

PISTOL BAY MINING INC.
MANAGEMENT DISCUSSION AND ANALYSIS
SIX MONTHS ENDED NOVEMBER 30, 2015

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OVERVIEW

The following management discussion and analysis of the financial position of Pistol Bay Mining Inc. ("Company") and results of operations should be read in conjunction with the condensed interim financial statements for six months ended November 30, 2015, and the audited financial statements for the year ended May 31, 2015. The financial statements together with the following management discussion and analysis are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance.

Additional information related to the Company is available for view on SEDAR at www.sedar.com, on the Company's website at www.pistolbaymining.com, or by requesting further information from the Company's head office in 700-595 Burrard Street, Vancouver, BC, V7X 1S8, Canada.

Date of Report: January 28, 2016

NATURE OF BUSINESS

The Company was engaged in the exploration and development of mineral resources, currently focusing on projects in Newfoundland, Ontario, and Saskatchewan.

At this time, the Company does not own any operating mines and has no operating income from mineral production. Funding for operations is raised primarily through public and private share offerings. It is not known whether the Company's mineral properties contain reserves that are economically recoverable. The recoverability of amounts recorded by the Company for mineral property interests and related deferred exploration costs are dependent upon the discovery of economically recoverable reserves, the ability to raise funding for continued exploration and development, the completion of property option expenditures and acquisition requirements, or from proceeds from disposition.

The financial statements have been prepared under a going concern assumption which contemplates the Company will continue in operation and realize its assets and discharge its liabilities in the normal course of operations. Should the going concern assumption not continue to be appropriate, adjustments to carrying values may be required. The Company's ability to meet its obligations and maintain its current operations is contingent upon successful completion of additional financing arrangements and ultimately upon the discovery of proven reserves and generating profitable operations.

The Company's shares are listed for trading on the TSX Venture Exchange (the "Exchange"). On October 9, 2014, the Company's Board of Directors approved a consolidation of the Company's common shares on the basis of one post-consolidated share for every five pre-consolidated shares. All current and comparative share capital amounts have been restated to account for the 5-for-1 share consolidation.

Management expects to be successful in arranging sufficient funding to meet operating commitments for the ensuing year. However, the Company's future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. The Company has a working capital deficiency at November 30, 2015 of \$952,219 (May 31, 2015 - \$909,361). For significant expenditures and resource property development, the Company will depend almost exclusively on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company's operating commitments and further exploration and development plans. The issuance of additional equity securities by the Company may result in

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significant dilution to the equity interests of current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected.

FORWARD LOOKING STATEMENTS

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgment based on facts and assumptions that management considers reasonable, including that the demand for mineral deposits develops as anticipated, that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts and supplies, labor disturbances, interruption in transportation or utilities, or adverse weather conditions, and that there are no material unanticipated variations in the cost of energies or supplies. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions.

This MD&A may include certain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive, strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements.

These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks related to the unavailability of capital and financing on acceptable terms, unfavorable market conditions, inherent risks involved in the exploration and development of mineral properties, uncertainties concerning reserve and resource estimates, results of exploration, inability to obtain required regulatory approvals, unanticipated difficulties or costs in any rehabilitation which may be necessary, market conditions and general business, economic, competitive, political and social conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Additional factors are discussed in the section titled "Risks".

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Other than as required by applicable securities laws, the Company does not intend, and does not assume any obligation, to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements.

MINERAL PROPERTY INTERESTS

ACTIVE PROPERTIES:

Dixie Property, Ontario:

In May 2015, the Company entered into an option agreement to acquire 100% Zinc-Copper properties located in the Red Lake, Ontario region. The Dixie 17-18-19 properties ("Dixie Claims") consist of 67 claim units (1,072 hectares) located in the Confederation Lake greenstone belt, 35 kilometres southeast of Red Lake, Ontario.

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Pursuant to the option agreement to acquire a 100% interest in the Dixie claims, the Company is required to make total cash payments of \$86,000 and issue a total of 2,000,000 shares over a four-year period as follows:

- Pay \$10,000 and issue 600,000 shares to the optionors upon TSX Venture Exchange approval.
- Pay \$10,000 and issue 600,000 shares to the optionors on or before the date that is one-year anniversary of TSX Venture Exchange approval.
- Pay \$16,000 and issue 800,000 shares to the optionors on or before the date that is two-year anniversary of TSX Venture Exchange approval.
- Pay \$20,000 to the optionors on or before the date that is three-year anniversary of TSX Venture Exchange approval.
- Pay \$30,000 to the optionors on or before the date that is four-year anniversary of TSX Venture Exchange approval.

The vendors of the Dixie claims will retain a 0.5% net smelter returns royalty, which may be repurchased for \$400,000 at any time up to when a production decision is made. Rubicon Mineral Corp. will also retain a 0.5% net smelter returns royalty.

