## MILL BAY VENTURES INC.
## Form 51-102F1
## Management's Discussion & Analysis
## For the Six Months Ended October 31, 2012

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 six months ended October 31, 2012 and the audited financial statements for the year ended April 30, 2012 and the notes thereto.

This Management Discussion and Analysis ("MD&A") is dated December 27, 2012 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.

### 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 December 27, 2012. 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 $229,397 at October 31, 2012 and has accumulated losses of $10,510,957 since incorporation. The Company's ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in future.

## Description of Properties

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

The Company has a 100% interest in 26 mining claims in Eureka County, Nevada, USA.

### *Golden Repeat Claims*

The Company has a 100% interest in 49 mining claims in Elko County, Nevada, USA.

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 (received), issue 500,000 shares of its common stock (received) 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.

During the year ended April 30, 3012, the Company signed an amending agreement providing for a reduction in the option payment in year two of the Option from $75,000 to $50,000 and a reduction in required exploration expenditures on the property from $300,000 to $100,000

### *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 issuant of 220,000 common shares (issued) of the Company and US$128,000 (paid).

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*

The Company holds a 50% joint venture interest in 77 reverted Crown granted claims and 4 modified grid claims in the Lillooet Mining Division, British Columbia; the other 50% joint venture interest is held by Levon Resources Ltd. ("Levon"). Under the joint venture agreement with 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 the year fiscal year of 2010, 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***

During the fiscal year of 2008, the Company entered into an option agreement to acquire 119 mining claims located in Lander County, Nevada, known as the AC Gold Property. 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. Under the terms of the option, the Company agreed to pay cash consideration of 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 10,000 common shares to an arm's length finder on August 20, 2007.

During fiscal 2010, the Company signed an amending agreement whereby 8 claims were abandoned, reducing the original 119 claims to 111 claims, the advance minimum royalty payments were reduced from US$1,500,000 to US$1,300,000, the expenditure commitments were reduced from US$1,500,000 to US$10,000 (spent) and the 3% net smelter returns royalty was removed, all in consideration for issuing 150,000 common shares of the Company in three annual instalments (paid). The 150,000 common shares were issued at 50,000 common shares each during the fiscal years of 2010, 2011 and 2012.

As of the date of this MD&A, the Company has completed a gravity survey on the property. On-site geologic mapping and sampling of exposed bedrocks, geochemical test and biohemical test were also completed. The Company also completed a CSAMT survey and follow-up two mercury soil-gas surveys, which indicated the presence of ore bodies. Several drill targets have been identified as a result of the survey programs.

***Valentine Mountain***

During the fiscal year of 2008, the Company acquired 25 mineral claims on Valentine Mountain, located on southern Vancouver Island, British Columbia, approximately 45 kilometres west of Victoria, BC, by a combination of paying acquisition costs of $18,000 cash, issuing 300,000 common shares of the Company and through staking. One of the claims is subject to a 5% NSR, which may be purchased by paying $1,000,000. 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 (Braiteach 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.*

During the fiscal year of 2009, the Company purchased 5 more claims on Valentine Mountain for total consideration of $15,000 in cash and 50,000 common shares of the Company.

As of the date of this MD&A, the Company has completed approximately 4,489 of diamond drilling on the claims, as well as surface geochemical sampling programs. In the fiscal year of 2011, the Company 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.

## Results of Operations

***Three months ended October 31, 2012 compared with the three months ended October 31, 2011***

| Results of Operations | 3 Months Ended October 31, 2012 | 3 Months Ended October 31, 2011 |
|---|---|---|
| Net and comprehensive Income (Loss) | $ (69,304) | $ (163,721) |
| Income/(Loss) per weighted average share | $ - | $ - |

During the three months ended October 31, 2012, the Company incurred a loss of $69,304 compared to a loss of $163,721 for the three months ended October 31, 2011. For the three month period ended October 31, 2012, the Company's cash and cash equivalent position decreased to $173,974 from $297,423 at July 31, 2012. Cash was used to fund general corporate expenses.

### Financing

During the three months ended October 31, 2012, the Company did not undertake any financing activities.

#### Corporate Expenses

The Company's policy is to capitalize exploration and evaluation expenditures until a property becomes a producing mine or circumstances lead the Company to conclude that there has been an impairment in value. Accordingly, the results of operations reflect the Company's corporate expenses that are not capitalized to exploration and evaluation projects.

