

**PISTOL BAY MINING INC.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
NINE MONTHS ENDED FEBRUARY 28, 2017

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## OVERVIEW

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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 nine months ended February 28, 2017, and the audited financial statements for the year ended May 31, 2016. 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](http://www.sedar.com), on the Company’s website at [www.pistolbaymininginc.com](http://www.pistolbaymininginc.com), or by requesting further information from the Company’s head office in : 700 – 838 West Hastings Vancouver, BC, V6C 0A6.

Date of Report: April 20, 2017

## NATURE OF BUSINESS

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The Company is engaged in the exploration and development of mineral resources, currently focusing on projects in 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.

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 February 28, 2017 of \$998,032 (May 31, 2016 - \$990,916). 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 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.

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**FORWARD LOOKING STATEMENTS**

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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**

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**Dixie Property, Ontario:**

***Dixie 17-18-19 properties:***

On May 26, 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.

On March 22, 2016, the Company received Exchange approval to amend the terms of the option agreement for the Dixie Claims previously announced May 26, 2015. Under the amended agreement, the vendor will be receiving

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400,000 additional shares of the Company in lieu of a \$10,000 cash payment which was due upon execution of the original option agreement.

Pursuant to the amended option agreement to acquire a 100% interest in the Dixie claims, the Company is required to make total cash payments of \$76,000 and issue a total of 2,400,000 shares over a four-year period as follows:

- Issue 1,000,000 shares (issued) to the optionors upon Exchange approval (Approved on July 3, 2015).
- Pay \$10,000 (paid) and issue 600,000 shares (issued) to the optionors on or before the date that is one-year anniversary of Exchange approval (July 3, 2016).
- Pay \$16,000 and issue 800,000 shares to the optionors on or before the date that is two-year anniversary of Exchange approval (July 3, 2017).
- Pay \$20,000 to the optionors on or before the date that is three-year anniversary of Exchange approval (July 3, 2018).
- Pay \$30,000 to the optionors on or before the date that is four-year anniversary of Exchange approval (July 3, 2019).

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 with a fair value of \$33,000 to the optionors pursuant to the option agreement.

On March 22, 2016, the Company received Exchange approval to amend the terms of the option agreement for the Dixie Claims previously announced May 26, 2015. Under the amended agreement, the vendor will be receiving 400,000 additional shares of the Company in lieu of a \$10,000 cash payment which was due upon execution of the original option agreement. As a result of the change, the Company is required to make total cash payments of \$76,000 and issue a total of 2,400,000 shares over a four-year period. On March 24, 2016, the Company issued the 400,000 additional shares.

On June 7, 2016, the Company issued 600,000 common shares with a fair value of \$30,000 to the optionors pursuant to the amended agreement.

**Dixie 3 property:**

On September 1, 2016, the Company executed an option agreement to acquire a 100% interest in additional Zinc-Copper claims located in the Red Lake, Ontario region. The 640 hectare (1,580 acre) Dixie 3 property is located in northwest Ontario, 45 kilometres southeast of Red Lake and 24 kilometres north of the town of Ear Falls. It is accessible by all-weather forestry access roads. The Dixie 3 property is within 8 kilometres of the Company's Dixie 17, 18, 19 properties and fits within the Company's exploration model.

Under the option agreement, to acquire a 100% interest in the Dixie 3 claims, the Company is required to make total cash payments of \$56,000 and issue a total of 2,400,000 shares over a three-year period as follows:

- Pay \$8,000 (paid) and issue 500,000 shares (issued) to the optionors upon Exchange approval (approved on October 7, 2016).
- Pay \$12,000 and issue 600,000 shares to the optionors on or before the date that is one-year anniversary of Exchange approval (October 7, 2017).
- Pay \$16,000 and issue 600,000 shares to the optionors on or before the date that is two-year anniversary of Exchange approval (October 7, 2018).

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- Pay \$20,000 and issue 700,000 shares to the optionors on or before the date that is three-year anniversary of Exchange approval (October 7, 2019).
- Pay \$30,000 to the optionors on or before the date that is four-year anniversary of Exchange approval (October 7, 2020).

The vendors of the Dixie 3 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 Minerals Corp. will also retain a 0.5% net smelter returns royalty.

On October 14, 2016, the Company issued 500,000 common shares with a fair value of \$45,000 pursuant to the option agreement.

