



PACIFIC BAY MINERALS LTD.

(the "Company" or "Pacific Bay")

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2018

The following management discussion and analysis ("MD&A") has been prepared by management as of May 30, 2018, and should be read in conjunction with the unaudited interim consolidated financial statements and related notes of the Company for the three month period ended March 31, 2018, and the audited consolidated financial statements of the Company and related notes for the year ended December 31, 2017. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions as at the date of this MD&A. The words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets", "may", "will" and similar expressions identify forward-looking statements. Information concerning the interpretation of drill results may also be considered a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. The forward-looking statements reflect the current beliefs of the management of the Company, and are based on currently available information. Readers are cautioned not to place undue reliance on these statements as they are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, such forward-looking statements. The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

OVERVIEW

Pacific Bay Minerals Ltd. (the "Company") was incorporated under the laws of British Columbia, Canada and maintains its head and registered office at Suite 120, 601 West Cordova Street, Vancouver, British Columbia, Canada, V6B 1G1. The Company is primarily engaged in the acquisition, exploration, and development of mineral properties in Canada. The Company is listed on the TSX Venture Exchange (TSX-V) under the symbol "PBM" as a Tier 2 mining issuer.

EXPLORATION ACTIVITIES

Haskins-Reed Property, British Columbia

The Company owns a 100% interest in the Haskins-Reed property located in the Cassiar Mining District of North Central British Columbia. The property, situated just off Highway 37, on Mount Haskins and Mount Reed, hosts numerous skarn, replacement and porphyry-style mineral occurrences.

During 2008, the Company completed an airborne geophysical survey of the Haskins-Reed Property which revealed numerous anomalies, the most important of which is a major, NE/SW trending magnetic anomaly in parallel to previous skarn and intrusive hosted mineralization. Ground follow up of the anomaly discovered a new showing called the Mee.

In June 2009, the Company completed a trenching, soil sampling and geological exploration program at the Haskins-Reed Property. During the year ended December 31, 2010, excavator trenching was completed which outlined a significant new zone of silver, lead, zinc and minor gold mineralization located on the Crown Grants. During 2011, the Company completed a diamond drilling and trenching program on the Property with significant intercepts of mineralization encountered.

During 2014, the Company completed a 6-hole, 427 metre diamond drilling and a 6-hole, 409 metre diamond drilling at Haskins-Reed on a high-grade zinc target called the Brett Zone with expenditures totaling \$87,521. The results include an intercept of 7.27% zinc across a core length of 9.70 metres. Five of the six drill holes intersected zinc and magnetite mineralization. The details of the results from the 2011 and 2014 drilling programs were posted on Sedar and the Company's website.

Management believes the Haskins-Reed project has significant merit and has every intention to finance, maintain and further explore the property. However, owing to the risks associated with the difficult market conditions, the Company recognized an impairment charge of \$269,803 during the year ended December 31, 2017.

During 2016, the price of zinc increased significantly, renewing interest in the Haskins-Reed Property. No exploration work has been performed on the Haskins-Reed property in 2017. However, the Company is optimistic that the required funding for an exploration program in 2018 will be realized.

Lode Gold Property, British Columbia

On February 25, 2014, the Company entered into an option agreement to acquire a 100% interest in the Lode Gold claims located in the New Westminster Mining Division of British Columbia. The Lode Gold property hosts a quartz stock-work style hydrothermal gold prospect with a history of exploration, including an underground workings and a number of drilling campaigns. A 1996 seven-hole diamond drilling program on the Lode Gold property reportedly intersected significant gold mineralization, including 8.61 gpt Au and 46.2 gpt Ag over a drilling interval of 3.05 metres and 4.68 gpt Au and 383.7 gpt Ag over a drilling interval of 6.10 metres. Although no work was carried out in 2017, the Company is optimistic that funding for a program in 2018 can be completed.

On January 18, 2018, the Company made the final option payment and acquired a 100% interest in the property.

Boulder Property, British Columbia

On February 25, 2014, the Company entered into an option agreement to acquire a 100% interest in the Boulder claims located in the Stikine Mining Division of British Columbia.

During the 2014 season, the Company completed a 246-metre diamond drill hole at its 100% optioned Boulder Gold Property incurring \$29,215 in exploration expenditures. The drill hole was collared on weakly pyritized clastic metasedimentary rocks exposed by recent placer gold mining. The lower half of the drillhole encountered highly-altered, quartz-veined and sulphide-rich metasedimentary rocks. Results of this drilling yielded no significant

mineralization. Although no work was carried out in 2017, the Company is optimistic that funding for a program in 2018 can be completed.

On April 5, 2018, the Company made the final option payment and acquired a 100% interest in the property.

Otish Mountains Property, Québec

Otish Mountains property consists of 277 mineral claims for uranium exploration in the Matoush area of the Otish Mountain district in central Québec.

