, had been retained to do the baseline and related environmental studies of the property preliminary to obtaining any environmental permits. During the fiscal year just ended, the Company engaged Blue Heron Solutions to assist in that permitting process. The Company is actively working with both of those entities relating to the continuation of the time-sensitive and long lead time baseline data collection that are required to support approval of applications related to the Langmuir project that are now underway. As discussed in Management Analysis & Discussions earlier in the fiscal year, the following projects in that regard are underway:

- Terrestrial and aquatic biological assessment, including the identification of biological constraints to the re-development of the Project site.
- Hydrogeological study at the site to characterize the ground water flow regime, estimate ground water inflows to the underground workings and support the Permit to Take Water application to dewater the underground workings, pursuant to Section 34 of the *Ontario Water Resources Act*.
- Delineation of watershed boundaries at the property to characterize the surface water flow regime and facilitate water management at the Project site.
- On-going sampling of ground water monitoring wells at the Project site and surface water monitoring stations in the vicinity of the site to characterize current conditions and the assimilative capacity of the receiving environment.
- Sampling of rock at the Project site to evaluate the potential of rock for Acid Rock Drainage (“ARD”) and metal leaching, and to facilitate responsible water management at the Project site.

In addition, the Company has initiated the long lead time engineering tasks that will be required to support approval of its various applications on the Langmuir Property.

- The air emission sources that will need to be included in the application for approval pursuant to Section 9 of the *Environmental Protection Act* have been identified and quantified.
- The planned receiver for effluent has been selected and an assimilative capacity of the receiver has been completed. Conceptual engineering for the effluent treatment system has also been completed to meet conventional effluent limits. This information is required for the application for approval pursuant to Section 53 of the *Ontario Water Resources Act*.

The baseline water studies and other related matters have continued through September 2009. Those have yielded sufficient data to proceed to a dewatering and bulk sampling program for the Langmuir No. 1 mine. Those are also sufficient to support the conversion of the claims to a mineral lease. Any required continuing sampling is continuing.

The Company has been advised by its environmental consulting firms that the project relating to the dewatering the Langmuir No. 1 mine, conducting underground diamond drilling, reactivation of the surface infrastructure, etc, should not act as triggers for an environmental assessment under the *Canadian Environmental Assessment Act*. Accordingly, Inspiration is preparing the approval applications for the specific activities associated with the Langmuir No. 1 Project.

During the fiscal year just ended, Inspiration identified potentially affected First Nations as well as key government and non-government stakeholders. It is now initiating a broad consultation process in conjunction with the design and permit acquisition stages of the Project.

### *Langmuir No. 2 Deposit and Related Zones*

At the Langmuir No.2 Mine – North Zone, the iron formation overlies the felsic tuffs and breccias of the Deloro Assemblage and underlies the peridotitic komatiites of the Lower Tisdale Assemblage. The sulphide mineralization consisting of pyrite, pentlandite, millerite and chalcopyrite, is generally located at or near the basal part of the lowermost komatiitic flows. The Langmuir No.2 Mine – North Zone mineralized zones strike north then northeast and dip approximately 75° east to southeast.

The drilling consistently encountered 3 distinct zones of high-grade nickel mineralization surrounded by lower-grade nickel mineralization haloes. The nickel-bearing mineralization is hosted by serpentinized, spinifex-textured peridotitic komatiite. Sulphide concentration ranges from 5% (disseminated) to 30% (rounded blebs). The low-grade nickel mineralization haloes have an averaged true width of 22 meters to 44 meters with a 50 meters to 75 meters strike length in which the zone widens at depth (approximately 100 meters to 125 meters below surface) to 75 meters to 117 meters true width. The low-grade mineralized haloes range up to 0.769% nickel while narrow high-grade mineralization sections from 1 meter up to 10.5 meters true widths typically assays between 1% to 4% nickel.

The establishment of line cutting grids and a total field magnetic, vertical gradient and electromagnetic surveys have been completed the Allerston, Langmuir No.1, North Zone and Central grids on the Langmuir Property. Detailed location maps for these grids can be found in the NI 43-101 Technical Report dated September 25, 2009, filed October 5, 2009, under the Company's information on the SEDAR.com website. The 2320 geochemical enzyme leach soil, 95 humus and 92 biogeochemical analyses were received and integrated into the property database, and correlated with the results of the geophysical surveys. Geotech Ltd. of Aurora, Ontario completed approximately 145-line km of airborne electromagnetic VTEM and magnetic surveys covering the Langmuir Property.

### *The Micon Resource Estimate Report*

The content of nickel bearing mineralization for only two of the various zones (i.e. Langmuir North Deposit and the Langmuir No 1 Deposit) of the Langmuir Property, was evaluated by Micon International Ltd. of Toronto, Ontario, which was retained in the previous fiscal year. Those zones were chosen in that those had been extensively core drilled to the approximate depth of 250 meters. Accordingly, it was important to determine the extent of the indicated mineralization located on those two zones contained. No evaluation was made for any other portion of the Langmuir Property, even though early results indicate the possibilities of significant mineralization in other areas. Neither was any evaluation done on those two zones below the depth just indicated even though the core drilling results were open at those depths.

That evaluation process applied was extensive and continued throughout the fiscal year ended September 30, 2009. A total of 9,982 pulps (4,249 samples from Langmuir No. 1 and 5,733 samples from Langmuir No. 2 – North Zone) for re-assaying for nickel, copper, gold, platinum, palladium and specific gravity at Activation Laboratories Ltd. of Ancaster, Ontario.

During its evaluation, Micon, requested additional diamond core drilling to evaluate the mineral resources. That additional drilling of the Langmuir consisted of drilling the following additional core holes during the fiscal year ended September, 30, 2009, and the logging, splitting and assaying the cores. That evaluation process continued throughout the fiscal quarter ended December 31, 2009, during which time it was in its final stages. Micon International Limited ("Micon") completed that National Instrument 43-101 compliant resource estimate report (the "Micon Report") for the Langmuir North Deposit and the Langmuir No 1 Deposit on January 6, 2010, only a few days after the end of that fiscal quarter. A copy of the Micon Report can be viewed under the Corporation's profile on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Pursuant to the Micon Report, resources in the Indicated category for the Langmuir North deposit are 8,324,000 tonnes grading 0.40% nickel. Resources in the Indicated Resources category for the Langmuir No. 1 deposit are 1,733,000 tonnes grading 0.51% nickel, as detailed in Table 2 of the report.

