

**MILL BAY VENTURES INC.**  
**Form 51-102F1**  
**Management's Discussion & Analysis**  
**For the Three Months Ended July 31, 2011**

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The following discussion and analysis of the operations, results, and financial position of Mill Bay Ventures Inc. (the "Company" or "Mill Bay") should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended July 31, 2011 and the audited financial statements for the year ended April 30, 2011 and the notes thereto.

This Management Discussion and Analysis ("MD&A") is dated October 25, 2011 and discloses specified information up to that date. Mill Bay is classified as a "venture issuer" for the purposes of National Instrument 51-102. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and unless otherwise cited, references to dollar amounts are Canadian dollars. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's 2011 comparatives in this MD&A have been presented in accordance with IFRS. Unless otherwise cited, references to dollar amounts are Canadian Dollars.

**We recommend that the readers consult the "Cautionary Statement" on the last page of this report.**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

This MD&A is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of October 25, 2011. Except for historical information or statements of fact relating to the Company, this document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

### **Business Overview**

The Company was incorporated under the laws of the Province of British Columbia. Its principal business comprises the exploration for and development of mineral properties. The Company is in the exploration stage. The financial statements for which this MD&A relates have been prepared on a going concern basis, which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company has working capital of \$89,049 at July 31, 2011 and has accumulated losses of \$9,639,219 since incorporation. The Company's ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in future.

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**Overall Performance**

***E&E Group and DH Group***

During 2006, the Company, through its wholly owned subsidiary, Golden Reef granted a ten year mining lease to Vasquir Mines Inc., a subsidiary of CMQ Resources Inc. ("CMQ") of the E&E Group and the DH Group, consisting of 54 unpatented mining claims, all located in Eureka County, Nevada, subject to 3% net smelter return, in consideration of minimum advance lease payments (in US dollars), CMQ shares and minimum work commitments. The common stock will be made in the form of CMQ shares valued at the fair market price of the shares at the time received.

The Company received the first three advanced lease payments of US\$35,000, US\$40,000, and US\$50,000 respectively and 300,000 CMQ common shares<sup>1</sup>. During the fiscal year of 2009, the Company received a notice of termination of the mining lease from Vasquir. The termination is effective June 30, 2008.

***Golden Repeat Claims***

In July 2007, the Company and its wholly owned subsidiary, Golden Reef Mining Co, Inc. entered into a letter of intent with Meridian Minerals Corp. ("Meridian"), a subsidiary of Meridian Gold Inc., for the exploration and earn-in of the Golden Repeat Claims substantially on the basis of the following terms and conditions:

- Within 180 days of acceptance of the letter of intent, the Company and Meridian are to subscribe to an Exploration and Earn-In Agreement in consideration of the following minimum payments and exploration expenditures.
- Within 90 days after the completion of the payments and expenditures, Meridian would have earned a 51% interest in the Golden Repeat Claims and the Company and Meridian will enter into a formal joint venture.
- Meridian will have the option to increase its interest in the joint venture from 51% to 70% by paying US\$2,000,000 to the Company within 90 days of the formation of the joint venture.
- Upon commencement of commercial production of the Golden Repeat Claims, the Company shall be entitled to receive from Meridian, a Net Smelter Return Royalty ("NSR") between 2-4% depending on the price of gold. The Company shall also be entitled to receive from Meridian since the 1<sup>st</sup> Anniversary of the formation of the Joint Venture a yearly advance NSR cash payment of US\$100,000 ("Advance NSR"). The Advance NSR will be increased yearly by US\$100,000 to a maximum of US\$300,000. Advance NSR will be credited and deducted for any NSR payable to the Company starting commercial production of the Golden Repeat Claims.

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<sup>1</sup> Pursuant to a special resolution passed by CMQ shareholders, on August 13, 2008 CMQ consolidated its share capital on a 10:1 basis; therefore the Company currently holds 30,000 common shares post-consolidation.