#### **AurCrest Property, Ontario**

In November 2016, the Company entered into an option agreement with AurCrest Gold Inc. to acquire all the mining claims held by AurCrest in the Confederation Lake greenstone belt southeast of Red Lake, Ontario. The AurCrest property comprises 108 mining claims with a total of 321 claim units with an area of 5,136 hectares (12,700 acres), being the Confederation Lake Property and the Fredart Lake Property.

Pursuant to the option agreement to acquire a 100% interest in the AurCrest properties, the Company is required to make total cash payments of \$250,000 and issue a total of 5,000,000 common shares of the Company over a four-year period as follows:

- Pay \$25,000 (paid) and issue 1,000,000 shares (issued) on closing (Conditionally approved by Exchange on December 6, 2016)
- Pay \$25,000 (paid) within 90 days following closing
- Pay \$50,000 and issue 1,000,000 shares on or before the date that is one-year anniversary from closing
- Issue 1,000,000 shares on or before the date that is two-year anniversary from closing
- Issue 1,000,000 shares on or before the date that is three-year anniversary from closing
- Issue 1,000,000 shares on or before the date that is four-year anniversary from closing

On January 12, 2017, the Company issued 1,000,000 common shares at a fair value of \$60,000 pursuant to the option agreement.

#### **Joy North Property, Ontario:**

In February 2017, the Company entered into an option agreement with an arm's length vendor to acquire a 100% interest in the Joy North Property, located in the Gerry Lake Area, approximately 50km southeast of Red Lake, Ontario. The Joy North Property consists of a single mining claim comprising 4 units (64 hectares).

The Company can earn a 100% interest in the Property by issuing an aggregate 1,005,000 common shares and paying a total of \$40,500 over a four-year period. A 2% net smelter returns royalty ("NSR") has been granted to the vendor, of which 1% may be purchased at any time by the Company for \$500,000 and the remaining 1% at any time for \$1,500,000. In addition, the Company must drill a minimum of two diamond drill holes to a minimum aggregate depth of 600 metres on the Property. All shares issued will be subject to a hold period expiring four months and one day from the day of issuance.

Pursuant to the option agreement to acquire a 100% interest in the Joy North property, the Company is required to make total cash payments of \$40,500 and issue a total of 1,005,000 common shares of the Company over a four-year period as follows:

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- Pay \$3,000 (paid) and issue 55,000 shares (issued) to the optionors upon Exchange approval (approved on February 21, 2017).
- Issue 100,000 shares to the optionors on or before the date that is one-year anniversary of Exchange approval (February 21, 2018).
- Issue 100,000 shares to the optionors on or before the date that is two-year anniversary of Exchange approval (February 21, 2019).
- Issue 150,000 shares to the optionors on or before the date that is three-year anniversary of Exchange approval (February 21, 2020) and drill two diamond drill holes to 600 metre depth.
- Pay \$37,500 and issue 600,000 shares to the optionors on or before the date that is four-year anniversary of Exchange approval (February 21, 2021).

On February 21, 2017, the Company issued 55,000 common shares at a fair value of \$3,850 and on February 10, 2017, the Company paid \$3,000 in cash pursuant to the option agreement.

**Lucky 7 Property, Ontario:**

On March 22, 2017, the Company entered into an option agreement, subject to the approval TSX Venture Exchange, to acquire two additional claim groups in the Confederation Lake greenstone belt, southeast of Red Lake, Ontario. The two claim groups are called the Lucky 7 and Moth groups. The Lucky 7 Property (5 claims, 640 hectares, 1580 acres) covers a number of mineralized zones discovered by prospectors. The claims adjoin the Garnet Lake and Garnet East claim groups that are part of the group of properties acquired by the Company from AurCrest Gold Inc. The Moth group of 10 claims comprises 85 units (1360 hectares, 3360 acres). It is separated from the Lucky 7 claims by a 5 kilometre gap.

Pursuant to the option agreement to acquire a 100% interest in the Lucky 7 and Moth claims, the Company is required to make total cash payments of \$72,000 and issue a total of 2,300,000 common shares over a three-year period. A Vendor of the Lucky 7 and Moth claims will retain a 1.5% net smelter returns royalty (“NSR”), of which one half or 0.75% of the NSR may be repurchased for the consideration of \$400,000 at any time up to when a production decision is made.

**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

Consideration for the claims is 500,000 common shares and \$3,500 (\$1,500 paid March 4, 2016). 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 16, 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 agreement announced on October 16, 2015.