According to Micon, both deposits are amenable to open pit exploitation. This factor is highly significant in that mining costs for open pit mining are only a fraction of those for underground mining. This directly impacts the extent of ore which is economically producible. Langmuir No.1 is also partly accessible from an existing development ramp from earlier historical production.

Given the favourable ultramafic regional context in which the Langmuir deposits are found, other exploration target areas of mineralization may accompany the above described deposits either in extension and at depth or in parallel zones open at depth and in extensions and are believed to host at least an additional open-pit table 20 million tonnes of nickel mineralization of similar grades, 0.4 - 0.5% Ni.

It is anticipated that a budget of between \$3.5 and \$5 M in additional exploration expenditures will be necessary to increase the current resource and to continue exploration on the extension and on parallel nickel targets of the property.

#### *The SGS Metallurgical Evaluation*

The Company also retained SGS Mineral Services ("SGS") to conduct a separate preliminary metallurgical evaluation for the Langmuir North deposit. The results are summarized in a report entitled "An Investigation into the Recovery of Nickel and Copper from the Langmuir #2 North Zone" dated June 25, 2009 (the "SGS Report"). A copy of the SGS Report can be viewed under the Corporation's profile on the SEDAR website ([www.sedar.com](http://www.sedar.com)). According to the report, most of the nickel is contained in millerite, a mineral with 65% nickel, much higher than the pentlandite showing 35% Ni found in other deposits in the area. Excellent recovery between 75-77% of nickel sulphides are obtained at a relatively coarse grind size of 230 microns.

Based on the SGS Report and on previous historical work and metallurgical recoveries from previous production from the area, the Corporation believes that a platinum-palladium and a cobalt credit from the concentrates is possible.

#### Cleaver Property

The Cleaver Property currently consists of 13 contiguous unpatented mining claims containing of 192 claim units and covering 3,072 ha (7,680 acres). Those are located approximately 47 km (30 miles) south of South Porcupine, Ontario and approximately 15 km (9 miles) south of the Langmuir Property. That property lies within the northeastern portion of Cleaver Township, the southeastern portion of Fallon Township, the southwestern portion of Fasken Township and the northwestern portion of McNeil Township, Porcupine Mining Division, District of Cochrane, Ontario.

The western portion of the property is underlain by mafic and intermediate metavolcanics locally interbedded with peridotitic komatiites. Numerous airborne electromagnetic anomalies are located at or near the komatiite lower contact. This unit has not been explored for either base metal or nickel mineralization. The eastern portion of the property is underlain by intermediate metavolcanics with numerous airborne electromagnetic anomalies. Previous exploration activities utilizing Reverse Circulation Drilling within the central portion of the property returned values from the base of the overburden up to 3,110 ppm copper and 521 ppm gold. The Flinsky copper-zinc showing is located approximately 2.3km southwest of the property.

#### Douglas Property

The Douglas Property initially consisted of five contiguous unpatented mineral claims covering 552 hectares (1,365 acres) and lying approximately 2.5 km west of the Cleaver Property. In the last quarter of the 2008/2009 fiscal year, an addition six claims, made up of 88 claim units, all surrounding the Douglas Property and tying it together with the Cleaver Property, were staked. Together, the properties make up a single tract covering approximately 12, 400 hectares. The former Texmont Nickel Mine is located approximately 9.6 km to the west-southwest of the Douglas Property.

The dominant bedrock geology in the area is mafic and intermediate metavolcanics. A large felsic intrusive is situated south west of the property, part of which is located within the property boundaries. Several north-trending diabase dykes intrude the region west of the property. Numerous east to southeast trending olivine diabase dykes intrude the region, and are also present within the property itself. Several faults are also present in the area. Most of the lakes are structurally controlled by these faults. Ultramafic metavolcanics are present west of the property.

Three known copper showings consisting of disseminated chalcopyrite in quartz carbonate veining occur within a strongly foliated mafic metavolcanic unit in the west central portion of the property. Minor amounts of molybdenite

occur along fracture surfaces within quartz veins intruding a porphyritic granodiorite occurs 1.3km to the northwest of the property. The former Texmont Nickel Mine is located approximately 9.6km to the west-southwest of the Douglas Property.

Line cutting totaling 33.1 km has been established and a total field magnetic survey with readings every 12.5m has been completed. A total of 733 geochemical enzyme leach soil and 2 humus analyses, were collected at 25 meters intervals. The property was geologically mapped and all sulphide mineralization showings were sampled.

Geotech Ltd. of Aurora, Ontario, retained in the past fiscal year, completed 333km airborne electromagnetic VTEM and magnetic surveys in July, 2009. That survey covered the Cleaver and Douglas, as well as the Langmuir, properties. Geological mapping and sampling of the sulphide mineralization was completed on the Douglas Property during in the last quarter prior to the current fiscal year and was then compiled and evaluated for a diamond drill program.

A total of 22 drill holes were completed on the Cleaver and Douglas Property as of September 30th, 2009. Those totaled 6,480 meters on the Cleaver Property and approximately 1,500 meters of drilling on the Douglas Property. The main targets tested were ground geophysical anomalies. The diamond drilling, as well as the evaluation of the logging, core reading, cutting and assaying, program is ongoing.

### Desrosiers Property

In November 2008 the Company acquired all of the issued and outstanding securities of 1691063 Ontario Ltd. 1691063 Ontario Ltd. owns a 100% interest in the Desrosiers Property. That property is located in Desrosiers Township, Ontario, and lies approximately 150 km southwest of the City of Timmins. The property, at the time of acquisition, contained 6 contiguous unpatented mining claims, consisting of 42 claim units covering approximately 680 hectares (approximately 1,680 acres). ). The property lies in a treed and rugged terrain requiring extensive line-cutting work for surface surveys.

The Property hosts quartz – feldspar pegmatites and pegmatitic veins that contain molybdenite concentrations of potential economic value along with elevated concentrations of bismuth and silver. Previous work has reported a total of 33 showings or occurrences, four (4) of which have been the subject of systematic work including trenching, stripping and drilling.

Molybdenum grades in the pegmatites are very irregular, with reported sample results ranging from 0.03% to 10.64% Mo across true widths from 2 cm to 2 meters. The primary objective of the work programs proposed is confirmation and expansion of these potential targets and delineation of new potential. In addition to the molybdenum prospects, anomalous silver concentrations, with documented values in the range of 14.7 grams per tonne to 114.4 grams per tonne are present in the molybdenite bearing zones. Bismuth has also been considered as a byproduct by some previous workers. Published regional geochemical data also indicate the presence of anomalous lithium, cesium, beryllium and tantalum concentrations and suggest by association that some pegmatite bodies are in the more complex zoning and development of rare metal pegmatites. As the property has just been acquired, exploration is still in the initial stages.