The following summarizes the major components of corporate expenses:

| Expenses | 3 Months Ended October 31, 2012 | 3 Months Ended October 31, 2011 |
|---|---|---|
| Accounting and audit fees | $ 1,100 | $ 1,400 |
| Consulting fees | 15,000 | - |
| General exploration expenditures | (170) | 257 |
| Investor relations and shareholder information | 4,920 | 17,250 |
| Legal fees | 1,597 | 5,570 |
| Listing and filing fees | 4,142 | 1,409 |
| Management fees | 22,500 | 22,500 |
| Office and administrative services and supplies | 18,574 | 21,863 |
| Stock based compensation | - | 53,246 |
| Transfer agency fees | 1,629 | 1,961 |
| Travel and accommodation | 2,091 | 2,376 |

The major variances in general and administrative expenses in the three months ended October 31, 2012 compared to the three months ended October 31, 2011 are as follows:

- The Company incurred $15,000 in consulting fees for the three months ended October 31, 2012 compared to $nil for the three months ended October 31, 2011. This is due mainly to the retention new consultants to perform functions previously expensed under administrative services.
- Investor relations and shareholder information decreased to $4,920 for the three months ended October 31, 2012 compared to $17,750 for the three months ended October 31, 2011. During the quarter ended October 31, 2011, the Company incurred increased expenditures for marketing and promotion whereas efforts in this area were reduced in the quarter ended October 31, 2012.
- Office and administrative services and supplies decreased to $18,574 in the quarter ended October 31, 2012 from $21,863 in the quarter ended October 31, 2011. The reason for the variance is a reduction in usage of administrative services.
- The Company recorded $nil in stock-based compensation expense during the three months ended October 31, 2012 as compared to stock-based compensation of $53,246 having been recorded in the three months ended October 31, 2011.

## Results of Operations

***Six months ended October 31, 2012 compared with the six months ended October 31, 2011***

| **Results of Operations** | **6 Months Ended October 31, 2012** | | **6 Months Ended October 31, 2011** | |
|---|---|---|---|---|
| Net and comprehensive Income (Loss) | $ | (164,373) | $ | (264,772) |
| Income/(Loss) per weighted average share | $ | - | $ | - |

During the six months ended October 31, 2012, the Company incurred a loss of $164,373 compared to a loss of $264,772 for the six months ended October 31, 2011. For the six month period ended October 31, 2012, the Company's cash and cash equivalent position decreased to $173,974 from $424,828 at April 30, 2012. Cash was used to fund general corporate expenses.

## Financing

During the six months ended October 31, 2012, the Company did not undertake any financing activities.

### Corporate Expenses

The Company's policy is to capitalize exploration and evaluation expenditures until a property becomes a producing mine or circumstances lead the Company to conclude that there has been an impairment in value. Accordingly, the results of operations reflect the Company's corporate expenses that are not capitalized to exploration and evaluation projects.

The following summarizes the major components of corporate expenses:

| **Expenses** | **6 Months Ended October 31, 2012** | **6 Months Ended October 31, 2011** |
|---|---|---|
| Consulting fees | $ 33,550 | $ 1,500 |
| General exploration expenditures | 11,275 | 15,042 |
| Investor relations and shareholder information | 10,011 | 32,895 |
| Legal fees | 1,720 | 7,965 |
| Listing and filing fees | 5,542 | 2,709 |
| Management fees | 45,000 | 45,360 |
| Office and administrative services and supplies | 37,419 | 48,303 |
| Stock based compensation | - | 53,246 |
| Transfer agency fees | 3,375 | 3,135 |
| Travel and accommodation | 5,667 | 6,051 |

The major variances in general and administrative expenses in the six months ended October 31, 2012 compared to the six months ended October 31, 2011 are as follows:

- The Company incurred $33,500 in consulting fees for the six months ended October 31, 2012 compared to $1,500 for the three months ended October 31, 2011. This is due mainly to the retention new consultants to perform functions previously expensed under administrative services.
- General exploration expenditures decreased to $11,275 for the six months ended October 31, 2012 from $15,042 for the six months ended October 31, 2011 and is attributable to reduced exploration activity.
- Investor relations and shareholder information decreased to $10,011 for the six months ended October 31, 2012 compared to $32,895 for the three months ended October 31, 2011. During the six months ended October 31, 2011, the Company incurred expenditures for website upgrades whereas this was not incurred in the quarter ended October 31, 2012, as well as decreased marketing and promotion efforts.
- Office and administrative services and supplies decreased to $37,419 in the six months ended October 31, 2012 from $48,303 in the six months ended October 31, 2011. The reason for the variance is a reduction in usage of administrative services.
- The Company recorded $nil in stock-based compensation expense during the six months ended October 31, 2012 as compared to stock-based compensation of $53,246 having been recorded in the six months ended October 31, 2011.