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In December 2007, Yamana Gold Inc. ("Yamana") announced that the shareholders of Meridian Gold Inc. had approved the completion of the plan arrangement under which Yamana acquired the remaining of the common shares outstanding of Meridian Gold Inc. Through this transaction, Meridian Gold Inc. became a wholly-owned subsidiary of Yamana. Further, this transaction did not change the terms of the letter of intent between the Company, Golden Reef and Meridian, which remains in good standing. Meridian has requested a termination of the letter of intent. The Company did not approve such termination as Meridian still owes the Company \$100,000 in cash payment and \$200,000 in work commitment.

On December 10, 2010, the Company announced that it had executed a Letter of Intent with Dynasty Gold Corp. ("Dynasty") to enter into an option agreement whereby Dynasty will earn a 51% interest in the claims for the following consideration:

- Pay \$50,000 in cash, issue 500,000 shares of its common stock on signing of the Option Agreement, and incur an aggregate \$200,000 in exploration expenditures on the claims in year one of the Option.
- Pay \$75,000, issue 500,000 shares of its common stock and incur an aggregate \$300,000 in exploration expenditures on the claims in year two of the Option.
- Pay \$100,000, issue 500,000 shares of its common stock, and incur an aggregate \$400,000 in exploration expenditures on the claims in year three of the Option.
- Pay \$250,000, issue 1,000,000 shares of its common stock, and incur an aggregate \$600,000 in exploration expenditures on the claims in year four of the Option.

Dynasty can earn up to 70% interest in the claims by paying \$2,000,000 after it has earned its initial 51% in the Claims. The Company will retain a 3% NSR. As of the date of this MD&A, Dynasty has issued 500,000 shares of its common stock and paid \$50,000 pursuant to the terms of the Option.

### ***Ivanpah Property***

During 2007, the Company entered into an agreement with a related party to acquire 16 placer mining claims located in Clark County, Nevada, known as the Ivanpah Property, covering up to 640 acres, more or less, for consideration of the issuance of 2,200,000 common shares (pre-share consolidation) of the Company and US\$128,000. The transaction was accepted by the TSX Venture Exchange during the period ended January 31, 2007. The Company filed a NI 43-101 compliant technical report dated October 4, 2006 on behalf of the Ivanpah Property on SEDAR. The report was prepared by Frederick C. Johnson, P. Geo., who is the qualified person for the project. The related party vendors of the Ivanpah Property are Boss Sand & Rock, Inc. and Lee Canyon Mining Company, LLC. Dale Andersen, a director of the Company, is also a principal shareholder and director of the vendors. The shares were issued to the related party vendors for the acquisition is subject to escrow restrictions as required by the TSX Venture Exchange, and released in instalments over the next 6 years.

The Ivanpah Property has a potential inferred mineral deposit of sand and gravel, estimated to be approximately 77.4 million cubic yards. This estimate is based upon the existence of a broad alluvial drainage with surface exposures of more than 15 feet deep, two closely spaced drill holes show 150 to 200 feet of gravel depth, the existence of an operating sand and gravel quarry adjacent to the Ivanpah Property with the same drainages, and surface sampling indicate good quality gravel. Accordingly, the estimate is only conceptual in nature. There has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being delineated as a mineral reserve. Interested persons are referred to the complete text of the technical report for further information.

The Company has applied for a water permit and is waiting on approval from the State of Nevada's Division of Water Resources. The Company must also apply for and obtain a sand and gravel extraction

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permit from the Bureau of Land Management ("BLM"), who has the authority to sell or dispose of the sand and gravel for a royalty (usually US \$1.00 per cu. yard), in order to commence any commercial sand and gravel mining operations on the Ivanpah Property. In the United States, the holder of mining claims can apply to the BLM for permission to purchase and dispose of the sand and gravel on such claims, provided that the applicant submits a report from a geologist or mining engineer that describes the proposed disposal and its location, and sets out a preliminary draft mining plan, and the claim holder waives any interference with its work on any other potential mineralization on the claims. The Company has requested a sand and gravel purchase from the BLM for two of the claims comprising the Ivanpah Property, and is prepared to waive this area for sand and gravel mining.