Previous works on the main moly prospect by Jonsmith Mining in 1960 showed numerous molybdenum mineralization results with grades varying from 0.03 to more than 10%. At the time, grab samples also revealed significant presence of bismuth. On the main showings, non compliant NI 43-101 bulk samples by Jonsmith amount to 165 tonnes averaging 2.25% and 50 tonnes averaging 1% Molybdenum Disulfide (MoS<sub>2</sub>). On the main zone, eight BX diamond drill holes less than 10 meters apart showed 36 intersections with visible molybdenite. More recent sampling on the main molybdenum zones in 1999 showed Bismuth-Silver-Lead by-product and low levels of Copper-Nickel-Zinc.

Geophysical surveys have been initiated, and partially completed, to guide future exploration of that property. Preparation is underway for an eventual bulk sampling program initiated by planning a baseline study program. In that regard, a decision was made to acquire, by staking or otherwise, 17 adjacent claims, consisting of 219 claim units covering approximately 3,504 hectares (approximately 8,760 acres. Together, both the acquired and staked claims constitute 23 claims encompassing 261 claim units covering approximately 3,504 hectares (i.e. approximately 10,440 acres).

During the fiscal year ended September 30, 2009, the initial line cutting to establish grids, surveying and mapping were undertaken to allow for exploration of the property. That was followed by a geochemistry testing and surveying. In addition, both ground magnetometer and electromagnetic surveys were performed. Four diamond coring holes were drilled to re-establish the main zones. The results are being compiled, plotted and analyzed with the intent to undertake a more comprehensive exploration program in the present fiscal year.

## **Summary of First Quarter Results**

### **Langmuir Property**

Providing all necessary details and support to Micon International to allow completion of the resource estimate report on the Langmuir Property was a dominating objective during the quarter just ended. The Company's efforts in that regard are detailed above.

### **Douglas Property**

During the fiscal quarter ended December 31, 2009, work on the Douglas property involved logging and assaying of the cores from drilling that occurred earlier. In 2008, two series of drill holes were done in the west center and in the southeast corner of the grid, mainly on EM ground and airborne conductors.

Given the relative intensity of the relief and shallow Quaternary deposits, the soil anomalies are believed to represent near sources of base metals, although their location remains imprecise. In the west center of the grid, hole 4, 5 and 6 do coincide with Ni, Cu and Zn soil anomalies. Logging of drill holes was finalized in the fall 2009 and assaying will be completed in early 2010.

A Geographic Information System compilation of entire data should be available in the spring 2010.

### **Cleaver Property**

Likewise, work on the Cleaver property involved logging and assaying of drill cores taken in earlier fiscal quarters. As stated above, 22 holes were drilled on both the Douglas and Cleaver Properties to the west of the grid, mainly across electromagnetic conductors or to test ultramafic sequences. Logging and assaying of those cores is in progress and should be completed in early 2010. A Geographic Information System compilation of all data is also underway and should be available in the spring 2010.

A new geological compilation of the area shows East-West trending ultramafic flows interbedded in dominating East-West to Southeast-trending metabasalts and local intermediate to felsic volcanic and metasedimentary rock intercalations. Most of the ground electromagnetic conductors are parallel to the main East-South-East tectonic trend.

In previous works, anomalous gold concentrations were detected during reverse circulation drilling in the till near the overburden and bedrock contact. The alluvial gold zone may be related to interpreted fault bedrock relief. A short study on till stratigraphy and glacial transport should be completed before locating gold drilling targets.

Drilling of electromagnetic conductors in the eastern Cleaver Township gold property was begun in January 2010. Further drilling, planned to total 6000 meters, will target historical high gold values discovered near the bedrock in deep reverse circulation drill till sampling. Diamond drill cores from a late 2009 program on the western side of the property are being logged and sampled. The Cleaver property mineralization is either from gold-rich quartz and carbonate vein systems in volcanics, or gold-enriched zones in volcanogenic sulphide-rich substrate. No resource is yet known on this property since the above values are historical in nature and are not NI 43-101 compliant.

### **Desrosiers Property**

Work on the Desrosiers property comprises magnetic and electromagnetic ground survey on the main North South grid and detail mapping. Diamond drilling continued on the molybdenum prospect west of Alike Lake. At the end of the fiscal quarter, four drill holes were completed on the west Alike Lake moly prospect. Logging and assaying of those cores should be completed in February, 2010. A geological compilation of the area is also in progress.

During 2010, plans for the property are to perform additional mapping, prospecting and drilling later in the season. Baseline environmental sampling will also be started to allow for eventual removal of a bulk sample for definitive testing of ore.

## **Summary of Second Quarter Results**

### **Langmuir Property**

During the fiscal quarter ended December 31, 2009, field exploration on the Langmuir Property were replaced by focusing upon completing the initial NI 43-101 compliant reserve study on that property. That resource estimate report for the Langmuir North Deposit and the Langmuir No 1 Deposit, Micon International Limited ("Micon") inferred 1.733 Mt @ 0.51% Ni on the Langmuir No. 1 and 8.324 Mt @ 0.40% Ni on the Langmuir North Deposits. In Langmuir No. 1, the main nickel sulfide mineralization is located in the first vertical 250m and extends to the NE for 250m in highly magnetic ultramafic flows (For details, see above.)

That study, which was released on January 6, 2010, was not intended to be comprehensive reserve study of the whole Langmuir Property or even of the specific geographic areas covered in that report. It was only intended in analysis just those two areas, namely, the Langmuir North Deposit and the Langmuir No 1 Deposit, where concentrated drilling had indicated a large reserve of lower grade but minable mineralization potentially recoverable from open-pit mining.

As some of the core drilling on the those two deposits which were included in that study were open at depths, the further potential of the two areas included in the report may themselves warrant yet further testing. Apart from those areas, test drilling on anomalous areas outside of the zones included in that report have indicated the possibilities upon which further exploration is planned.

Since the release of the January 6, 2010 Report, attention is now being focusing upon exploring those nearby anomalies present on that property whose initial results indicate high value ores. Planning of the next exploration program that aim on the nickel deposit extensions and on parallel mineralized zones was also carried out. During the three month period ended March 31, 2010, the work on the Langmuir property was limited to the logging and assaying of some of the previous exploration holes.