Strateco Resources Inc. (“Strateco”) earned a 60% interest in the Otish Mountains property in 2011 pursuant to an option agreement signed in 2008. The Company and Strateco had then formed a joint venture whereby the parties would participate in future programs and budgets according to their respective pro rata interests.

During 2013, the government of Quebec halted all exploration, development and mining of uranium throughout the Province pending a review of unknown scope and duration. This effective moratorium on uranium in Quebec (the “Moratorium”) has severely impaired the value of the Company’s claims in the region, notwithstanding the Company’s potential recoveries in the event of successful legal action against Quebec.

During the year ended December 31, 2014, the Bureau d’audiences publiques sur l’environnement (“BAPE”) in Quebec, a governmental public consultation body that is conducting a province-wide consultation process regarding uranium mining, recommended to the Government that uranium exploration and mining in the Province not be supported. Due to the forgoing, no exploration work was carried out by the joint venture on the property since 2013. During the year ended December 31, 2017, the Company recognized an impairment charge of the remaining carrying value of \$11,141 due to the unfavorable political conditions.

Regalo Property, Argentina

The Company, through its wholly-owned Argentine subsidiary Bahia Atlantica, S.A., owned a 100% interest in the Regalo Property.

On October 18, 2016, the Company entered into a letter agreement with Blue Sky Uranium Corp. to sell a 100% interest in the Regalo property located in the Province of Chubut, Argentina for \$25,000. In March 2017 the Company closed the transaction and received the sale proceeds of \$25,000.

Qualified Person

The technical contents in this document have been reviewed and approved by Doug Blanchflower, P.Geo., a qualified person as defined by National Instrument (NI) 43-101.

DISCUSSION OF OPERATIONS

Pacific Bay is an exploration stage company and has no operating revenue. Expenditures related to exploration and evaluation assets are capitalized. A breakdown is provided in Note 5 to the consolidated financial statements. The Company did not perform any exploration work on its mineral properties in the first quarter of 2018.

During the three months ended March 31, 2018, the Company reported a net loss of \$37,413 compared to a net loss of \$10,966 incurred in the three months ended March 31, 2017. The loss in the 2018 quarter relates primarily to general operating expenses of \$37,413 (2017 - \$35,966). The loss in the 2017 quarter was partially mitigated by gain of \$25,000 from sale of the Regalo property in Argentina. Some of the significant general operating expense items are summarized as follows:

- Consulting fees of \$7,500 (2017 - \$7,500) include mainly fees to the Company’s Chief Financial Officer on

corporate administrative work.

- Management fees of \$18,000 (2017 - \$18,000) relate to fees to the Company's Chief Executive Officer and a director of the Company.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited consolidated financial information for the Company's eight most recent quarters ending with the last quarter for the three month period ended March 31, 2018.

	For the Three Months Ended							
	Fiscal 2018	Fiscal 2017				Fiscal 2016		
	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total revenues	-	-	-	-	-	-	-	-
Net income (loss)	(37,413)	(308,710)	(36,561)	(48,318)	(10,966)	(340,330)	(65,966)	(103,794)
Net income (loss) per share - basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)

LIQUIDITY AND CAPITAL RESOURCES

During the first quarter ended March 31, 2018, the cash balance decreased by \$127 (2017 - \$14,830 increase). The Company spent \$8,051 in operating activities and received \$8,690 of loans from related parties during the three months ended March 31, 2018.

As at March 31, 2018, the Company had a cash balance of \$3,557 compared to \$3,684 as at December 31, 2017. The Company had working capital deficiency of \$1,015,565 as at March 31, 2018 compared to working capital deficiency of \$974,995 as at December 31, 2017.

At present, the Company does not have sufficient capital resources to pay for its operating expense for the next 12 months. The Company anticipates completing an equity financing to meet its anticipated operating and capital requirements for the next 12 months.

Going Concern

At present, the Company's operations do not generate cash flow and its financial success is dependent on management's ability to continue to raise adequate financing on reasonable terms and to commence profitable operations in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. The Company's consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

	March 31, 2018	December 31, 2017
Amounts due to related parties		
David H. Brett, President and CEO	\$ 326,723	\$ 311,723
Guilford H. Brett, Director and Chairman	87,940	84,940
Leanora Brett, CFO	58,329	51,829
	\$ 472,992	\$ 448,492
Loans payable to related parties		
Guilford H. Brett, Director and Chairman	\$ 336,066	\$ 332,526
David H. Brett, President and CEO	2,896	2,896
Alan Qiao, a significant shareholder	4,000	4,000
Jedway Enterprises Ltd, a significant shareholder	18,956	11,470
	\$ 361,918	\$ 350,892

Amounts due to related parties are for accrued management fees and are unsecured, non-interest bearing, and have no specific terms of repayment.