During the year 2010, the Company wrote down the value of the Ivanpah Claims in the amount of \$539,790, leaving a nominal value of \$1. The Company will keep all claims in good standing however no exploration is currently planned at this time.

***BRX Claims***

During 2005, the Company exercised its option to acquire the 50% joint venture interest in the BRX claims, by issuing 300,000 common shares (pre-share consolidation) and incurring total exploration expenditures of \$300,000. Under the joint venture agreement with Levon Resources Ltd. ("Levon"), each of the participants is required to fund their proportionate share of further exploration expenditures, failing of which will dilute their interest. On dilution to 10%, the non-contributor's interest will convert to a 10% net profits royalty interest.

During 2008 and 2007, the Company incurred \$25,016 and \$67,198 respectively, of deferred exploration expenditures on the BRX claims, which were not proportionately funded by Levon. However, the Company waived the requirement of proportionate funding by Levon on these specific expenditures; notwithstanding this waiver, the terms of the Joint Venture Agreement were ratified by the Company and Levon to remain in effect. During the year, the Company wrote down the value of the BRX claims in the amount of \$565,735, leaving a nominal value of \$1. The Company will keep all claims in good standing, however; no exploration is currently planned at this time.

***AC Claims***

The AC claims cover about two square miles at the Northwest extension of the Cortez trend along the west range front of the Shoshone mountain range in Lander County, Nevada. The property is on the highway 40 kilometres south of Battle Mountain.

In June 2007, the Company entered into an option agreement to acquire 119 mining claims located in Lander County, Nevada, known as the AC Gold Property, covering up to about 2 square miles, more or less, in consideration of paying US\$1,500,000 in instalments to the option or and incurring US\$1,500,000 in exploration work on the property over the next 15 years. In addition, the Company granted to the optionor a 3% net smelter returns royalty, of which the Company has the option to buy-down one-third (i.e. 1%) at any time for the payment of US\$1,000,000, and issued finder's fees of 100,000 common shares (pre-share consolidation) to an arm's length finder on August 20, 2007.

As of the date of this MD&A, the Company has completed the gravity survey on its AC gold project by Magee Geophysical Services. On-site geologic mapping and sampling of exposed bedrocks, Geo chemical test and Bio chemical test were also completed. Based on these studies, the Geologists are recommending that we initiate drilling. The Company is currently considering initiating a drilling program.

On June 24, 2009, the Company entered into a First Amending Agreement to amend the Option Agreement dated June 21, 2007 (the "Option Agreement"). The amendments include the abandonment of 8 claims, reducing the original 119 claims to 111 claims located in Lander County, Nevada, known as

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the AC Gold Property, the deletion of the Net Smelter Return Royalty in its entirety from the Option Agreement, the reduction of the Advance Minimum Royalty Payment from US\$1,500,000 to US\$1,300,000, the reduction of the expenditure commitments from US\$1,500,000 to US\$10,000 (spent), all in consideration for issuing 1,500,000 common shares (pre-share consolidation) of the Company in three annual installments. The first installment of 500,000 common shares was issued in August 2009. The second installment of 500,000 common shares was issued in March 2011.

Any work on the property is at the discretion of the Company.

The Company announced on June 9, 2011 that it had completed a CSAMT survey on the AC claims and that data reviewed from the survey would be utilized to plan a diamond drilling program. On July 21, 2011, the Company announced that it had contracted a soil sample survey on structures defined by the CSAMT survey.

On September 26, 2011, the Company reported that, following the CSMT and soil sample surveys, it had located mercury soil-gas and geophysical anomalies on the claims, indicating possible ore bodies present.