### **Cleaver Property**

The work on Cleaver property mainly comprised logging and sampling of cores returned from 8 holes totalizing 2200 m. The drilling mainly targeted max-min conductors and a high grade the base of the till overburden in the center of the property. The results are still being processed. An information data base and a GIS workspace is being developed containing all available information on the Cleaver property. Planning of the ongoing exploration program is also being carried out.

### **Douglas Property**

The work on the Douglas property mainly concentrated on the drill sections, the processing of assay results, the information data base and on the GIS workspace including all information available. Assessment reports will be completed in 2010.

### **Desrosiers Property**

The work on Desrosiers property was limited to the completion of the information database and the GIS workspace. Planning of the coming exploration program is also being carried out.

### **Bateman Lake Property**

On January 5, 2010, the Company also entered into a purchase agreement for a property in the Bateman Lake area of Ontario consisting of nine mining claims consisting of 62 claim units and targets both gold and nickel. The Company agreed to pay \$10,000 on closing of the transaction. It also agreed to pay an additional installment of \$25,000 one year from that date and a second third installment of \$35,000 two years from the date of closing and to issue to the vendors \$3,000 of the Company's stock.

In consideration of those payment the Company will gain 100% ownership of those claims. However, the vendors retained a 2.5% Net Smelter Return but granted the Company a ten year option to purchase up to 1.5% of that 2.5% NSR for an aggregate consideration of \$1,500,000, in increments of 0.5% NSR at \$500,000 each.

## Summary of Third Quarter Results

In the third fiscal quarter beginning April 1, 2010 the exploration activity was mainly concentrated on the Cleaver and Langmuir properties. No work was done during the period on the Desrosiers property.

### Cleaver Property

The work on Cleaver property was principally comprised of logging and sampling of cores from 13 holes totaling 3600 meters. The drilling has targetted occurrences of maximum-minimum electro-magnetic conductors and the source of a high grade placer-type gold mineralization located at the base of the glacial till overburden in the center of the property. The results are still being processed.

An IP survey targetting the source of the gold placer is currently being planned. An information data base and a GIS workspace is being developed containing all available information on the Cleaver property.

### Langmuir Property

In its National Instrument 43-101 compliant resource estimate report for the Langmuir North Deposit and the Langmuir No 1 Deposit, Micon International Limited ("Micon") inferred 1.733 Mt @ 0.51% Ni on the Langmuir No. 1 and 8.324 Mt @ 0.40% Ni on the Langmuir North Deposits. In Langmuir No. 1, the main nickel sulfide mineralization is located in the first vertical 250m and extends to the NE for 250m in highly magnetic ultramafic flows. In continuous efforts to increase the volume and grade of the Langmuir deposits, the Corporation has carried out systematic drilling in fertile lithologies on strike with the main mineralization. Hole IMCEX-51 and 52 are located 300m NNE of the main Langmuir No. 1 deposit in similar ultramafic mineralized unit and show the following northwestward intersections:

<u>Hole ID</u>	<u>From</u>	<u>To</u>	<u>Metres</u>	<u>NI%</u>
<b>IMCEX-51</b>	331.70	341.60	10.90	1.150%
<b>IMCEX-52</b>	18.00	34.00	16.00	0.214%
	346.00	371.4	25.42	1.449%
Including	359.00	362.00	3.00	0.0248

Hole 51 also contains 34.3m @ 0.15% Ni, close to the 0.2% cut-off grade used by Micon in the Langmuir No. 1 resource calculation. In both cases, the nickel relates to disseminated and massive sulfides in serpentinized komatiitic flows locally showing spinifex textures. The mineralization located at short distance and at similar depth northeast of the main deposit, demonstrates the continuity of high nickel grades along the major ultramafic host unit and the possibility of significantly increasing the Langmuir No. 1 deposit tonnage. The assaying of split core samples was conducted by Swastika Laboratories using 0.5g of pulverized rock dissolved in aqua regia and analyzed by Atomic Absorption with Ni detection of 0.01%. Blanks and standards are systematically inserted every 20 samples.

The work during the period comprised the planning of a detail drill program targetting the extension of the main Langmuir One nickel deposit and the logging and sampling of 850 m of cores. The results are pending. An information data base and a GIS workspace is being developed containing all available information on the Langmuir One deposit area.

## Bateman Lake Property

A initial visit was carried out on the Bateman property at which time sampling was done on the major gold-bearing structure. The results are being processed.

## Financial Results of Exploratory Operations

As mentioned earlier, the Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The following table sets out the expenditures of the Company on its currently held mineral exploratory properties during the nine month period ended June 30, 2010, and the same fiscal period for the two preceding fiscal years.

MINERAL PROPERTY EXPENDITURES	Nine Months Period Ended June 30, 2010		Nine Months Period Ended June 30, 2009		Nine Months Period Ended June 30, 2008	
	Expenditures during Period	Cumulative from Inception - End of Period	Expenditures during Period	Cumulative from Inception - End of Period	Expenditures during Period	Cumulative from Inception - End of Period
<b>Mineral Property</b>						
Langmuir Property - Timmins, ON	\$ 238,490	\$ 17,351,626	\$ 1,980,420	\$ 16,659,395	\$ 5,353,748	\$ 13,149,096
Barton / Dry Forks Property - Utah	\$ -	\$ 257,411	\$ 165	\$ 252,394	\$ 13,237	\$ 253,615
Douglas Property - Timmins, ON	\$ -	\$ 535,094	\$ 373,456	\$ 475,405	\$ -	\$ 50,228
Cleaver Property - Timmins, ON	\$ 1,029,477	\$ 3,289,060	\$ 1,264,222	\$ 2,260,399	\$ 530,495	\$ 628,495
Desrosier Property	\$ 246,167	\$ 4,835,320	\$ 5,054,651	\$ 5,054,651	N.A.	N.A.
Bateman Property	\$ 18,130	\$ 18,130	N.A.	N.A.	N.A.	N.A.
<b>Total - Inspiration Properties Only</b>	<b>\$ 1,532,264</b>	<b>\$ 26,286,641</b>	<b>\$ 8,672,914</b>	<b>\$ 24,702,244</b>	<b>\$ 5,897,480</b>	<b>\$ 14,081,434</b>
Jasper Property <sup>FN1</sup>	\$ 32,073	\$ 2,424,803	\$ -	\$ 638,156	\$ 4,921	\$ 633,235
<b>Total - All Properties</b>	<b>\$ 1,564,337</b>	<b>\$ 28,711,444</b>	<b>\$ 17,345,828</b>	<b>\$ 50,042,644</b>	<b>\$ 11,799,881</b>	<b>\$ 28,796,103</b>

<sup>FN1</sup> The Jasper Property, although now owned separately by Nitinat Minerals Corporation, is consolidated into the Financial Statements of Inspiration Mining for the reasons stated below. (See: Nitinat Minerals Corporation - As a Subsidiary of the Company.)