***Review of Quarterly Results***

| | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| Quarter ended | Oct. 31<br>Q2<br>$ | July 31<br>Q1<br>$ | Apr. 30<br>Q4<br>$ | Jan. 31<br>Q3<br>$ | Oct. 31<br>Q2<br>$ | July 31<br>Q1<br>$ | Apr. 30<br>Q4<br>$ | Jan. 31<br>Q3<br>$ |
| Revenues | - | - | - | - | - | - | 107,792 | - |
| G&A Expenses | 71,704 | 83,359 | 249,631 | 88,280 | 127,978 | 89,921 | 661,436 | 70,692 |
| Option Benefits | - | - | 85,754 | - | 53,246 | - | - | - |
| Net Loss (Income) | 69,304 | 95,069 | 250,379 | 86,107 | 130,221 | 89,851 | 552,724 | 70,034 |
| -per share | - | - | - | - | - | - | - | - |
| -per share - diluted | - | - | - | - | - | - | - | - |
| Total assets | 1,918,706 | 2,002,410 | 2,105,186 | 2,162,450 | 2,241,932 | 1,703,172 | 1,772,503 | 2,283,000 |
| Liabilities (Long Term) | - | - | - | - | - | - | - | - |
| Cash Dividends | - | - | - | - | - | - | - | - |
| Working Capital (Deficiency) | 229,397 | 336,200 | 460,752 | 412,931 | 601,308 | 89,049 | 318,271 | 563,275 |
| Share Capital: | | | | | | | | |
| - Authorized | Unlimited | Unlimited | Unlimited | Unlimited | Unlimited | Unlimited | Unlimited | Unlimited |
| - Outstanding | 22,446,539 | 22,446,539 | 22,446,539 | 20,246,539 | 20,246,539 | 12,196,539 | 12,196,539 | 12,186,539 |
| - Warrants | 15,389,368 | 16,889,366 | 16,889,366 | 14,651,866 | 14,651,866 | 6,009,366 | 6,009,366 | 6,009,366 |
| - Options | 1,797,500 | 1,797,500 | 1,797,500 | 1,797,500 | 1,797,500 | 57,500 | 57,500 | 260,000 |

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.

**Liquidity and capital resources**

As at October 31, 2012, the Company had cash of $173,974 and working capital of $229,397. 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. During the fiscal year of 2012, the Company received one payment of $50,000 and 500,000 common shares of Dynasty Gold with an estimated market value of $12,500 as at July 31, 2012 pursuant to an option agreement on the Golden Repeat Claims.

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.

## Related Party Transactions

### *a) Management transactions*

**For the six months ended October 31, 2012**

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the six months ended October 31, 2012 and 2011 are as follows:

| | | 2012 | | 2011 |
|---|---|---|---|---|
| Salaries and benefits | $ | 85,950 | $ | 89,700 |
| Stock-based compensation | | - | | 19,890 |
| | $ | 85,950 | $ | 109,590 |

### b) *Other related party transactions*

$14,620 (2011 - $30,851) 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"). 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 $2,687 (2011 - $3,362) due to Oniva. The Company receives rent, office and administrative supplies and services from Oniva, a private company related by common management. There was $1,442 (2011 - $7,386) due to directors and officers of the Company. The amounts due to related parties are non-interest bearing, unsecured and due on demand.

## 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.

## OTHER MD&A REQUIREMENTS

### Additional Disclosure for Venture Issuers without Significant Revenue:

As the Company has not had revenue from operations in either of its last two financial years, other than option revenue of $107,792 in the fiscal year 2011. The following is a breakdown of the material costs incurred:

| | Six months ended October 31, 2012 | Six months ended October 31, 2011 |
|---|---|---|
| Capitalized or Expensed Exploration Costs | $91,487 | $257,358 |
| General and Administration Expenses | $154,864 | $217,899 |

### Disclosure of Outstanding Share Capital:

The following is a breakdown of the share capital of the Company, on an annual basis as well as at the date of this report:

| | December 27, 2012 | April 30, 2012 | April 30, 2011 |
|---|---|---|---|
| Shares | 22,446,539 | 22,446,539 | 12,196,539 |
| Warrants | 15,389,368 | 16,889,366 | 6,009,366 |
| Options | 1,797,500 | 1,797,500 | 67,500 |
| Fully Diluted | **39,633,407** | **41,133,405** | **18,273,405** |

For additional details of outstanding share capital, refer to the financial statements for the year ended April 30, 2012.

### Off-Balance Sheet Arrangements

None.

**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 October 31, 2012 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 October 31, 2012 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 six months ended October 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**Additional Information**

Additional information about the Company can be found on www.sedar.com and www.millbayventures.com.

**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 December 27, 2012. 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.