

MILL BAY VENTURES INC.
Management's Discussion & Analysis
For the nine months ended January 31, 2011
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The following management discussion and analysis ("MD&A") 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 nine months ended January 31, 2011 and the notes thereto, and the audited consolidated financial statements for the year ended April 30, 2010 and the notes thereto, which are produced in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The effective date of this report is March 28, 2011. Additional information relating to the Company is available on SEDAR at www.sedar.com.

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

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 March 28, 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 factors 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 Description

The Company's principal business activities are the exploration and development of mineral properties.

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 shares¹. 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.

¹ 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.

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 1st 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.

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.

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 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, 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.

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 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.

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

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.*

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 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.

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 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 January 31, 2011 compared with the three months ended January 31, 2010

General and administrative expenses

General and administrative expenses totalled \$70,692 for the three months ended January 31, 2011 compared with \$65,311 for the three months ended January 31, 2010, an increase of \$5,381. There were increases of \$9,149 in administrative and office services, \$3,022 in transfer agency fees and \$2,814 in legal fees. 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. The filing fees for the prior year were paid in the first and second quarter ended October 31, 2009. The Company also paid an assessment fee of US\$4,550 to the State of Nevada which incurred only in the current year. Higher transfer agency fees were resulting from mailings for the annual general meeting. The increase in legal fees was related to the option agreement for Golden Repeat Claims with Dynasty Gold Corporation. On the other hand, there were decreases of \$7,500 in consulting fees and 3,310 in investor relations and shareholder information. In the current quarter the consulting fees of \$7,500 were capitalized and recorded under Valentine property because the consultant worked primarily for the exploration project of this property, The fees in investor relations in the comparative quarter were higher because of a subscription to stock market services which was discontinued in the current quarter.

Loss for the period

The loss for the three months ended January 31, 2011 was \$70,034 as compared to a loss of \$19,678 for the three months ended January 31, 2010, an increase of \$50,356. This variance is primarily attributable to a gain of \$44,852 in the comparative quarter in connection with sales of 100,000 common shares of a related company.

Nine months ended January 31, 2011 compared with the nine months ended January 31, 2010

General and administrative expenses

General and administrative expenses totalled \$236,282 for the nine months ended January 31, 2011 compared with \$221,014 for the nine months ended January 31, 2010, an increase of \$15,268. Increases experienced in most of the items, including \$9,058 in transfer agency fees, \$6,255 in travel and accommodation, \$2,673 in administrative and office services, and \$2,472 in investor relations and shareholder information. The rise in transfer agent fees was mainly in connection with a share consolidation. More trade show participation caused the increases in travel costs. The higher cost in investor relations and shareholder information was due to a new subscription to a stock market service in

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the current period. These increases were offset with a decrease of \$10,000 in consulting fees. The main reasons for other variances between the comparative periods are the same as those referred to above for the three month comparison.

Loss for the period

The loss for the nine months ended January 31, 2011 was \$220,172 as compared to a loss of \$175,189 for the nine months ended January 31, 2010, an increase of \$44,983. Other than an increase in general and administrative expenses as discussed above, there was a reduction in capital gain of \$29,407 on sales of securities, which largely increased the variance in losses in the current period.

Summary of Quarterly Results

Period ended	2011 Jan. 31	2010 Oct. 31	2010 July 31	2010 Apr. 30	2010 Jan. 31	2009 Oct. 31	2009 Jul. 31	2009 Apr. 30
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Loss for the period	70,034	\$96,266	\$53,872	\$623,685	\$19,678	\$76,536	\$78,975	\$106,133
Loss per share	0.01	0.01	0.01	0.10	0.00	0.01	0.02	0.02
Assets	2,283,000	1,729,050	1,370,192	1,468,667	2,036,907	1,941,449	1,773,964	1,848,984

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 two years, the Company has written down the deferred value of two of their properties. The gain realized from the sale of securities helped bring down the loss in the first quarter ended July 31, 2010. The rise in assets was resulting from a private placement closed in the current quarter.

Liquidity and capital resources

As at January 31, 2011, the Company had cash of \$547,437 and working capital of \$563,275. 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 stock of CMQ with an estimated market value of \$4,200 as at January 31, 2011. Additionally, in fiscal 2008, the Company received US\$75,000 from Meridian to maintain an exploration and earn-in agreement on Golden Repeat claims, however; during fiscal 2009 both these agreements have been terminated and no lease revenue was received.

On October 5, 2010, the Company closed the first tranche of a private placement originally announced on July 29, 2010 and subsequently amended September 15, 2010. The Company placed 1,363,365 flow-through units at a price of \$0.22 per unit for gross proceeds totaling \$300,000. The flow-through units consist of one flow-through common share and one non flow-through share purchase warrant, with each warrant exercisable at a price of \$0.25 for a period of two years expiring on October 5, 2012. The Company incurred \$40,804 in costs associated with the close of the first tranche and issued 136,363 agent warrants.