On July 7, 2015, the Company issued 600,000 common shares at a price of \$0.055 per unit for total proceeds of \$33,000 to the optionors pursuant to the option agreement.

On October 15, 2015, the Company requested amending the original option agreement dated May 21, 2015 that the total amount of cash payment the optionors will receive from \$20,000 to \$10,000, and share issuance from 600,000 to 1,000,000 in year one. This request is not yet approved by TSX Venture Exchange.

Garland Peninsula Property, Labrador and Newfoundland:

On September 29, 2015, the Company entered into an agreement to acquire a 100% interest in the Garland Peninsula Property Group comprised of four property claims located in Labrador and Newfoundland, Canada. Two of the claims are contiguous with the Garland Lake Project currently being explored by Equitas Resources Corp. ("Equitas") and the other two claims have been acquired approximately 5km southeast of the Equitas project Pursuant to the Option Agreement, the Company shall pay to the optionors \$86,000 in cash and issue 2,000,000 shares in total. The property is subject to a royalty made payable to the optionors equal to 0.5% NSR and 0.5% to Rubicon Minerals Corp.

Consideration for the claims, subject to TSX Venture Exchange ("TSXv") approval, is 500,000 common shares on approval and \$3,500. On October 16, 2015, the Company issued 500,000 common shares at a price of \$0.055 per unit for total proceeds of \$27,500 to the optionors for the acquisition.

On October 21, 2015, the Company signed an option agreement to acquire an additional 40 claims from Zimtu Capital Corp. ("Zimtu"). For its participation in the transaction, the Company will pay cash and share payments to Zimtu as follows: (i) \$2,500 on signing; (ii) 500,000 common shares within five days of TSXv approval; (iii) \$2,500 within five days of TSXv approval; (iv) 750,000 common shares 12 months from the date of TSXv acceptance; (v) \$10,000 within 12 months from the date of TSXv acceptance. In addition, Zimtu will retain a 2% Net Smelter Royalty on the property. Prior to completing the submission to the TSXv, the parties mutually agreed not to proceed with the option.

Athabasca Basin, Saskatchewan:

In December of 2007, the Company entered into an agreement to option a total of 10 mineral claims in the eastern Athabasca Basin of Saskatchewan. The agreement pertained to 3 mineral claims totalling 14,415 hectares, known as the "D" block of claims, and 7 mineral claims, known as the "C" block of claims, totalling 3,913 hectares, all located

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in proximity to the Key Lake area of the Athabasca Basin, Saskatchewan. On April 15, 2009, the Company amended the “C and D Blocks” option agreement with Lion Energy Corp. (formerly: Raytec Metals Corp.) The new terms provided for the Company to earn a 100% interests in the “C and D Blocks” as follows:

- Issue 5,000 common shares (after giving retroactive effect to the 1-for-5 share consolidation effective October 9, 2014 (see financial statement Note 8)) upon approval of this amendment by the Exchange (issued on April 21, 2009 at \$7.50 per post consolidated share)
- Issue 5,000 common shares (after giving retroactive effect to the 1-for-5 share consolidation effective October 9, 2014 (see financial statement Note 8)) on or before the six month anniversary date of this amendment agreement (issued on October 7, 2009 at \$7.50 per post consolidated share)

The agreement provided the Company an option to acquire a 100% interest in the C and D blocks of claims, subject to a 2.0% Net Smelter Royalty (“NSR”) in favor of the original vendors.

The 3 contiguous D Blocks are located approximately 40 km west of the McArthur Lake uranium mine, and the C Blocks constitute a total of 7 non-contiguous claims, The C Blocks are located from C7, which lies approximately 10 km west of the Cigar Lake uranium mine, to C1, C2 and C3, which are located within 25 kilometres and as close as 8 kilometres from the Key Lake uranium mine, where historical production from two mined-out unconformity-type uranium deposits once contributed 15 per cent of world uranium production (reference -- Natural Resources Canada). All of the claims are located within or proximal to the Key Lake/McArthur River and Cigar Lake geological trend. The claims are situated within the Athabasca basin, underlain by rocks of the Wollaston domain, which is the favourable geological setting hosting most of the major deposits in the eastern portion of the basin.

In July of 2009 the Company entered into an Option Agreement whereby Delta had the potential to earn up to a 75% interest in the 447 hectare Block C4, the 1,016 hectare Block C5, and the 161 hectare Block C6 properties which are all contiguous with Denison Mines’ recent “Phoenix” discovery zone in the south-eastern part of the Athabasca Basin.