As of May 31, 2016, management decided not to pursue the Garland Property and has written down the property to \$Nil, recognizing impairment charge of \$26,500.

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**Athabasca Basin, Saskatchewan:**

The Company retains a 25% interest in three mineral claims located in the eastern Athabasca Basin of Saskatchewan through an option agreement with Rio Tinto plc.

The C5 property, together with the C4 and C6 claims, is under option to Rio Tinto, which has earned a 75% interest, and has previously announced its intention to exercise the further option to acquire 100% interest by paying the Company C\$5,000,000 within 5 years of December 31st 2014 and granting the Company a 5% net profits interest. Rio Tinto has, to date, completed 12 diamond drill holes totalling 6,104 metres on the C5 property and carried out a gravity survey and a DC resistivity. The 2017 diamond drilling program is scheduled to commence on January 20th.

Uranium mineralization in the Athabasca Basin is spatially associated with the unconformity where the Athabasca sandstones rest on top of older basement rocks. The unconformity is approximately 400 metres below surface in the area of the C4, C5 and C6 properties. The highlight of Rio Tinto's previous program's on C5 is diamond drill hole 14CBK003 which intersected 0.054% U3O8 over a core length of 1.5 metres, including 1.0071% U3O8 over 0.5 metre. Core recovery was approximately 50%, indicating that the assay does not accurately reflect the uranium content of the rock. In addition, diamond drill hole 14CBK005, 50 metres to the northeast of 14CBK003, intersected 0.041% U3O8 across a core length of 0.32 metres just below the unconformity, and 0.022% U3O8 across a core length of 1.00 metre, 5 metres below the unconformity. These results were previously disclosed in a Pistol Bay news release on June 4th, 2014.

The C4, C5 and C6 properties adjoin the 11,720 hectare Wheeler River property of Denison Mines Corp. (60%), Cameco Corp. (30%) and JCU (Canada) Exploration Co. (10%). Wheeler River includes the newly (2008) discovered Phoenix Zone, with an indicated mineral resource of 70,200,000 pounds of U3O8 grading 19.13% plus an inferred mineral resource of 1,100,000 pounds of U3O8 at a grade of 5.80%. The Gryphon Zone contains an inferred resource of 43 million pounds of U3O8 at a grade of 2.3%. The 489 Zone is at an early stage of exploration. It has reported drill intercepts of 0.13% U3O8 over 5.5 metres and 0.46% e U3O8 (radiometric estimate) over 1.5 metres.

The C4, C5 and C6 properties are situated approximately mid-way between the former producing Key Lake mine and the currently producing McArthur River Mine of Cameco Corp. (70%) and AREVA (30%). McArthur River has produced, to the end of 2015, a total of 287.6 million pounds of U3O8. It has reserves of 336.5 million pounds at 16.89% U3O8, measured plus indicated mineral resources of 5.6 million pounds at 3.80% U3O8 and an inferred mineral resource of 58.6 million pounds at 7.72% U3O8. With a total endowment of over 688 million pounds, McArthur River is the largest high grade uranium mine in the world (Cameco Corp. annual and quarterly reports).

The C4, C5 and C6 properties are road-accessible, an important feature that allows exploration funds to be used much more effectively than more remote, fly-in projects. The 75-kilometre all-weather haul road from the McArthur River mine to Cameco's Key Lake mine/mill passes approximately 5 kilometres from the properties, and there is a network of bush roads or trails that can be used by 4-wheel drive vehicles.

*Technical material above has been prepared and/or reviewed and approved by Colin Bowdidge, Ph.D., P.Geo., a Qualified Person as defined in National Instrument 43-101. Uranium analyses quoted above were performed for Rio Tinto by SRC Geoanalytical Laboratories in Saskatoon, using ICP-mass spectrometry. The geometry of the mineralized intervals quoted here is not known, and no estimate of true widths has been made.*

During the year ended May 31, 2015, the Company received \$20,000 for the sale of the C3 property in the Athabasca Basin, Saskatchewan. As the Company had written down the property to a nominal value in a prior year, the proceeds of \$20,000 was recorded as a gain on disposition of exploration and evaluation assets.

**Update on C4,5 and 6 Uranium properties:**

On March 28, 2017, the Company entered into an amending agreement with Rio Tinto Exploration Canada Inc. ("Rio Tinto"), with regards to the C4,5 and 6 Uranium properties, whereby Rio Tinto will make an initial cash payment of \$750,000 to the Company.