Included in loans payable to related parties is a loan of \$85,000 from Guilford H. Brett, which is unsecured and bears interest at 7% per annum. As at March 31, 2018, the accrued interest on the loan was \$50,843 (December 31, 2017 - \$48,507). The repayment date of the loan has been extended to December 31, 2018.

The remaining loans payable to related parties are advances from related parties and are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the three month periods ended March 31 is as follows:

	2018	2017
Short-term employee benefits	\$ 25,500	\$ 25,500
Share-based payments	-	-
Total	\$ 25,500	\$ 25,500

The Company entered into the following transactions with related parties during the three month period ended March 31, 2018:

- Paid or accrued management fees of \$18,000 (2017 - \$18,000) to two directors of the Company for management services provided.
- Paid or accrued consulting fees of \$7,500 (2017 - \$7,500) to the Chief Financial Officer of the Company for corporate consulting services provided.

SUMMARY OF OUTSTANDING SHARE DATA

The Company's issued and outstanding share capital as at the date of this report is as follows:

- (1) Authorized: unlimited number of common shares with no par value.
- (2) As at May 30, 2018, the Company has 36,811,824 common shares issued and outstanding.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

- i) The determination of the fair value of stock options using stock pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.
- ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

New accounting policies

- New standard IFRS 9 *Financial Instruments* ("IFRS 9") has been issued by IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two measurement categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any significant impact of adopting IFRS 9 on its consolidated financial statements.
- IFRS 15 *Revenue from Contracts with Customers* requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The standard is to be adopted for annual periods beginning on or after January 1, 2018, either retrospectively or using a modified retrospective approach. The Company has reviewed its existing contractual agreements and does not note any significant impact of this standard on its consolidated financial statements.

Future change

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2019, or later periods. The Company has not applied these new standards in preparing these financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the financial statements in future periods.

- IFRS 16 *Leases* requires the recognition of assets and liabilities for most leases. The standard applies to annual reports beginning on or after January 1, 2019. As the Company does not currently have any operating leases,

the Company does not expect any significant impact of adopting IFRS 16 on its consolidated financial statements.

FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash as loans and receivables and measured at amortized cost; trade and other payables, amounts due to related parties, and loans payable to related parties as other financial liabilities and measured at amortized cost. Information on certain types of financial instruments is included elsewhere in these consolidated financial statements as follows: trade and other payables (Note 6) and loans payable to related parties (Note 7).

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions..

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at March 31, 2018, the Company had a cash balance of \$3,557 and current liabilities of \$1,022,053. The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flow. The Company's primary source of funding has been the issuance of equity securities through private placements and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Interest rate risk

The Company is exposed to interest rate risk arising from the cash and cash equivalents maintained at Canadian financial institutions. The interest rate risk on cash and cash equivalents is not considered significant due to their short-term nature and maturity.

RISK AND UNCERTAINTIES

Operating Hazards and Risks

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs.

Environmental Factors

The Company currently conducts exploration activities in the Canadian Province of British Columbia. Such activities are subject to various laws, rules and regulations governing the protection of the environment. In Canada, extensive environmental legislation has been enacted by federal and provincial governments. Such legislation imposes rigorous standards on the mining industry to reduce or eliminate the effects of waste generated by extraction and processing operations and subsequently deposited on the ground or emitted into the air or water.

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The cost of compliance with changes in governmental regulations has the potential to preclude entirely the economic development of a property.

The Company is able to conduct its exploration within the provisions of the applicable environmental legislation without undue constraint on its ability to carry on efficient operations. The estimated annual cost of environmental compliance for all properties held by the Company in the exploration stage is minimal and pertains primarily to carrying out diamond drilling, trenching or stripping. Environmental hazards may exist on the Company's properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties.

Governmental Regulation

Exploration activities on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, restrictions on the availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with company policy, government regulations, maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on Crown Mineral Land or to stake a claim) in any Canadian province in which it is carrying out work.

Mineral exploration primarily falls under provincial jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdiction, such as the Fish and Wildlife Act.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters.

OUTLOOK

The Company's management has instituted a strict cost control program to ensure its ability to continue as a going concern. The Company will undertake additional exploration work on its mineral properties and also continue to evaluate new prospects and opportunities.

DISCLOSURE CONTROLS

In connection with Exemption Orders issued by each of the securities commissions across Canada, the Chief

Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

ADDITIONAL INFORMATION

Additional information concerning the Company and its operations is available on SEDAR at www.sedar.com and on the Company web site at www.pacificbayminerals.com.

APPROVAL

The Board of Directors of Pacific Bay Minerals Ltd. has approved the contents of this management discussion and analysis on May 30, 2018. A copy of this MD&A together with the Company's audited consolidated financial statements for the year ended December 31, 2017 and the unaudited interim financial report for the three month period ended March 31, 2018 will be provided to anyone who requests it.