In November of 2010, the option agreement between the Company and Delta was terminated because Delta was not able to incur the expenditures or make the payments as per the above agreement. In compensation for terminating the agreement early, Delta received \$25,000 from Terra Ventures Inc. (“Terra”) as Terra entered into an option agreement with the Company. Terra agreed to accept the option to acquire up to a 95% interest in the Company’s C4, C5 and C6 properties in the Athabasca Basin of Northern Saskatchewan.

Terms of the option agreement were as follows:

Terra paid the Company \$100,000 and issued to the Company 100,000 shares upon the approval of the Exchange.

In order to acquire an initial 55% interest, on or before December 31, 2011 Terra must pay the Company an additional \$100,000, issue an additional 50,000 shares and incur at least \$1,000,000 in exploration expenditures on the properties.

On April 18, 2011, Terra Ventures and Hathor Exploration Limited (“Hathor”) jointly announced the transaction to which Hathor would acquire all of the issued and outstanding shares of Terra by way of a plan of arrangement. This was executed over the course of several months and was finalized on August 2, 2011. Furthermore, on October 25, 2011 Rio Tinto plc made an offer to purchase all of the issued and outstanding shares of Hathor exploration limited. This deal was finalized as of January 12, 2012 when Rio Tinto acquired 100% of the outstanding shares on a fully diluted basis. Consequently, the exploration expenditures required under the option agreement between Terra Ventures and Pistol Bay Mining have been completed. The payments required to earn the initial 55% interest in the properties were amended to a total of \$147,000 cash and was received by the Company on January 12, 2012.

On October 12th 2012, the Company and Rio Tinto executed an amendment to alter the terms of the second and third option. The amended terms are as follows:

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Upon exercising the Initial Option, in order for Rio Tinto to earn an additional 20% interest in the block C4, C5 and C6 of Athabasca Basin Property (thereby increasing its aggregate interest to 75%, the “Second Option”), Rio Tinto must:

- pay the Company \$150,000 no later than October 19, 2012 (received); and
- incur not less than an additional \$1,000,000 in exploration expenditures (increasing the aggregate exploration expenditures to not less than \$2,000,000) no later than December 31, 2014. (completed)

Upon exercising the Second Option, the Rio Tinto shall have the right, for a period of five years from the date it exercised the Second Option, to acquire an additional 25% interest in the Property (thereby increasing its aggregate interest to 100%, the “Third Option”) by making a cash payment of \$5,000,000 to the Company.

In the event Rio Tinto exercises the Third Option (i) the Company shall receive a 5% net profits interest royalty (5% of income from mining operations on the Property, after deduction of all capital expenditures and operating expenditures on or for the benefit of the Property), and (ii) the parties shall use their reasonable commercial efforts to settle, execute and deliver a formal royalty deed to determine all matters pertaining to this 5% net profits interest royalty.

In February of 2011, Terra received permits for its planned surface exploration and diamond drilling programs on the Wheeler River uranium properties, adjoining the Denison Mines property and the Phoenix Zone, in the Athabasca Basin of Saskatchewan. Terra carried out line cutting, resistivity, gravity and 2-D seismic surveys to refine the target areas, and commenced a diamond drilling program which was completed in August of 2011. The exploration program consisted of various geophysical surveys and 2,603 metres of NQ-size diamond drilling. No mineralization was intersected, but silicification was encountered in Athabasca sandstones in three holes, and there was low-level elevated radioactivity (more than twice and locally up to four times background), also in sandstones, in all five holes. Samples were collected for geochemical analysis and reflectance spectroscopy, but have not yet been processed.

On March 25th 2013, the Company announced that Rio Tinto Canada Uranium Corporation (“RTCUC”) had completed the planned winter diamond drill program and gravity survey on the Company’s C-5 property.

Of the proposed 1,800 meter diamond drill program, RTCUC was in fact able to complete an additional 960 meters for a total of 2,760 meters in 6 drill holes. All drill core samples were shipped to the Saskatchewan Research Council in Saskatoon for analysis.

Hole 13CBK003 did intersect what appears to be a minor mineralized fracture associated with quartzite just below the unconformity. Gamma probing returned a maximum value of 688CPS across the interval of mineralization which appears to be isolated to a fracture coating. Final assay results are required to confirm definitive numbers.

There were also some encouraging signs exhibited in hole 13CBK004. The hole was being drilled on an ice set-up on a lake, however due to safety concerns the hole was abandoned at 354m in the sandstones. While this hole did not intersect the unconformity it did cross some favorable structure and minor alteration in the sandstones that is encouraging.

Hole 13CBK005 was completed to a depth of 621 meters. While no mineralization or significant alteration was intersected, it has provided some very valuable litho logical information that can now be incorporated into the geological model.