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The C block of Uranium properties, located in the Athabasca Basin of Saskatchewan, is under option to Rio Tinto, which has earned a 75% interest to date. Rio Tinto has previously indicated its intention to exercise the further option to acquire a 100% interest by paying the Company \$5,000,000 on or before December 31, 2019, and granting the Company a 5% net profit interest.

Under the amending agreement, Rio Tinto will acquire an additional 25% interest in the Property (thereby increasing its aggregate interest to 100%), by:

- a) Paying the Company \$750,000 on or before April 17, 2017 (received as of this report); and
- b) Paying the Company one of the following payments:
  - i) \$1,500,000 on or before December 31, 2017;
  - ii) \$2,000,000 on or before December 31, 2018; or
  - iii) \$2,250,000 on or before December 31, 2019.

The Company will retain a 5% net profits interest in the Property.

**Summit Lake Project, British Columbia:**

The Company held a 100% interest in six claims in the Summits A and B properties located in northwestern British Columbia, Canada. During the year ended May 31, 2016, all six claims lapsed. The Company had written off the balance to \$Nil in 2014.

**RESULTS OF OPERATIONS**

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**Operational activities:**

During the nine months ended February 28, 2017, the Company incurred a net loss of \$796,373, compared to a net loss of \$158,304 in the same period in the prior year. Significant comparative variances for the nine months ended February 28, 2017 and February 29, 2016 were:

Amortization of \$237 (2016 - \$388);  
Business development and shareholder communications of \$96,871 (2016 - \$6,687);  
Consulting fee of \$375,513 (2016 - \$68,824);  
Management fees of \$18,000 (2016 - \$33,750);  
Office services and miscellaneous of \$16,970 (2016 - \$6,381);  
Professional fees of \$29,337 (2016 - \$8,010);  
Rent of \$23,850 (2016 - \$1,985);  
Share-based payments of \$202,518 (2016 - \$19,121); and  
Transfer agent and filing fees of \$29,769 (2016 - \$13,158)

Business development and shareholder communication expenses of \$96,871 (2016 - \$6,687) relate to maintaining the current projects, investigating new projects and promoting the Company. These expenses increased in the current period in comparison to the same period in the previous year, due to increased activities with new projects and shareholder communications.

Consulting fees of \$375,513 (2016 - \$68,824) 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. The Company's consulting expenses increased as its activities in relation to operations and project activities also increased.

Management fees of \$18,000 (2016 - \$33,750) relate to fees accrued to officers of the Company for management of the Company's operations and projects.

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Office services and miscellaneous of \$16,970 (2015 - \$6,381) relate to expenses paid for administration and support. The Company office expenses increased as its activities in relation to operations and project activities also increased.

Professional fees of \$29,337 (2016 - \$8,010) consist of expenses relating to the Company's financial recording and reporting activities. Professional fees increased over the same period in the previous year as accounting fees increased for the Company as its activities in relation to operations and project activities also increased.

Rental expenses of \$23,850 (2016 - \$1,985) are expenses paid for the Company's occupancy and storage. Rental fees increased primarily due to increase in rental storage occupancy fees for its mineral exploration activities and monthly office occupancy fees.

Share-based payments of \$202,518 (2016 - \$19,121) relate to the issuance of stock option by the Company.

Transfer agent and filing fees of \$29,769 (2016 - \$13,158) relates to expenditures in connection with share capital and reporting activities of the Company.

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**SUMMARY OF QUARTERLY FINANCIAL RESULTS**

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The following table provides a summary of the Company's eight quarterly results ending on February 28, 2017:

	IFRS			
	February 28, 2017	November 30, 2016	August 31, 2016	May 31, 2016
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net loss for the period	(279,100)	(233,885)	(283,388)	(157,624)
Loss per share	(0.01)	(0.01)	(0.02)	(0.01)

  

	February 29, 2016	November 30, 2015	August 31, 2015	May 31, 2015
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net loss for the period	(52,215)	(45,869)	(60,219)	(170,952)
Loss per share	(0.01)	(0.01)	(0.01)	(0.02)

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

Increased losses in the quarter ended February 28, 2017 compared with the quarter ended November 30, 2016 were primarily due to the consulting expenses of \$169,779, share-based payments of \$38,742, and transfer agent and filing fees of \$17,235 incurred in the quarter ended February 28, 2017. Other expenditures, such as the business development of \$27,055, office services and miscellaneous of \$5,765, and professional fees of \$5,392, decreased in the quarter ended February 28, 2017.