## Capital Resources

As a junior mining company, no significant source of cash revenues will occur to the Company until either it sells one or more of its properties for cash or brings one into production. The sale of the Jasper Property to Nitinat Minerals Corporation (see below), although not fully explored and therefore not valued for its minable resources, may be considered representative of an instance of such sale. Since none of the Company's other properties have yet reached the point of sale or the mining development stage, the Company's only income is realized from interest on its capital reserves or capital gains on its marketable securities.

The remainder of those general and administrative expenses, as well as all cash requirements for acquisition and exploratory expenditures, must therefore come from cash generated from the exercise of its outstanding options and warrants, the use of existing cash reserves or new public or private placements of its securities. The Company's outstanding warrants from previous private placements as well as unexercised incentive stock options are detailed in the Financial Statements as well below in this Management's Discussion and Analysis.

During the three month period ended June 30, 2010, no additional stock purchase warrants or stock options were issued. During that period, 850,000 stock options were exercised, yielding \$170,000 to the Company in exchange

for newly issued shares in that amount. During that period, 150,000 stock options and all remaining stock purchase warrants outstanding expired. (See: "The Company's Securities - Options" and "Warrants" below.)

## **Normal Course Issuer Bid**

On March 12, 2010, the Company announced that it had received regulatory approval from the TSX to launch a second normal course issuer bid (the "Bid"), pursuant to the terms set out in the notice of intention to make a normal course issuer bid (the "Notice") filed with the TSX. The intended purpose of this process is to allow the Company to purchase its own stock on the public market for cancellation, thereby enhancing the valuation of the stock remaining stock outstanding.

The Company had formerly undertaken such a bid, commencing on October 29, 2008, and ended on October 28, 2009, under which it acquired and canceled 1,138,500 shares.

With respect to the current Bid, the Company had 72,523,270 common shares issued and outstanding as of March 5, 2010. The Notice provides that under the Bid, the Company may purchase up to 6,897,114 common shares, being 10% of the public float. The Notice further provides that, subject to the Company's ability to make "block" purchases through the facilities of the TSX in accordance with the TSX rules, the aggregate number of common shares that the Company may purchase during any trading day will not exceed 43,766 shares, being 25% of the average daily trading volume of the shares based on their trading volume on the TSX for the most recently completed six calendar months preceding the date of the Notice.

The Bid began on March 15, 2010 and will terminate on the earlier of March 14, 2011 or such date as the Company may complete its permitted purchases under the normal course issuer bid. The common shares will be acquired on the open market through the facilities of the TSX, at the discretion of management of the Company, and the purchase and payment for the common shares will be made in accordance with the requirements of the TSX and all other applicable laws. First Canada Capital Partners Inc. will conduct the normal course issuer bid on behalf of the Company. The price that the Company will pay for any common shares acquired will be the market price of the common shares at the time of acquisition. All common shares acquired by the Company under this Bid will be cancelled.

For the three and nine months ended June 30, 2010, the Company purchased, for cancellation, 1,622,500 common shares for total consideration of \$544,057. During the nine months ended June 30, 2010, 935,500 common shares for total consideration of \$318,882 were cancelled, \$624,355 was charged to share capital and \$305,473 was credited to contributed surplus. As at June 30, 2010, 687,000 common shares for total consideration of \$225,175 remain to be cancelled.

## **Liquidity & Working Capital**

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As the Company has no revenues from operations (except for interest on certain short term loans, deposits in financial institutions and certain investments in marketable securities), its continuing operations requiring cash payments are being funded by its cash reserves either carried over from previous fiscal years or generated, and being generated, from its various financing activities. (See: "Overview of Current Operation – Financing Activities" above and "Stock Options" and "Warrants" below.) The Company received \$170,000 from the exercise of 180,000 stock options during the fiscal quarter ended June 30, 2010. No cash was received from exercise of warrants that period.

The uses of its cash occurs in two places, namely, funding of its general and administrative cash expenditures and cash expended in its investment activities in its mineral properties. Those investing activities include the cash expended in paying the cash portions of its acquisition and exploration of its mineral claims. More recently, the Company has invested a minor portion of its cash reserves in publicly tradable securities and what management feels is adequately secured short term loans. It also has been engaged in a Normal Course Issuer Bid ("NCIB") under which it has acquired, for cancellation, its own stock out of the public market. (See: The Company's Securities – Common Stock" below.)

The following table shows the available working capital during each of the last eight fiscal quarters, through the fiscal quarter ended June 30, 2010.

Working Capital (Deficiency)	Three Month Period Ended								
	30-Jun-2010	30-Mar-2010	#	30-Sep-2009	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008	30-Jun-2008
<b>Current Assets</b>									
Cash	\$ 12,167,795	\$ 12,089,661		\$ 18,647,131	\$ 22,290,383	\$ 23,080,315	\$ 52,777	\$ 814,896	\$ 400,410
Short-term Investments	2,005,717	4,174,029		2,619,204	860,104	614,847	28,640,475	30,010,844	33,089,911
Receivables	171,880	44,622		188,177	162,144	188,838	250,590	780,998	521,776
Prepaid Expenses	58,414	72,725		21,128	35,821	72,816	112,674	118,636	366,540
<b>Total Current Assets</b>	<b>\$ 14,403,806</b>	<b>\$ 16,381,037</b>		<b>\$ 21,475,640</b>	<b>\$ 23,348,452</b>	<b>\$ 23,956,816</b>	<b>\$ 29,056,516</b>	<b>\$ 31,725,374</b>	<b>\$ 34,378,637</b>
<b>Current Liabilities</b>									
Accounts Payable & Accrued Liabilities	\$ 484,891	\$ (844,325)		\$ (417,113)	\$ (615,715)	\$ (419,380)	\$ (3,088,244)	\$ (1,140,080)	\$ (827,597)
Due to Related Parties	8,322	(9,021)		(21,369)	(9,307)	(11,228)	(9,771)	(7,949)	(14,008)
<b>Total Current Liabilities Etc.</b>	<b>\$ 493,213</b>	<b>\$ (853,346)</b>		<b>\$ (438,482)</b>	<b>\$ (625,022)</b>	<b>\$ (430,608)</b>	<b>\$ (3,098,015)</b>	<b>\$ (1,148,029)</b>	<b>\$ (841,605)</b>
<b>Working Capital (Deficiency)</b>	<b>\$ 14,897,019</b>	<b>\$ 15,527,691</b>		<b>\$ 21,037,158</b>	<b>\$ 22,723,430</b>	<b>\$ 23,526,208</b>	<b>\$ 25,958,501</b>	<b>\$ 30,577,345</b>	<b>\$ 33,537,032</b>
<b>Increase (Decrease) from Preceding Period</b>	<b>\$ (630,672)</b>	<b>\$ (1,217,097)</b>		<b>\$ (1,686,272)</b>	<b>\$ (802,778)</b>	<b>\$ (2,432,293)</b>	<b>\$ (4,618,844)</b>	<b>\$ (2,959,687)</b>	<b>\$ 33,537,032</b>