### ***Valentine Mountain***

Located on southern Vancouver Island, British Columbia, the Valentine Mountain project hosts the Valentine Mountain (including the Discovery Zone C Vein) gold quartz vein developed prospect (British Columbia MINFILE 092B108). The Valentine Mountain project also hosts the BPEX (Braitach Zone) gold quartz vein showing (British Columbia MINFILE 092B 075), located 4 kilometers west of the Discovery Zone, and several other exploration targets along an east-west "gold corridor". *For further information please refer to the Company's "Summary Report on the Valentine Mountain Project" by Jacques Houle, P.Eng. on SEDAR at [www.sedar.com](http://www.sedar.com).*

On February 11, 2010, the Company announced highlights of geochemical analysis performed on samples from its December 2009 drill program. Values greater 0.5g/t Au were reported from drill holes 2, 3 and 5 from the "Log Dam" zone and the "Discovery North" zone. The Log Dam zone is a 300 x 25 m area with anomalous Au and As in soil, and is located 22 m north and 18 m east of drill hole 2 and 89 m north and 169 m east of drill hold 3. The Discovery North zone is a gold-bearing mineral zone hosting quartz-carbonate fissure veining similar to the Discovery Zone 'D' vein structure, located approximately 100 m south of the Discovery North Zone.

On June 17, 2010, the Company announced that it had executed a Letter of Intent (the "LOI") with NT Mining Corporation ("NTMG") to enter into an option agreement on the property. In order to complete earn-in on the option, NTMG would be required to pay to the Company a total of US\$725,000, issue an aggregate 6,500,000 of its common stock and incur an aggregate \$1,500,000 in exploration expenditures over a three-year period. NTMG did not meet the terms of the Option and the Company terminated the option agreement.

On October 25, 2010, the Company announced it had commenced an exploratory drill program on the property. The planned program consisted on nine holes totalling approximately 1,700m focused within a 150m by 150m area, and testing up to a depth of up to 250m from surface. Results from the 2010 drill program would be added to the Company's G.I.S. database on the property which consists of historical and other work conducted on the property. On November 24, 2010, the Company announced it had completed all planned drill holes totalling 1,624m and a tenth and final drill hole was underway.

On December 8, 2010, the Company announced that all drilling had been completed on the property, consisting of ten holes totalling 1,775 m reaching target depths in the Discovery Zone. In addition, trenches in the zone were partially re-excavated prior to the onset of winter conditions on the property, with plans to resume re-mapping and re-sampling of the trenches pending completion and re-excavation

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of the trenches planned for spring 2011. Initial geochemistry results from drill core samples are pending.

On January 12, 2011, the Company provided an exploration program update in which it provided initial geochemistry results on 6 of the ten holes drilled. The Company reported results ranging from 1.39 g/t AU over 0.46m to 3.72 g/t AU over 2.13 m.

On January 18, 2011, the Company reported further results from the exploration program. The Company reported that eight core samples in seven of the ten holes drilled yielded significant intercepts with Au values exceeding 1 g/t. Following re-assay of re-sampled core intervals as well as original assay results, the Company reported results ranging from 1.39 g/t AU over 0.46m to 1.89 g/t Au over 2.13m.

On February 16, 2011, the Company announced that it had completed a geochemical sampling program from soil and rock chip samples taken on the Property. Results of geochemical analysis will be used to geochemically map historical zones with respect to drill targets and a drill program planned in order to follow up on gold-bearing sample results.

On February 24, 2011, the Company provided results from the geochemical survey on the Property. The Company reported that results indicated the presence of anomalous gold bearing mineral zones in the historical BN zone. Several targets are planned for drilling on the Discovery and BN Zones.

On March 23, 2011, the Company announced plans to undertake a 4,500 ft (1,372 m) diamond drill program on the gold-bearing mineralized structures on the BN and Discovery Zones as a follow-up to its 2010 exploration program on the Property.

On April 19, 2011, the Company announced that it had updated the mineral resource estimate on the Property to 55,105 tonnes at 9.3 to 16.3 g/t gold indicated in two veins and filed a new report in accordance with NI 43-101.

On May 3, 2011, the Company announced that it had completed 1,464 meters of diamond drilling on the Property and had carried out a rock chip sampling survey. On July 19, 2011, the Company announced that results from the drilling averaged 1.22 g/t gold over 1.31 meters.