The gravity survey was completed by Eastern Geophysics of West Pubnico, NS. The planned survey was designed to infill and extends the gravity survey completed in 2011 by Terra Ventures. The objective of the survey was to extend the current data set and identify areas of potential alteration that may be related to mineralization. The survey was completed at 50m station spacing along 100m spaced lines and extended the coverage over the entire C-5 block property. A total of 1431 stations were collected.

On January 8, 2014 the Company announced that Rio Tinto Canada Uranium Corporation (“RTCUC”) mobilized a camp crew and drilling is scheduled to commence on or around January 11, 2014. A total of approximately 2,500m

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of diamond drilling is proposed for the 2014 C-5 Block winter exploration program with a budget of \$1,200,000. The program is designed to test five (5) to six (6) holes within the Corridor A target area as a follow-up to mineralization intersected during the winter 2013 exploration program. Drilling is expected to take approximately six (6) to seven (7) weeks.

In June 2014 RTCUC completed the planned 2014 winter diamond drill program and gravity survey on Pistol Bay's C-5 property, located in the Athabasca basin, Saskatchewan. The 2014 winter drilling program consisted of six diamond drill holes totalling 3,344 metres. This drill program followed up the 2013 drill program which consisted of six drill holes, totalling 2,760 metres.

The best uranium mineralization in drill hole 14CBK003 returned 0.054 per cent triuranium octoxide over 1.5 metres (including 0.071 per cent U₃O₈ over 0.5 metre) in sandstones immediately above the unconformity. However, due to high core loss (one metre of loss over two metres), these assay numbers are not considered truly reflective of the mineralization. Downhole gamma values for the mineralized interval returned greater than 1,000 counts per second over 1.3 metres with a maximum of 1,970 counts per second. This drill hole is located 100 metres northeast of 2013 drill hole 13CBK003, which intersected what appeared to be a minor mineralized fracture associated with quartzite just below the unconformity. Gamma probing returned a maximum value of 688 counts per second across the interval of mineralization which appears to be isolated to a fracture coating.

Uranium mineralization in drill hole 14CBK005, located 50 metres northeast and along strike of mineralization in 14CBK003, returned 0.041 per cent U₃O₈ over 0.32 metre located immediately below the unconformity, as well as 0.022 per cent U₃O₈ over one metre located five metres farther downhole.

SIGNIFICANT MINERALIZED DRILL HOLE INTERCEPTS

DDH		Interval			U ₃ O ₈ (%)	
		From (m)	To (m)	(m)	U (ppm)	(i)
14CBK003	366	367.5	1.5	460	0.054	
Including		366.5	367	0.5	606	0.071
14CBK005	379.82	380.04	0.32	346	0.041	
14CBK005	385	386	1.0	184	0.022	

(i)U₃O₈ calculated by multiplying uranium ppm by 1.179.

During the year ended May 31, 2010 the C1 and C7 block claims expired.
During the year ended May 31, 2011 the D3 block claim expired.

As at May 31, 2014 and 2013, the Company has capitalized no costs related to these claims. All costs capitalized in the past were written down during the years ended May 31, 2012 and 2013.

During the year ended May 31, 2015, the Company received the payment of \$20,000 on sales of the C3 property in the Athabasca Basin, Saskatchewan.

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RESULTS OF OPERATIONS

Operational activities:

During the six months ended November 30, 2015, the Company incurred a net loss of \$106,088, compared to a net loss of \$238,915 in the same period in the prior year. Significant comparative variances for the six months ended November 30, 2015 and 2014 were:

Amortization of \$258 (2014 - \$9,535);
Business development and shareholder communications of \$5,687 (2014 - \$4,102);
Consulting fee of \$45,300 (2014 - \$32,784);
Insurance of \$Nil (2014 - \$2,953);
Management fees of \$22,500 (2014 - \$22,500);
Office services and miscellaneous of \$2,737 (2014 - \$20,526);
Professional fees of \$1,714 (2014 - \$18,900);
Rent of \$1,985 (2014 - \$10,963);
Share-based payments of \$19,121 (2014 - \$Nil)
Transfer agent and filing fees of \$6,786 (2014 - \$7,772); and
Wages and benefits of \$Nil (2014 - \$1,743)

Business development and shareholder communication expenses of \$5,687 (2014 - \$4,102) relate to maintaining the current projects, investigating new projects and promoting the Company.

Consulting fees of \$45,300 (2014 - \$32,784) relate to fees paid to consultants of the Company for consultation on the Company's current and prospective projects. These general consulting expenses cannot be directly attributed to any particular project and have therefore been expensed as general consulting.

Management fees of \$22,500 (2014 - \$22,500) relate to fees accrued to officers of the Company for management of the Company's operations and projects.

Office services and miscellaneous of \$2,737 (2014 - \$20,526) relate to expenses paid for administration and support. The decrease in office services and miscellaneous from last year relates to decreased general administration expenses paid to an administrative services company, and is attributed to management's cost control efforts and saving cash reserves for necessary operations and minimizing operational expenses.