That working capital, which was generated through various public and private placements and the exercise of outstanding warrants and options over the past three years, is held partly in cash and partly in short-term investments and some marketable securities, as shown on the balance sheet of the Company's consolidated financial statements for each of those financial periods. The amounts shown for the fiscal periods ended September 30, 2007 and September 30, 2008, were audited. *(Those audited consolidated financial statements are available and may be accessed through the website: [www.sedar.com](http://www.sedar.com).)*

At the close of the fiscal quarter ended June 30, 2010, the Company had available working capital of just under \$15,000,000. As the Company has (i) no long term debt nor (ii) significant fixed future obligations and (iii) the major portions of its operations are discretionary, it is expected that working capital to the Company is, and will be, adequate for the Company to continue its operations well into the future.

The calculated working capital for the period just ended was a decrease of approximately \$630,000 from that available at the end of the previous fiscal quarter. However, the calculated "working capital" does not include marketable securities of approximately \$3,500,000 which generally are readily marketable in an active public market at or near that value. Neither does it include the secured short term loan of over \$6,000,000 which management expects to repaid within the near term.

As noted in the next section below, the working capital calculated above combines the current assets and liabilities of both Inspiration and its putative subsidiary, Nitinat Minerals Corporation. If broken down between the two, the net working capital of Inspiration Mining is the range of \$13,000,000 and that of Nitinat Minerals is the range of \$2,250,000. In both instances, those sums are sufficient to meet the needs of either entity to survive and continue operations separately, in the event that should become necessary.

## Nitinat Minerals Corporation – As a Subsidiary of the Company

**The Spin-off:** As discussed rather extensively in both the Consolidated Financial Statements and the Management Statements & Analysis over the past two years, the Company "spun out" its Jasper Property located on Vancouver Island, B.C. by exchanging that property for shares of stock in Nitinat Minerals Corporation ("Nitinat") in an arms-length transaction. That transaction was effected by Inspiration Mining transferring that property to Nitinat in exchange for what became 13,367,904 shares of Nitinat common stock. Nitinat had also issued its common stock to settle other outstanding debts it had incurred in the normal course of business.

During that transaction, Nitinat completed an initial public offering of investment units. Each unit consisted of one share of its common stock and a warrant. (Full details are available on [www.SEDAR.com](http://www.SEDAR.com) under Nitinat Minerals Corporation.) That offering not only raised substantial working capital for Nitinat but also provided the basis by which its stock became listed, and is now publicly trading, on the Toronto Venture Exchange. That initial public offering, as well as the issuance of stock to the Company, was completed on November 2, 2009.

**Required Consolidation of Financial Statements:** Apart from the Nitinat shares and warrants received by Inspiration Mining from the exchange of the Jasper Property, Inspiration also acquired 750,000 additional units in the Nitinat initial public offering for total gross proceeds of \$300,000. Inspiration's total holdings of Nitinat common shares presently represents 53% of all issued and outstanding shares of Nitinat. As that constitutes a majority of those securities, Nitinat is deemed to be a controlled subsidiary of the Company for accounting purposes. Thus, under generally accepted accounting procedures, Nitinat's financial statements are required to be consolidated into the Company's own financial statements.

**Certain Effects of Consolidation:** Even though Inspiration does not own the other 47% of Nitinat's shares, 100% of value of Nitinat's cash, securities, receivables, as well as that portion of Nitinat's mineral properties, are combined into, and a part of, Inspiration's assets on the balance sheet portion of Inspiration's Financial Statements. Likewise, 100% of Nitinat's payables and other liabilities are also combined into, and therefore a part of, Inspiration's. Similarly, 100% of Nitinat's income and expenses items are combined into, and therefore a part of, the profit and loss portion of Inspiration's operating statement.

Offsetting these are two items which appear on Inspiration's Consolidated Financial Statement. On the liability portion of the Balance Sheet, the entry "Non-controlling interest" sets out the accounting value of the portion of Nitinat not owned by Inspiration. Likewise, on the operating statement portion of Inspiration's Consolidated Financial Statement, the entry "Non-controlling interest in subsidiary results" sets out the prorated portion of Nitinat's profit and loss not owned by Inspiration.

**Nitinat's Separate Filings:** Although Nitinat's financial information are required by GAAP to be consolidated into those of Inspiration Mining Corporation, the converse is not required. Nitinat's own filings do not require that it, as the subsidiary, combine Inspiration's financial information into its (i.e. Nitinat's) own financial statements. Nitinat's independent financial statements are timely prepared and separately filed under its own section of the [www.SEDAR.com](http://www.SEDAR.com) website and may be reviewed there.

**Future Termination of Consolidation:** The requirement of Inspiration to consolidate Nitinat's financial information into that of Inspiration terminates at such time that Inspiration ceases owning 50% or more of the securities of Nitinat. That can occur if and when Nitinat should issue such amount of additional stock for in a financing, in payment for services or the acquisition of assets. At that time, future financial statements of Inspiration will no longer be consolidated with those of Nitinat.

The effects of this consolidation carries over into other portions of the Management Discussion & Analysis. In particular, one should be aware of this in reading the section above dealing with Liquidity and Working Capital. The "Current Assets" and "Current Liabilities" items all currently include amounts usable, and being used, in the current operations of both Inspiration and Nitinat. Should a termination of that stock control relationship end, it would have an effect, either positively or negatively, on the liquidity of Inspiration as well as Nitinat.