Decreased losses in the quarter ended November 30, 2016 compared with the quarter ended August 31, 2016 were primarily due to the share-based payments of \$163,776 incurred in the quarter ended August 31, 2016. Overall expenses in the quarter ended November 30, 2016 increased due to the business development of \$64,505, consulting expenses of \$119,424, and office expenses of \$6,445.

Increased losses in the quarter ended August 31, 2016 compared with the quarter ended May 31, 2016 were primarily due to the share-based payments of \$163,776, consulting fees of \$73,921 and business development of \$17,701 incurred in the quarter ended August 31, 2016.

Increased losses in the quarter ended May 31, 2016 compared with the quarter ended February 29, 2016 were primarily due to the business development expenses of \$4,791, share-based payments of \$50,683, professional fees of \$21,303, and impairment on exploration and evaluation assets of \$26,500 incurred in the quarter ended May 31, 2016.

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Increased losses in the quarter ended February 29, 2016 compared with the quarter ended November 30, 2015 were primarily due to the business development of \$1,000, office services and miscellaneous of \$3,643, and professional fees of \$6,296 incurred in the quarter ended February 29, 2016. Overall, there was no significant change in net loss between the two quarters.

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.

**CAPITAL DISCLOSURE:**

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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.

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:**

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As at February 28, 2017, the Company had working capital deficiency of \$998,032 (May 31, 2016 - \$990,916), and cash of \$2,620 (May 31, 2016 - \$2,094). The Company anticipates that it will require significant funds from either equity or debt financing for property exploration and to support general administrative expenses.

*Transactions after the nine months ended February 28, 2017*

- i. On March 20, 2017, the Company closed a non-brokered private placement financing for total gross proceeds of \$548,437.

The Company issued 5,566,126 units (the "NFT Units") at a price of \$0.07 per NFT Unit and 1,764,534 flow-through units (the "FT Units") at the price of \$0.09 per FT Unit.

The NFT Units are comprised of one common share and one transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to eighteen months at a price of \$0.12. The FT Units are comprised of one common share and one half of one transferable share purchase warrant, with each whole warrant entitling the holder to purchase one additional nonflow through common share of the Company for a period of up to eighteen months at a price of \$0.15.

In addition, the Company has paid finder's fees of a total of \$9,580 and issued 50,000 finder's warrants to a registered dealer authorizing the holder to acquire one common share of the Company for a period of eighteen months at a price of \$0.12 and 72,000 finder's warrants to a registered dealer authorizing the holder to acquire one unit of the Company for a period of eighteen months at a price of \$0.12. The unit consists of one common share and one nontransferable share purchase warrant exercisable at a price of \$0.15 for eighteen months from issuance.

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On April 19, 2017, the Company amended the non-brokered private placement announced on March 20, 2017. The amendment increases the NFT Units from 5,566,126 units to 5,568,857 units. The NFT Units are comprised of one common share and one transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to eighteen months at a price of \$0.12.

- ii. On March 29, 2017, 195,500 agent warrants were exercised at a price of \$0.06 per unit for total proceeds of \$11,730. Each exercised agent warrant unit consists of one common share and one share purchase warrant exercisable at \$0.06 per share, expiring on August 29, 2017.

*Share Capital Transactions:*

During the nine months ended February 28, 2017:

- i. During the nine months ended February 28, 2017, the Company issued a total of 845,000 common shares, for gross proceeds of \$44,000, for options exercised.
- ii. On June 7, 2016 the Company issued 600,000 common shares valued at \$30,000 for the acquisition of exploration and evaluation assets.
- iii. On August 29, 2016, the Company closed the private placement previously announced April 20, 2016 and July 7, 2016. The Company issued 10,230,000 units for total gross proceeds of \$563,450. 5,035,000 units were issued as non-flow-through units at a price of \$0.05 per unit consisting of one common share and one whole warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.075 per share for 12 months from the date of closing. 5,195,000 units were issued as flow-through units at a price of \$0.06 per unit consisting of one common share and one-half of one whole warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.075 for non-flow-through share and \$0.08 for flow through share for 12 months from the date of closing.