Professional fees of \$1,714 (2014 - \$18,900) consist of expenses relating to the Company's financial recording and reporting activities. Professional fees decreased over the same period in the previous year as the accounting fees decreased for the Company via the administrative services company.

Rental expenses of \$1,985 (2014 - \$10,963) are expenses paid for the Company's occupancy and storage.

Share-based payments of \$19,121 (2014 - \$Nil) relate to the issuance of stock option by the Company.

Transfer agent and filing fees of \$6,786 (2014 - \$7,772) relates to expenditures in connection with share capital activities of the Company.

Wages and salaries decreased to \$Nil (2014 - \$1,072). Salaries and benefits expenses decreased over the same period in the previous year as the management switched to paying overhead costs and wages and salaries via an administrative services company, and all employment was terminated in the first quarter of 2015.

During the six months ended November 30, 2014, the Company incurred CRA penalties of \$88,213, Gain on disposition of property of \$20,000, Loss on disposition of marketable securities of \$22,988, and Part XII taxes and interest related to flow-through shares of \$15,936.

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The overall decrease in expenses from the same period last year is attributed to cost cutting activities the Company has taken and relative decrease of activities on the Company's operations and projects.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following table provides a summary of the Company's eight quarterly results ending on November 30, 2015:

IFRS				
	November 30, 2015	August 31, 2015	May 31, 2015	February 28, 2015
Revenue	Nil	Nil	Nil	Nil
Net loss for the period				
	(45,869)	(60,218)	(170,952)	(110,254)
Loss per share	(0.01)	(0.01)	(0.02)	(0.02)

	November 30, 2014	August 31, 2014	May 31, 2014	February 28, 2014
Revenue	Nil	Nil	Nil	Nil
Net loss for the period				
	(185,912)	(53,000)	(930,443)	(233,969)
Loss per share	(0.04)	(0.01)	(0.20)	(0.06)

Fluctuations in the Company's expenditures reflect the seasonal variations of exploration and the ability of the Company to raise capital for its projects.

Decreased losses in the quarter ended November 30, 2015 compared with the quarter ended August 31, 2015 were primarily due to the share-based payments of \$19,121 incurred in the quarter ended August 31, 2015. Overall, there was no significant change in net loss between the two quarters.

Decreased losses in the quarter ended August 31, 2015 compared with the quarter ended May 31, 2015 were primarily due to the share-based payments of \$45,109, and rent expense adjustment of \$111,009 incurred in the quarter ended May 31, 2015. Transfer agent fees and professional fees also decreased over the quarter ended May 31, 2015.

Increased losses in the quarter ended May 31, 2015 compared with the quarter ended February 28, 2015 were primarily due to the share-based payments of \$45,109, and rent expense adjustment of \$111,009 incurred in the quarter ended May 31, 2015.

Decreased losses in the quarter ended February 28, 2015 compared with the quarter ended November 30, 2014 were primarily due to the CRA penalties of \$88,213, and loss on disposition of marketable securities of \$22,988 incurred in the quarter ended November 30, 2014.

Decreased losses in the quarter ended August 31, 2014 compared with the quarter ended May 31, 2014 mostly related to the higher impairment charge in mineral properties of \$757,831, and the share-based payments of \$69,065 incurred in the quarter ended May 31, 2014.

Increased losses in the quarter ended May 31, 2014 compared with the quarter ended February 28, 2014 mostly related to recognition of higher impairment charge in mineral properties of \$757,831.

CAPITAL DISCLOSURE:

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to finance its growth using internally-generated cash flow and debt capacity; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

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The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and receivables.

LIQUIDITY & CAPITAL RESOURCES:

At November 30, 2015, the Company had working capital deficiency of \$952,219 (May 31, 2015 - \$909,361), and cash deficit of \$102 (May 31, 2015 – cash of \$1,467). The Company anticipates that it will require significant funds for property exploration and to support general administrative expenses.

Share Capital Transactions:

On June 5, 2015, the company received the TSX approval for the Option Agreement entered on May 21, 2015 to acquire a 100% interest in Zinc-Copper properties in Red Lake, Ontario. Pursuant to the Option Agreement, the Company shall pay to the optionors \$86,000 in cash and issue 2,000,000 shares in total. The property is subject to a royalty made payable to the optionors equal to 0.5% NSR and 0.5% to Rubicon Minerals Corp..

On July 7, 2015, the Company issued 600,000 common shares for gross proceeds of \$33,000 to the optionors pursuant to the Option Agreement.

During the six months ended November 30, 2015, the Company issued total 550,000 common shares for gross proceeds of \$27,500 for options exercised.