**Calculation of Profit from the Jasper Property Sale:** The accounting methods applied to determine the value to Nitinat's securities received by Inspiration from the sale of the Jasper Property to Nitinat set out in the Company's Consolidated Financial Statements for the period ended June 30, 2010, which accompany these Management Discussion & Analysis and are discussed Inspiration's Management Discussion & Analysis for the fiscal period ended December 31, 2009. Those document are each available under Inspiration Mining Corporation on the website [www.SEDAR.com](http://www.SEDAR.com) and may be accessed there.

## **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant accounts that require estimates as the basis for determining the stated amounts include mineral properties, stock-based compensation, valuation of warrants in private placements and future income taxes.

## **Exploration Costs**

Exploration and evaluation expenditure costs incurred by the Company are accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead and foreign exchange movement on loans directly attributable to the project.

Exploration and evaluation expenditure for each area of interest are written off as incurred, unless such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale. Expenditure is not deferred in respect of any area of interest or mineral resource unless the Company's rights of tenure to that area of interest are current. Although the Company has taken steps to verify title to its areas of interest, these procedures do not guarantee the Company's title. Such areas of interest may be subject to prior undetected agreements or transfers and title may be affected by such defects.

## **Financial Instruments, Comprehensive Income and Hedges**

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments - Recognition and Measurement", 1530, "Comprehensive Income", 3861 "Financial Instruments Presentation and Disclosure" and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective October 1 2006,

### Financial instruments - recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented, This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities are measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments are measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

The Company does not now have, nor to date has it ever had, any derivative financial instruments.

### Comprehensive Income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

### Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Under adoption of these new standards, the Company designated its cash and cash equivalents, short-term investments and reclamation bond as held-for-trading, which are measured at fair value. Receivables are classified

as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

The Company has not done any hedging to the present date.

## **Changes in Accounting Policies**

### Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The application of this new standard had no impact on the Company's consolidated financial statements as at and for the year ended September 30, 2009.

### Amendments To Section 1400 – General Standards of Financial Statement Presentation

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The application of this new standard had no impact on the Company's consolidated financial statements as at and for the year ended September 30, 2009.

## **Future Accounting Changes**

### International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will be required for the Company's interim and annual financial statements for the fiscal year beginning October 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company is currently assessing the impact of IFRS on its consolidated financial statements.

A changeover plan is being established to convert to the new standards within the allotted timeline and is expected to consist of the following three key phases:

1. Phase 1 - Raise awareness and assess;
2. Phase 2 - Design; and
3. Phase 3 – Implementation

There will be two stages in phase one. The first stage will focus on raising awareness within the Company and provide an initial assessment of the impact of the IFRS conversion. The second stage will carry out a detailed assessment of the impact of the conversion to IFRS.

Phase two will build the tools required for the conversion based on management's decisions about accounting options and the related disclosures.

Phase three will roll-out the designed changes. The changes will include the development of the new accounting policies and consolidation templates, preparing the IFRS financial statements and related note disclosure.

## Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS-27, "Consolidated and Separate Financial Statements". The Company is in the process of evaluating the requirements of the new standards.

## **Receivables**

Amounts presented as receivables comprise the following:

	<u>30-Jun-10</u>	<u>31-Mar-2010</u>	<u>31-Dec-2009</u>	<u>31-Sep-2009</u>	<u>2008</u>
Goods and services taxes receivable	\$ 11,880	\$ 44,622	\$ 22,438	\$ 15,935	\$ 634,142
Recovery of exploration expenditures	-	-	-	172,242	144,110
Other receivables	160,000	-	-	-	2,746
<b>Total</b>	<b>\$ 171,880</b>	<b>\$ 44,622</b>	<b>\$ 22,438</b>	<b>\$ 188,177</b>	<b>\$ 780,998</b>

## **Short Term Investments**

Short-term investments are highly liquid investment certificates with maturity dates of more than 90 days and less than 12 months. As of June 30, 2010, the related interest receivable for these investments is \$172 (September 30, 2009 - \$12,328) and is recorded in short-term investments.

## **Marketable Securities**

As at June 30, 2010, marketable securities comprised of investment in shares and warrants of other public companies with total accounting cost of \$2,701,142 (September 30, 2009 - \$1,526,821).

During the three and nine months ended June 30, 2010, the Company recorded an unrealized loss of \$571,687 and \$311,805 (net of tax), respectively (three and nine months ended June 30, 2009 - unrealized gain of \$615,600 and \$812,279 (net of tax), respectively)

## **Loan Receivable**

During the year ended September 30, 2009, the Company entered into a loan agreement with another company. The Company agreed to loan a total of \$6,000,000 which bears interest at 4% per year, compounded daily and is repayable on demand. As at June 30, 2010, the accrued interest on that loan was \$263,628.

The borrower granted the Company a general security over all of its present and after acquired personal property.

## **Note Receivable**

In December 2009, the Company advanced a note of \$66,219 (Euro 50,000) to an individual. The note bears interest at 3% per annum. Under its current terms, that loan becomes due September 17, 2010. Accrued interest on that note as at June 30, 2010 amounted to \$801.

## The Company's Securities

The Company had three forms of its own securities outstanding, namely, shares of its common stock, options issued to its directors, officers, employees and contractors to purchase those shares, and stock purchase warrants issued as part of its private placements and now held by the public.

### Common Shares:

The following sets out the issuances and cancelations of the Company's common stock during the three month period ended June 30, 2010, together with that of the previous three fiscal quarters.

<b>Common Stock Outstanding</b> <b>Unlimited (No Par) Shares Authorized</b>	<b>Three Month Period Ended:</b>			
	<b>30-Jun-2010</b>	<b>31-Mar-2010</b>	<b>31-Dec-2009</b>	<b>30-Sep-2009</b>
Balance Outstanding at Beginning of Period	72,523,270	72,419,270	72,294,270	72,512,770
Shares Issued in Public Offerings	-	-	-	-
Shares Issued in Private Placements	-	-	-	-
Shares Issued to Acquire Mineral Properties	-	4,000	-	-
Shares Issued for Debt Settlement	-	-	-	-
Shares Issued for Services	-	-	-	-
Shares Issued for Finders' Fees	-	-	-	-
Exercise of Incentive Stock Options	850,000	100,000	125,000	50,000
Exercise of Warrants	-	-	-	-
Shares Canceled	(935,500)	-	-	(268,500)
<b>Balance Outstanding at End of Period</b>	<b>72,437,770</b>	<b>72,523,270</b>	<b>72,419,270</b>	<b>72,294,270</b>

During the period, 850,000 shares of common stock were issued under outstanding stock options previously granted. For details with regard to the shares canceled, see "Normal Course Issuer Bid" above.