In connection with the private placement, the Company paid a cash commission totaling \$20,970 and issued 196,000 Units to the brokers. Each Unit consists of one non-flow-through share and one purchase warrant. Each warrant is convertible into a common share of the Company at \$0.06 per share for 12 months from closing. Each unit consists of one share and one share purchase warrant exercisable at \$0.06 per share for 12 months from closing.

- iv. On October 14, 2016, the Company issued 500,000 common shares valued at \$45,000 for the acquisition of exploration and evaluation assets.
- v. During the nine months ended February 28, 2017, the Company issued a total of 1,025,000 common shares, for gross proceeds of \$51,250 for warrants exercised.
- vi. On December 30, 2016, the Company closed the first tranche of its financing previously announced October 25, 2016 and amended November 25, 2016. The Company closed on 2,710,000 non flow-through units at \$0.07 for gross proceeds of \$189,700. Each unit consists of one common share and one share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.12 for 18 months expiring June 29, 2018.

The Company also closed on 135,000 flow through units at \$0.09 for gross proceeds of \$12,150. Each unit consists of one common share and one half of one share purchase warrant. One whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.15 for 18 months expiring June 29, 2018.

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Shares, warrants and any shares issued upon exercise of the warrants are subject to a hold period of four months expiring April 30, 2017. The proceeds of the private placement will be used for general working capital and exploration of the Company's mineral properties.

- vii. On January 12, 2017, the Company issued 1,000,000 common shares valued at \$60,000 for the acquisition of exploration and evaluation assets.
- viii. On January 12, 2017, the Company issued 55,000 common shares valued at \$3,850 for the acquisition of exploration and evaluation assets.

During the year ended May 31, 2016:

- i. During the year ended May 31, 2016, the Company issued a total of 550,000 common shares, for gross proceeds of \$27,500, for options exercised.
- ii. On July 7, 2015, the Company issued 600,000 common shares valued at \$33,000 for the acquisition of exploration and evaluation assets.
- iii. On October 16, 2015, the Company issued 500,000 common shares valued at \$25,000 for the acquisition of exploration and evaluation assets.
- iv. On March 24, 2016, the Company issued 400,000 common shares valued at \$16,000 for the acquisition of exploration and evaluation assets.
- v. On April 25, 2016, the Company closed the private placement, previously announced February 11, 2016 and April 12, 2016. The Company issued 4,000,000 units at a price of \$0.02 per unit for total gross proceeds of \$80,000. Each unit consists of one common share and one transferable warrant, each warrant exercisable into one additional common share for a period of 18 months from the date of issue, at a price of \$0.05 per share. In connection with the placement, the Company paid a cash commission totaling \$800.
- vi. On April 20, 2016, the Company announced that it has arranged non-brokered private placements of up to 10,000,000 units for total proceeds of up to \$550,000. Up to 5,000,000 units will be issued as non flow-through units at a price of \$0.05 per unit consisting of one common share and one whole warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.075 per share for 12 months from the date of closing. Up to 5,000,000 units will be issued as flow-through units at a price of \$0.06 per unit consisting of one common share and one half of one whole warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.09 per share for 12 months from the date of closing. Finder's fees, as allowed pursuant to the policies of the TSX Venture Exchange, may be payable in connection with the offering. The Company intends to use the proceeds for initial exploration work on its Confederation Lake project (Dixie claims) and to investigate additional opportunities that will enhance shareholder value. As of May 31, 2016, the Company has received \$47,940 from investors.

*Stock options:*

During the nine months ended February 28, 2017:

- i. On July 6, 2016 the Company granted 300,000 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 184%, risk-free rate 0.52%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$17,321, which has been expensed with a corresponding credit to share-based payment reserve. During the nine months ended February 28, 2017, 150,000 share options were exercised for total proceeds of \$8,250.