On August 18, 2011, the Company announced that it was planning a program of trenching, excavating and milling 3,000 tonnes of quartz-sulphide vein material on the Property in order to determine and optimize parameters for possible future underground mining and mineral processing operations to recover gold from ore veins.

On October 12, 2011, the Company announced that it would commence deep drilling on the Valentine Mountain Discovery Zone. The objective of the deep drilling is to expand the present inferred resource totals for the Discovery Zone.

### ***Saskatchewan Coal Lease Applications***

Due to recent coal discoveries in Saskatchewan and the possibility that the coal may cover a large region, the Company was encouraged to secure coal lease applications encompassing approximately 36,864 hectares/91,090 acres west of Hudson Bay, Saskatchewan. The granting of the coal permits is at the discretion of the Saskatchewan Government based on the priority of applications, and there is no assurance that the coal permits applied for will be granted.

However, on July 4, 2008, the Company received a priority comfort letter from the Ministry of Energy and Resources of Saskatchewan with regards to two of the four township applications made by third parties on behalf of the Company encompassing a total of 18,432 hectares/45,545 acres. The standard issue comfort letters stated that the extent to which the land described in the applications can be issued has not

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been investigated the letter should not be construed as an indication that any land will be issued, as full review is still to be completed.

Further, on July 7, 2008 the Company announced the filing of coal applications encompassing an additional 9,216 hectares/33,772 acres. In the event the applications are successful, the Company plans to diligently explore the acreage.

In July 2009 the Company received approval for Coal Disposition Applications (Dated July 7, 2008) for ground that adjoins two historic coal intercepts first reported January, 1961. The Report identified as, "Silica Sand and Coal Occurrence's on Wapawekka Lake" was written by W. D Pearson for the Department of Mineral Resource Mine Branch Geology Division, Province of Saskatchewan. This report identified the locations of two coal intercepts of 30 feet and 14 feet with no coal rank given. Mill Bay has received approval for the coal exploration applications for 41,024 hectares (101,372.51 acres) of Coal Dispositions adjoining these two intercepts.

### **Results of Operations**

#### ***Three months ended July 31, 2011 compared with the three months ended July 31, 2010***

##### *General and administrative expenses*

General and administrative expenses totalled \$89,921 for the three months ended July 31, 2011 compared with \$76,379 for the three months ended July 31, 2010, an increase of \$13,542. There were increases of \$94 in amortization, \$11,895 in general exploration expenditures, \$9,880 in investor relations and shareholder information, \$360 in management fees and \$8,602 in office and administrative services and supplies. The higher expenses in administrative and office services were attributable to the annual property holding fees for Golden Repeat Claims and JDN Claims which were charged to operations after these properties have been written down to nominal value. Higher office and administrative services and supplies, which includes rent, relate to costs associated with new office premises. Increases to investor relations and shareholder information are attributable mainly to website updating. These increases were offset by decreases in consulting fees of \$6,000, legal fees of \$348, listing and filing fees of \$4,882, transfer agency fees of \$4,315 and travel and accommodation of \$1,744. Consulting fees have decreased over prior quarters as certain fees are being capitalized and recorded under Valentine property because the consultant worked primarily for the exploration project of this property. The reduction in transfer agency and listing and filing fees are due primarily to reduced costs in the current year over prior year attributable to costs relating to a special shareholder's meeting and subsequent consolidation of the Company shares.

##### *Loss for the period*

The loss for the three months ended July 31, 2011 was \$101,051 as compared to a loss of \$62,572 for the three months ended July 31, 2010, an increase of \$38,479. In addition to the increases discussed above relating the general and administrative costs, the variance is primarily attributable to no amounts recorded for other income arising from the sale of marketable securities.