### Stock Options

The Company has an incentive stock option plan in place which, while listed with the Toronto Venture Exchange, complied with the rules and regulations of that exchange. Under that plan, the Company was authorized to grant options to executive officers, directors, employees and consultants. Options granted under the plan will have a term not to exceed 10 years and are granted at an option price and on other terms which the directors determine necessary to achieve goals of the plan and in accordance with regulatory policies. The options vest as determined by the board of directors.

The following chart sets out the number of option to purchase shares outstanding at the beginning and end of the fiscal quarter ended June 30, for each series outstanding, together with all changes occurring in those series during that period.

Option Series		Start of Fiscal Quarter	Activity During Fiscal Quarter			Fiscal Quarter End
Strike Price	Expiry Date	Options Outstanding March 31, 2010	Granted	Exercised	Expired or Canceled	Options Outstanding June 30, 2010
\$ 0.20	19-Jun-2010	1,000,000	-	850,000	150,000	-
\$ 0.35	8-Mar-2011	850,000	-	-	-	850,000
\$ 1.08	16-May-2011	40,000	-	-	-	40,000
\$ 2.00	8-Mar-2012	-	-	-	-	-
\$ 2.22	25-Jan-2013	-	-	-	-	-
\$ 1.90	28-Feb-2013	-	-	-	-	-
\$ 1.43	24-Mar-2013	-	-	-	-	-
\$ 2.28	21-Apr-2013	-	-	-	-	-
\$ 1.25	4-Jul-2013	-	-	-	-	-
\$ 0.78	14-Oct-2013	1,325,000	-	-	-	1,325,000
\$ 0.50	11-Mar-2014	1,450,000	-	-	-	1,450,000
\$ 0.50	4-Jun-2014	1,150,000	-	-	-	1,150,000
\$ 0.60	14-Sep-2014	100,000	-	-	-	100,000
\$ 0.62	8-Oct-2014	480,000	-	-	-	480,000
\$ 0.33	24-Feb-2015	25,000	-	-	-	25,000
\$ 0.34	24-Mar-2015	2,400,000	-	-	-	2,400,000
<b>TOTALS</b>		<b>8,820,000</b>	<b>-</b>	<b>850,000</b>	<b>150,000</b>	<b>7,820,000</b>

## Warrants

As of the beginning of the third fiscal quarter (i.e. April 1, 2010) there was one series of 2,304,625 warrants outstanding, exercisable at \$1.50 per warrant any time prior to their expiry date of May 8, 2010. Each warrant entitled the holder to one share of stock upon exercise. All of those warrants expired unexercised. Thus, as of the end of the third fiscal quarter (i.e. June 30, 2010) the Company no longer has any warrants outstanding.

Warrant Series		Start of Fiscal Quarter	Activity During Fiscal Quarter			Fiscal Quarter End
Strike Price	Expiry Date	Warrants Outstanding March 31, 2010	Granted	Exercised	Expired or Terminated	Warrants Outstanding June 30, 2010
\$ 1.50	8-May-2010	2,304,625	-	-	2,304,625	-
<b>TOTALS</b>		<b>2,304,625</b>	<b>-</b>	<b>-</b>	<b>2,304,625</b>	<b>-</b>

## Related Party Transactions Not Disclosed Elsewhere

Amounts due to related parties are for services rendered and expenses incurred on behalf of the Company and are non-interest bearing, unsecured and have no fixed terms of repayment.

The Company entered into the following transactions with related parties for the three and nine months ended June 30, 2010:

- Paid or accrued management fees of \$112,500 and \$292,500 (three and nine months ended June 30, 2009 - \$90,000 and \$255,000), car allowance of \$4,500 and \$13,500 (three and nine months ended June 30, 2009 - \$nil and \$25,984), and a office allowance of \$4,863 and \$15,220 (three and nine months ended June 30, 2010 - \$2,908) to a company controlled by the president and director of the Company. The president and director of the Company was also reimbursed for out-of-pocket expenses.
- Paid or accrued consulting fees of \$22,235 and \$62,165 (three and nine months ended June 30, 2009 - \$28,867 and \$99,555) to a director of the Company. As at June 30, 2010, the amount due to the director was \$8,322 (September 30, 2009 - \$12,334).
- Paid or accrued geological and geophysical fees of \$nil and \$36,561 (three and nine months ended June 30, 2009 - \$26,163 and \$31,193) which are included in exploration costs to a former director of the Company. As at June 30, 2010, the amount due to the director was \$nil (September 30, 2009 - \$9,035).

These transactions with related parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

## **Segmented Information**

The Company, although having subsidiary entities for the purpose of holding title to several of its properties, primarily operates in one reportable operating segment, being the acquisition, exploration and development of mineral properties located in Canada and United States as outlined in the consolidated schedule of mineral properties.

## **Capital Management**

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary, in order to support the acquisition, exploration and development of its projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as its shareholders' equity. As at June 30, 2010, total shareholders' equity (managed capital) was \$46,824,825 (September 30, 2009 - \$46,288,290).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within the current economic environment by:

- (i) minimizing discretionary disbursements;
- (ii) reducing or eliminating exploration expenditures which have limited strategic value;
- (iii) using stock-based compensation and payments in lieu of cash, when and where accepted and advisable, and
- (iv) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the fiscal periods ended June 30, 2009.

The Company is not subject to any capital requirements imposed by a regulator or lending institution. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at June 30, 2010.

## **Significant Commitments**

The Company has a Management Services Agreement with its president which provides for monthly payment of \$30,000. That agreement had an initial term of two years but automatically extends thereafter for successive terms of one year, unless terminated by either party 90 days prior to any yearly extension.

## **Contingencies**

The Company filed a statement of claim against the vendors of the Desrosiers property alleging that a declaration that there has never been and there is presently not any default under the Sale Agreement dated March 2, 2006. At this time, the likelihood of the outcome is not determinable.

The Company is also involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have an adverse effect on the Company.

## **Subsequent Events**

On July 8, 2010, the Company announced the completion of the acquisition of an aggregate of 6,850,000 common shares of Ursa Major Minerals Incorporated, ("Ursa Major Minerals") a company whose stock is listed on the Toronto Venture Exchange.

As a result of the completion of the acquisition, Inspiration Mining Corporation now owns 6,850,000 common shares of the Company, representing 10.51% of the issued and outstanding common shares of the Ursa Major Minerals. Inspiration Mining Corporation effected the transaction for investment purposes. Inspiration Mining Corporation purchased the common shares through the facilities of the TSX.