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- ii. On July 28, 2016 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 184%, risk-free rate 0.62%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$20,211, which has been expensed with a corresponding credit to share-based payment reserve. During the nine months ended February 28, 2017, 100,000 share options were exercised for total proceeds of \$5,500.
- iii. On August 18, 2016 the Company granted 400,000 share options, which are exercisable for a period of five years, at a price of \$0.08 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 \$0.08, volatility 186%, risk-free rate 0.59%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$30,811, which has been expensed with a corresponding credit to share-based payment reserve.
- iv. On September 2, 2016 the Company granted 1,100,000 share options, which are exercisable for a period of five years, at a price of \$0.085 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 \$0.09, volatility 186%, risk-free rate 0.58%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$95,433, which has been expensed with a corresponding credit to share-based payment reserve.
- v. On December 13, 2016, the Company granted 200,000 share options, which are exercisable for a period of five years, at a price of \$0.07 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 \$0.08, volatility 242%, risk-free rate 1.11%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$15,902, which has been expensed with a corresponding credit to share-based payment reserve.
- vi. On January 12, 2017, 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 \$0.06, volatility 239%, risk-free rate 1.08%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$14,899, which has been expensed with a corresponding credit to share-based payment reserve. During the nine months ended February 28, 2017, 100,000 share options were exercised for total proceeds of \$5,000.
- vii. On February 22, 2017, the Company granted 100,000 share options, which are exercisable for a period of five years, at a price of \$0.08 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 \$0.08, volatility 239%, risk-free rate 1.16%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$7,941, which has been expensed with a corresponding credit to share-based payment reserve.
- viii. During the nine months ended February 28, 2017, 395,000 share options granted on April 20, 2016 were exercised at a price of \$0.05 per unit for total proceeds of \$19,750.

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- ix. During the nine months ended February 28, 2017, 100,000 share options granted on May 1, 2015 were exercised at a price of \$0.055 per unit for total proceeds of \$5,500.
- x. During the nine months ended February 28, 2017, 100,000 fully vested share options were cancelled unexercised, resulting in the transfer of \$5,957 from share-based payment reserve to deficit.

During the year ended May 31, 2016:

- 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 year ended May 31, 2016, 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 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. During the year ended May 31, 2016, all 250,000 share options were exercised for total proceeds of \$12,500.
- iii. On April 20, 2016 the Company granted 1,000,000 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 245%, 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 \$50,683, which has been expensed with a corresponding credit to share-based payment reserve.
- iv. During the year ended May 31, 2016, 150,000 share options granted on May 14, 2015 were exercised at a price of \$0.05 per unit for total proceeds of \$7,500.
- v. During the year ended May 31, 2016, 37,000 fully vested share options expired or were cancelled unexercised, resulting in the transfer of \$68,098 from share-based payment reserve to deficit.

*Warrants*

During the nine months ended February 28, 2017:

On August 19, 2016, the Company received approval from the TSX Venture Exchange to extend the expiry date of the warrants issued in connection with its February 24, 2015 private placement from August 24, 2016 to January 24, 2017. All other terms of the warrants remain the same, and the warrants can purchase 585,000 common shares at a price of \$0.10 per share.

On August 29, 2016, the Company granted 7,632,500 warrants to its investors for the private placement closed on August 29, 2016.

The Company also granted 195,500 warrants to the agents involved in the Company's private placement. The warrants are exercisable for a one-year period, at a price of \$0.06 per share. The warrants have an estimated fair value of

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\$12,498, which has been included in warrant reserve. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 1 year, volatility 182%, risk-free rate 0.57%, dividend yield 0%.

On December 29, 2016, the Company granted 2,777,500 warrants to its investors for the private placement closed on December 29, 2016.

During the nine months ended February 28, 2017, 1,025,000 warrants were exercised at a price of \$0.05 per unit for total proceeds of \$51,250.

During the year ended May 31, 2016:

On April 25, 2016, the Company granted 4,000,000 warrants to its investors for the private placement closed on April 25, 2016.

As of the date of this report, the Company has outstanding common shares of 37,546,917, share options of 3,515,000 and warrants of 20,150,893.

For the nine months ended February 28, 2017, the Company experienced a net increase in its cash position by \$526 (February 29, 2016 –\$9,447). At February 28, 2017, the Company had working capital deficiency of \$998,032 (May 31, 2016 - \$990,916). Significant cash inflows consisted of funds provided by financing activities totaling \$748,903 (February 29, 2016 – \$101,100). Significant cash outflows consisted of the cash used in operating activities of \$570,516 (February 29, 2016 – \$91,563) and the cash used in investing activities of \$177,861 (February 29, 2016 - \$Nil).