On September 29, 2015, the Company entered into an agreement to acquire a 100% interest in the Garland Peninsula Property comprised of four property claims located in Labrador and Newfoundland, Canada. Pursuant to this agreement, the Company issued 500,000 common shares for gross proceeds of \$25,000 to the optionors on October 16, 2015.

During the year ended May 31, 2015:

- i. On February 24, 2015, the Company closed a non-brokered private placement of 1,170,000 units at a price of \$0.05 per unit for total gross proceeds of \$58,500, of which \$5,000 is offset against unpaid consulting fees owing to the consultant subscriber, \$9,073 is receivable as at May 31, 2015. Each unit consisted of one common share and one half of one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of \$0.10 per share for a period of 18 months from the date of issuance.
- ii. During the year ended May 31, 2015, the Company issued a total of 1,030,000 common shares, for gross proceeds of \$57,550, for options exercised.

Stock options:

- i. On August 7, 2015 the Company granted 150,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility 239%, risk-free rate 0.78%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$7,164, which has been expensed with a corresponding credit to share-based payment reserve. During the six months ended November 30, 2015, all 150,000 share options were exercised for total proceeds of \$7,500.
- ii. On August 26, 2015 the Company granted 250,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share

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options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility 239%, risk-free rate 0.72%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$11,957, which has been expensed with a corresponding credit to share-based payment reserve. All 250,000 share options were exercised for total proceeds of \$12,500.

- iii. On January 7, 2016, 7,000 share options expired unexercised.

During the year ended May 31, 2015:

- i. During the year ended May 31, 2015, 313,200 fully vested share options expired or were cancelled unexercised, resulting in the transfer of \$196,973 from share-based payment reserve to deficit.
- ii. During the year ended May 31, 2015, 350,000 share options were exercised at a price of \$0.05 per unit, 150,000 share options at a price of \$0.055 per unit, and 530,000 share options at a price of \$0.06 per unit for total proceeds of \$57,550.
- iii. On January 8, 2015 the Company granted 200,000 share options, which are exercisable for a period of five years, at a price of \$0.06 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility 235%, risk-free rate 1.28%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$9,910, which has been expensed with a corresponding credit to share-based payment reserve.
- iv. On February 24, 2015 the Company granted 330,000 share options, which are exercisable for a period of five years, at a price of \$0.06 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of \$0.06, volatility 238%, risk-free rate 0.70%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$19,647, which has been expensed with a corresponding credit to share-based payment reserve.
- v. On April 16, 2015 the Company granted 250,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility 238%, risk-free rate 0.80%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$12,404, which has been expensed with a corresponding credit to share-based payment reserve.
- vi. On April 22, 2015 the Company granted 100,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility 238%, risk-free rate 0.94%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$4,962, which has been expensed with a corresponding credit to share-based payment reserve.
- vii. On May 1, 2015 the Company granted 350,000 share options, which are exercisable for a period of five years, at a price of \$0.055 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of \$0.06, volatility 238%, risk-free rate 1.05%, dividend yield 0%, and expected life of 5 years. With

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these assumptions, the fair value of options was determined to be \$20,849, which has been expensed with a corresponding credit to share-based payment reserve.

- viii. On May 14, 2015 the Company granted 150,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility 239%, risk-free rate 1.10%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$7,444, which has been expensed with a corresponding credit to share-based payment reserve.

Warrants

During the six months ended November 30, 2015, no warrants were granted, cancelled, expired or exercised.

During the year ended May 31, 2015:

- i. On July 23, 2014, 800,040 warrants and 25,334 agent warrants expired unexercised.
- ii. On August 13, 2014, 55,080 warrants and 3,060 agent warrants expired unexercised.
- iii. On September 12, 2014, 591,000 warrants expired unexercised.
- iv. On December 11, 2014, 808,000 warrants and 65,100 agent warrants expired unexercised.
- v. On December 27, 2014, 472,000 warrants and 45,200 agent warrants expired unexercised.
- vi. On February 24, 2015, the Company granted 585,000 warrants to its investors.

As of the date of this report, the Company has outstanding common shares of 8,520,757, share options of 347,000 and warrants of 585,000.

For the six months ended November 30, 2015, the Company experienced a net decrease in its cash position by \$1,569 (November 30, 2014 – net increase by \$1,213). At November 30, 2015, the Company had working capital deficiency of \$952,219 (May 31, 2015 - \$909,361). Significant cash inflows consisted of funds provided by financing activities totaling \$66,350 (November 30, 2014 – \$56,817). Significant cash outflows consisted of the cash used in operating activities of \$67,919 (November 30, 2014 – \$55,604).

As the Company is an exploration company, it does not receive nor does it anticipate receiving any revenue in the next fiscal year. The Company's interests do not currently generate cash flow from operations and, in order to continue operations and fund its expenditure commitments, it is dependent on equity financing through existing and new shareholders, third party financing, and cost sharing arrangements to fund its work programs and operations.