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**Summary of Quarterly Results**

Period ended	2011 July 31	2011 Apr. 30	2011 Jan. 31	2010 Oct. 31	2010 July 31	2010 Apr. 30	2010 Jan. 31	2009 Oct. 31
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Loss for the period	\$101,051	\$328,197	\$70,034	\$96,266	\$53,872	\$623,685	\$19,678	\$76,536
Loss per share	0.01	0.03	0.01	0.01	0.01	0.10	0.00	0.01
Assets	\$1,703,172	1,792,551	2,283,000	1,729,050	1,370,192	1,468,667	2,036,907	1,941,449

During those quarters when the company has more cash on hand, an increase in expenditures for exploration on current and potential mineral properties and promotional efforts are typically incurred. This results in higher general and administrative expenses for those periods and ultimately the higher losses for each period. During the fourth quarter of the last three years, the Company has written down the deferred value of three of their properties. The gain realized from the sale of securities helped bring down the loss in the first quarter ended July 31, 2010. Option payments received during the year helped offset the loss in the quarter ended April 30, 2011. The rise in assets was resulting from a private placement closed in the current quarter.

**Liquidity and capital resources**

As at July 31, 2011, the Company had cash of \$130,832 and working capital of \$89,049. In prior years, the Company's main source of revenue, excluding interest income, has been lease revenue it received on an annual basis based on agreements with CMQ on the E&E claims. The Company received three scheduled payments of US\$35,000, US\$40,000, and US\$50,000 and 300,000 common shares of CMQ with an estimated market value of \$4,200 in the year ended April 30, 2011. The Company also received one payment of \$50,000 and 500,000 common shares of Dynasty Gold with an estimated market value of \$45,000 pursuant to an option agreement on the Golden Repeat Claims.

On October 5, 2011, the Company closed a private placement originally announced on June 22, 2011 and subsequently amended August 15, 2011. The Company placed 8,000,000 units at a price of \$0.10 per unit for gross proceeds totaling \$800,000. Each unit consists of one common share and one common share purchase warrant. Each warrant will be exercisable at \$0.15 for six months from the date of issuance, at \$0.25 in months seven through twelve from the date of issuance, and at \$0.50 in months thirteen through twenty-four from the date of issuance.

The Company is in the exploration stage. The investment in and expenditures on the mineral property comprise substantially all of the Company's assets. The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's ability to continue as a going concern is dependent upon the continued support from its directors, the discovery of economically recoverable reserves, and the ability of the Company to obtain the financing necessary to complete development and achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time.

Mineral exploration and development is capital extensive, and in order to maintain its interest the Company will likely be required to raise new equity capital in the future. There is no assurance that the Company will be successful in raising additional new equity capital.

**Off-balance sheet arrangements**

The Company has no off-balance sheet arrangements.



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**Related Party Transactions**

**a) *Management transactions***

**For the three months ended July 31, 2011**

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the three months ended July 31, 2011 and 2010 are as follows:

	2011	2010
Salaries and benefits	\$ 27,000	\$ 33,000
Stock-based compensation	-	-
	\$ 27,000	\$ 33,000

**b) *Other related party transactions***

\$21,892 (2010 - \$5,164) was charged for office, occupancy and miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva International Services Corp. ("Oniva"). Further, in the period the Company paid \$613 of administrative fees (2010 - \$129) to this related company.

The Company takes part in a cost-sharing arrangement to reimburse Oniva for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage based fee on the total overhead and corporate expenses. The arrangement may be terminated with one month notice by either party.

**c) *Due to related parties***

There was \$5,533 (\$2010 - \$5,816) due to Oniva. The Company receives rent, office and administrative supplies and services from Oniva, a private company related by common management. There was \$23,086 (\$2010 - \$10,329) due to directors and officers of the Company. The amounts due to related parties are non-interest bearing, unsecured and due on demand.

During the year ended April 30, 2011, \$90,000 was paid to the President for services as director and officer of the Company. \$17,000 and \$21,840 were paid to the Secretary and the Chief Financial Officer, respectively, for services as officers of the Company.