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:**

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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:**

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

Due to related parties:

	February 28, 2017	May 31, 2016
	- \$ -	- \$ -
Amount due to companies with directors in common	68,884	84,344
	68,884	84,344

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Key management personal compensation

For the nine months ended February 28, 2017 and 2016, the Company incurred the following amounts through transactions with a director:

	February 28, 2017	February 29, 2016
	- \$ -	- \$ -
Management fees	18,000	33,750
Share-based payment	36,588	-
	54,588	33,750

Share-based payment consisted of the following:

	February 28, 2017	
	Number of options	Share-based payment
		- \$ -
CFO	400,000	27,928
Director	150,000	8,660
	550,000	36,588

During the nine months ended February 28, 2017, \$18,000 (2016 – \$33,750) management fees were accrued and partially paid to the CFO of the Company.

During the year ended May 31, 2016, the Company wrote off a receivable of \$38,525 due from an officer 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:**

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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.

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

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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 February 28, 2017 and May 31, 2016, the Company’s financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
February 28, 2017				
Cash	2,620	-	-	2,620
Total	2,620	-	-	2,620
May 31, 2016				
Cash	2,094	-	-	2,094
Total	2,094	-	-	2,094

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.

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**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 February 28, 2017, the Company accrued \$79,506 in connection with the outstanding amounts. In the Company’s opinion, it will not be liable for the other related companies portion of the amount claimed.

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**PROPOSED TRANSACTIONS**

The Company has no proposed transactions.

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**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 is discussed below:

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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.

New Accounting Standards, Amendments and Interpretations Not Yet Effective

Effective June 1, 2015, the Company adopted the following new accounting standards and interpretations. The Company determined that the adoption of these standards and interpretations did not result in any material changes in the financial statements.

**IAS 32 *Financial Instruments: Presentation*** - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

**IAS 36 *Impairment of Assets*** - In May 2013, the IASB, as a consequential amendment to IFRS 13 *Fair Value Measurement*, modified some of the disclosure requirements in IAS 36 regarding measurement of the recoverable amount of impaired assets. The amendments resulted from the IASB's decision in December 2010 to require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal.

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**IAS 39 *Financial Instruments: Recognition and Measurement*** - In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

**IFRIC 21 *Levies*** - IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The adoption of the above standards did not have a material impact on the Company's financial statements.

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following standard will be effective for annual periods beginning on or after June 1, 2016:

**IAS 16 *Property, Plant and Equipment* and IAS 36 *Intangible Assets*** - In May 2014, the IASB issued an amendment to IAS 16 and IAS 36. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standard will be effective for annual periods beginning on or after June 1, 2018:

**IFRS 9 *Financial Instruments*** - In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedge requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

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 audited financial statements for the year ended May 31, 2016 that are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

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Detailed listing of exploration expenditures and a breakdown of general and administrative expenses are provided in the financial statements for the nine months ended February 28, 2017.

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**OTHER MATTERS**

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**Commitments:**

Flow-through shares issuance and obligation:

The Company entered into Flow-through Share Subscription Agreements in the calendar year ended December 31, 2016 whereby it committed to incur on or before December 31, 2017 a total of \$323,850 of qualifying Canadian Exploration Expenses (“CEE”) as described in the Income Tax Act of Canada.

During the nine months ended February 28, 2017, the Company entered into Flow-through Share Subscription Agreements whereby it committed to incur on or before December 31, 2018 a total of \$158,808 of qualifying CEE.

As of this report, the Company has incurred a total of \$243,075 CEE, and had unfulfilled CEE obligations of \$80,775 and \$158,808 that need to be expensed by December 31, 2017 and 2018, respectively, to avoid any taxes and penalties.

Flow-through shares tax liabilities

The Company entered into Flow-through Share Subscription Agreements in the calendar year ended December 31, 2010 whereby it was committed to incur on or before December 31, 2011 a total of \$1,154,819 of qualifying Canadian Exploration Expenses (“CEE”) as described in the Income Tax Act of Canada.

As at February 28, 2017, 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 \$130,000 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.

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 February 28, 2017, 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 \$134,100 has been accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount actual claims and penalties, if any, is contingent on future assessments of CRA.

**MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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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.

**PISTOL BAY MINING INC.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
NINE MONTHS ENDED FEBRUARY 28, 2017

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**RISKS**

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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, which 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 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.

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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.

## **DIRECTORS**

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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**

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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**

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Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), on the Company's website at [www.pistolbaymininginc.com](http://www.pistolbaymininginc.com), or by requesting further information from the Company's head office in Vancouver BC Canada.

Pistol Bay Mining Inc.

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