On November 9, 2010, the Company closed the second tranche of the private placement, raising gross aggregate proceeds totalling \$876,174. Upon closing of the second tranche the Company placed 2,148,000 common share units (the "Units") at a price of \$0.20 per unit for gross proceeds totalling \$429,600. Each Unit consists of one common share and one common share purchase warrant. In addition, the Company placed 2,029,881 flow-through units (the "FT Units") at a price of \$0.22 for gross proceeds totalling \$446,574. Each FT Unit consists of one flow-through share and one common share purchase warrant. All warrants issued in connection with the transaction are exercisable into one

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common share for a period of two years at a price of \$0.25 per share. The Company incurred \$79,838 in costs associated with the close of the second tranche and issued 331,487 agent warrants.

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.

Transactions with related parties

During the nine months ended January 31, 2011, the Company paid or made provision for the future payment of \$67,500 (2010 – \$67,500) to a Director for managing the exploration activities, \$12,500 (2010 - \$3,000) to an officer, and \$26,280 (2010 – \$22,500) to an individual related to a Director of the Company for consulting services.

The amount due from related party consists of \$9,181 (2011 - \$nil) due from a Director of the Company related to an adjustment on expenses reimbursement, which was cleared in February 2011.

The amount due to related parties consists of \$nil (2011 – \$677) due to a Directors of the Company, \$3,780 (2011 - \$nil) due to an individual related to a Director of the Company, \$426 (2011 – \$426) due to Directors of related public company, \$nil (2011 - \$1,050) due to an officer, \$5,691 (2011 – \$5,251) due to Oniva International Services Corp. ("Oniva"). Oniva provides the Company with administrative and office services.

The amounts due to related parties are non-interest bearing, unsecured and due on demand.

The Company paid or made provision for the future payment of \$44,842 (2010 – \$56,928) during the nine months ended January 31, 2010 for administrative services and expenses to Oniva.

All related party transactions are recorded at the value agreed upon by the Company and the related party.

Disclosure of Management Compensation

During the nine months ended January 31, 2011, \$67,500 was paid to the President for services as director and officer of the Company. \$12,500 and \$7,400 were paid to the Secretary and the Chief Financial Officer, respectively, for services as officers of the Company.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the

financial statements and revenues and expenses for the periods reported. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, interest and other receivable, reclamation bonds, investments, 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. Investments are classified as available for sale and are measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market are measured at cost.

Recent Canadian Accounting Pronouncements

Recent Canadian accounting pronouncements that have been issued but are not yet effective, and which may affect the Company's financial reporting are summarized below. For details of the specific accounting changes, refer to Note 2 of the Company's Consolidated Financial Statements:

- i) Section 1582 Business Combinations
- ii) Section 1601 Consolidated Financial Statements

International Financial Reporting Standards ("IFRS")

The Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises for the financial periods beginning on or after January 1, 2011, including comparative figures for the prior year.

The Company will transition to IFRS effective May 1, 2011 and will be required to prepare a revised opening balance sheet as at May 1, 2010, and provide information that conforms to IFRS for comparative periods presented. Unaudited interim financial information prepared in accordance with IFRS will be provided starting in the first quarter of 2011 and will include comparative figures.

The Company is developing an IFRS changeover plan which will address the key areas such as accounting policies, financial reporting, information systems, education and training, and other business activities. The Company's Financial Accountants are currently completing a detailed diagnostic of the Company's accounts. Management's assessment to date indicates that IFRS will affect the Company's disclosures but does not expect there to be any major financial impacts on accounting policy or procedural changes. It is recognized that IFRS requirements, in particular related to the mining industry, are evolving in advance of the transition date and such changes may alter this preliminary assessment.

Outstanding Share Data

As at January 31, 2011 and March 28, 2011, there were 12,146,539 common shares outstanding.

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Share Options

The following is a summary of outstanding share options as at January 31, 2011 and March 28, 2011:

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (January 31/11)	Number of Shares Remaining Subject to Options (March 28, 2011)
April 25, 2011	\$1.20	192,500	192,500
March 12, 2013	\$1.20	17,500	17,500
November 21, 2013	\$1.20	50,000	50,000
		260,000	260,000

Warrants

The following is a summary of the outstanding warrants as at January 31, 2011 and March 28, 2011:

Expiry Date	Exercise Price Per Share	Number of Underlying Shares (January 31, 2011)	Number of Underlying Shares (March 28, 2011)
October 5, 2012	\$0.25	1,499,998	1,499,998
November 9, 2012	\$0.25	4,509,368	4,509,368
		6,009,366	6,009,366

Commitment

The Company entered into a cost sharing agreement dated October 1, 1997, and amended November 1, 2003 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 fee based on the total overhead and corporate expenses. The agreement may be terminated with one month notice by either party.

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, 2010 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 January 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 nine months ended January 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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