**Transition to International Financial Reporting Standards**

On January 1, 2011, the Canadian Accounting Standards Board ("AcSB") replaced Canadian GAAP with International Financial Reporting Standards ("IFRS") for publicly accountable enterprises, with a transition date of January 1, 2010. IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB") and are comprised of IFRSs, International Accounting Standards ("IAS"s) and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"s).

The Company has prepared its July 31, 2011 interim consolidated financial statements in accordance with IFRS, with an effective transition date of January 1, 2010, including IFRS 1 "First-time adoption of international financial reporting standards" and IAS 34, "Interim financial reporting".

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The Company's IFRS accounting policies are disclosed in Note 3 to the condensed interim consolidated financial statements. Reconciliations between the Company's financial statements as previously reported under Canadian GAAP and current reporting under IFRS is detailed in Note 13 of the condensed interim consolidated financial statements. Following is a summary of the differences between Canadian GAAP and IFRS.

IFRS permits a transfer of reserves arising from share-based transactions, within equity. At May 1, 2010, \$66,900 of total reserves related to options no longer outstanding and was therefore transferred to Deficit, in order that the balance of "Reserves for Options" reflected only the fair value of options outstanding on that date. During the year ended April 30, 2011, some options outstanding May 1, 2010 were expired, and therefore a further transfer of the adjusted fair value attributed to these expired options and warrants of \$267,600 was made to Deficit.

The IASB continues to amend and add to its current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's first IFRS consolidated financial statements for the year ended April 30, 2011 may differ from the significant accounting policies used in the preparation of the Company's interim consolidated financial statements as at and for the three months ended July 31, 2011.

### **Critical Accounting Estimates**

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses for the year's reported. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in operations in the period they become known.

### **Financial Instruments**

The Company's financial instruments include cash, interest receivable, reclamation bond, accounts payable and accrued liabilities and amounts due to related parties. The carrying values of these financial instruments approximate their fair values due to their short term nature. The Company is not exposed to significant interest, credit or currency risk arising from these financial instruments.

### **Risks**

Mineral exploration and development involve a high degree of risk and few properties are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable.

### **Outstanding Share Data**

The Company's authorized share capital consists of unlimited common shares without par value.

As at July 31, 2011 there were 12,196,239 common shares outstanding and as at October 25, 2011 there were 20,246,539 common shares outstanding.

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As at July 31, 2011 there were 57,500 stock options outstanding and as at October 25, 2011 there were 1,797,500 stock options outstanding.

As at July 31, 2011 there were 6,009,366 share purchase warrants outstanding and as at October 25, 2011 there were 14,009,366 share purchase warrants outstanding.

**Disclosure Controls and Procedures**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for evaluating the effectiveness of the Company's disclosure controls and procedures and have concluded, based on our evaluation, that they are effective as at July 31, 2011 to ensure that information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified in those rules and regulations.

**Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company assessed the design of the internal controls over financial reporting as at July 31, 2011 and concluded that there are material weaknesses in internal controls over financial reporting, which are as follows:

- a) Due to the limited number of staff resources, the Company believes there are instances where a lack of segregation of duties exist to provide effective controls; and
- b) Due to the limited number of staff resources, the Company may not have the necessary in-house knowledge to address complex accounting and tax issues that may arise.

The weaknesses and their related risks are not uncommon in a company the size of the Company because of limitations in size and number of staff. The Company believes it has taken steps to mitigate these risks by consulting outside advisors and involving the Audit Committee and Board of Directors in reviews and consultations where necessary. However, these weaknesses in internal controls over financial reporting could result in a more than remote likelihood that a material misstatement would not be prevented or detected. The Company believes that it must continue to take steps to further mitigate these risks by consulting outside advisors on a regular and timely basis.

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended July 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**MILL BAY VENTURES INC.**  
**Form 51-102F1**  
**Management's Discussion & Analysis**  
**For the Three Months Ended July 31, 2011**

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**Cautionary Statement**

This MD&A is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of October 25, 2011. Except for historical information or statements of fact relating to the Company, this document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.