OFF-BALANCE SHEET ARRANGEMENTS:

The Company has no off-balance sheet arrangements other than reported in the accompanying notes to the financial statements.

TRANSACTIONS WITH RELATED PARTIES AND EXECUTIVE COMPENSATION:

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured. Amount advanced to the director(s) of the Company is for business purposes, such as travel and accommodation and is included in prepaid expenses. The amount due from (to) companies with directors

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in common was for shared office administration and occupancy expenses. Repayment terms, if any, are determined at the time of the advance.

Prepaid services and amounts due from related parties:

	November 30, 2015	May 31, 2015
	- \$ -	- \$ -
Amount due from Vega Mining Inc. (Previously known as Soldi Ventures Inc.) - a company with directors in common	3,957	3,957
Prepaid expenses advanced to a director	38,525	38,525
	42,482	42,482

Due to related parties:

	November 30, 2015	May 31, 2015
	- \$ -	- \$ -
Amount due to Dirango Capital Inc. - a company with CFO in common	66,343	43,844
Amount due to Zone Resources Inc. - a company with directors in common	4,846	4,847
Amount due to Victory Mountain Ventures Ltd. - a company with directors in common	2,200	2,200
	73,389	50,890

Key management personal compensation

For the six months ended November 30, 2015 and 2014, the Company incurred the following amounts through transactions with a director:

	November 30, 2015	November 30, 2014
	- \$ -	- \$ -
Management fees	22,500	22,500

During the six months ended November 30, 2015, \$22,500 (2014 – \$22,500) management fees were accrued and partially paid to the CFO of the Company. The CEO postponed the receipt of his salaries in favor of other vendors of the Company. Related party transactions have been recorded at their exchange amount, which is the amount of consideration established between the related parties.

FINANCIAL INSTRUMENTS:

The Company has classified its financial instruments as follows:

- Cash is classified as loans and receivables.
- Due from related parties are classified as loans and receivables.
- Marketable securities are classified as available-for-sale.
- Accounts payables have been classified as other financial liabilities.
- Amounts due to related parties are classified as other financial liabilities.

Transaction costs related to financial instruments other than held-for-trading are capitalized as part of the cost of the financial instrument. Where the Company has entered into net smelter royalties or other similar participatory arrangements with property vendors or purchasers, such arrangements are considered to be derivative instruments. Additionally, the Company may have purchase options associated with net smelter royalties which are derivative instruments. The fair value of these derivative instruments is not reliably measurable until proven economically recoverable reserves have been identified.

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IFRS 7 requires disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Fair Values

The following table outlines the Company's financial assets and liabilities measured at fair value by level with the fair value hierarchy described above. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair measurement.

As at November 30, 2015 and 2014 the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
November 30, 2015				
Cash	-	-	-	-
Total	-	-	-	-
May 31, 2015				
Cash	1,467	-	-	1,467
Total	1,467	-	-	1,467

The Company's marketable securities are valued using quoted market prices in active markets, and therefore are classified as Level 1. Management determines the fair value of the marketable securities using the closing bid price of the shares on the Exchange at each reporting date.

LEGAL PROCEEDINGS:

On June 8, 2015, Pacific Centre Leaseholds Limited (the "Landlord") filed a civil claim against the Company and three related companies for the unpaid lease payments and assessed damages pursuant to the amended lease agreements dated June 16, 2014. The assessed damages claimed by the Landlord for the breaches of the lease agreement are \$156,424 for arrears of rent prior to termination of the lease, \$70,316 for accelerated rent for December 2014, \$52,737 for accrued rent from April 2015 to July 2015, cost on a full indemnity basis, and accruing interest on the assessed amounts. The total amount claimed is \$279,477. As at November 30, 2015, the Company has accrued \$70,794 in connection with unpaid lease to the Landlord.

On August 15, 2014, the Company was informed by Perry & Company who acts as solicitors for U.T.M. Exploration Services Ltd. ("UTM") that Revolver Resources Inc. (Revolver) owes UTM \$196,108 (inclusive of interest) for unpaid exploration costs. In May 2013 The Company entered into an option agreement with Revolver. UTM performed exploration services at the Summit B property of the Company as per instructions of Revolver. The Company did not have a contract with UTM with respect to these expenses. UTM placed a lien on the Company's claims at the Summit B property and threatened litigation in the event Revolver fails to make payment for the outstanding amount.

During the year ended May 31, 2015, CRA assessed penalties of \$88,213 pursuant to subsection 224(4) of the Income Tax Act.

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PROPOSED TRANSACTIONS

The Company has no proposed transactions.

CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Income Taxes

The Company has not recognized a deferred tax asset, as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

iv) Flow Through Shares Provisions

Flow-through share provisions are comprised of the Company's various tax penalties and indemnification liabilities relating to the deficiencies in incurring on a timely basis the appropriate amount of qualifying exploration expenditures required related to past flow-through share issuances. The Company may also be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made required exploration expenditures.

Flow-through share provisions have been created based on the Company's internal estimates of the maximum tax penalties and indemnification liabilities the Company could be subject to. Assumptions, based on the current tax regulations, have been made which management believes are a reasonable basis upon which to estimate the future potential liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. The final cost of the flow-through share provision may be lower than currently provided for.

v) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

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New Accounting Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) during the year. None of these are expected to have a significant effect on the financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 9 Financial Instruments – IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 is applicable to annual reporting periods beginning on or after January 1, 2018.

The Company does not expect that the new and amended standards will have significant impact on its financial statements.

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 3 of the Notes to the unaudited financial statements for the six months ended November 30, 2015 and the audited financial statements for the year ended May 31, 2015 that are available on SEDAR at www.sedar.com.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Detailed listing of exploration expenditures and a breakdown of general and administrative expenses are provided in the financial statements for the six months ended November 30, 2015.

OTHER MATTERS

Commitments:

Lease commitments:

On August 15, 2012, the Company together with other three related companies entered into a joint tenancy for office premises from May 1, 2013 to August 31, 2019.

On December 5, 2014, the lease and tenancy premises were terminated by Pacific Centre Leaseholds Limited.

Flow-through shares tax liabilities

As at November 30, 2015, the Company has Canadian Exploration Expenditure obligations of \$301,125 that was required to be fulfilled by December, 2012. As the Company did not fulfill the expenditure obligation, Canada Revenue Agency (“CRA”) assessed penalties in the amount of \$36,072. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling \$59,300 has been accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount of actual claims and penalties, if any, is contingent on future assessments of CRA. During the six months ended November 30, 2015, the Company accrued interest of \$Nil (May 31, 2015: \$11,700) on the flow through liabilities.

The Company entered into Flow-through Share Subscription Agreements in the calendar year ended December 31, 2011 whereby it was committed to incur on or before December 31, 2012 a total of \$347,900 of qualifying Canadian Exploration Expenses (“CEE”) as described in the Income Tax Act of Canada. As at November 30, 2015, the Company has Canadian Exploration Expenditure obligations of \$347,500 that was required to be fulfilled by December 31, 2012. CRA has assessed a penalty in the amount of \$37,935 related to Part XII.6 tax penalties on the unfulfilled commitments. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling \$56,200 has been accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount actual claims and penalties, if any, is

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contingent on future assessments of CRA. During the six months ended November 30, 2015, the Company accrued interest of \$Nil (May 31, 2015: \$12,204) on the flow through liabilities.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in NI 52-109.

RISKS

The Company is engaged in the exploration for and development of mineral deposits. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases, eliminate. The commercial viability of any material deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade, proximity to infrastructure, Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations.

The discovery, development and acquisition of mineral properties are in many respects unpredictable events. Future metal prices, capital equity markets, the success of exploration programs and other property transactions can have a significant impact on capital requirements.

Although the Company has taken steps to verify the title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of the same, these procedures do not guarantee the Company's title to these properties. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company's current operations do not generate any positive cash flow and it is not anticipated that any positive cash flow will be generated for some time. The Company has limited financial resources and the mining claims, Company holds impose financial obligations on the Company. There can be no assurance that additional funding will be available to allow the Company to fulfill such obligations.

Further exploration and development of the various mineral properties in which the Company holds interests depends upon the Company's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. Failure to obtain additional financing on a timely basis could cause the Company to forfeit all or part of its interests in some or all of its Resource Properties and reduce or terminate its operations.

The Company's properties are in the exploration stages only and are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. Exploration of properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company could be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of the properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The

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Company is not aware of any existing environmental problems related to its current properties that may result in material liability to the Company.

The preparation of financial statements in conformity with IFRS 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Annual losses are expected to continue until the Company has an interest in a mineral property that produces revenues. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The Company's accompanying financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Any forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

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DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Current Directors of the Company are as follows:

Charles Desjardins, CEO

Doug McFaul, CFO

Glen MacDonald

Dave Bissoondatt

OUTLOOK

The Company's primary focus for the foreseeable future will be on reviewing its financial position, raising funds to support exploration and operational activities, continuing exploration activities on its mineral properties and financing business ventures in the mineral resource industry.

ADDITIONAL INFORMATION

Additional information related to the Company is available for view on SEDAR at www.sedar.com, on the Company's website at www.pistolbaymining.com, or by requesting further information from the Company's head office in Vancouver BC Canada.

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