

**PISTOL BAY MINING INC.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS AT AND FOR THE THREE MONTHS ENDED AUGUST 31, 2019

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## **OVERVIEW**

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The following management discussion and analysis of the financial position of Pistol Bay Mining Inc. (“Company”) and results of operations should be read in conjunction with the audited consolidated financial statements for the years ended May 31, 2019 and 2018. The financial statements together with the following management discussion and analysis are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), on the Company’s website at [www.pistolbaymininginc.com](http://www.pistolbaymininginc.com), or by requesting further information from the Company’s head office located at: 700 – 838 West Hastings Vancouver, BC, V6C 0A6.

Date of Report: October 30, 2019

## **NATURE OF BUSINESS**

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

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

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

On January 4, 2018, the Company incorporated a subsidiary, PB Blockchain Inc. (“PB” or “Subsidiary”) under the Business Acts in British Columbia. PB focuses on blockchain applications for mining and resource company management. The Company will be leveraging the work of other Application Program Interface (“API”) companies to build a suite of blockchain products to address needs that are particular to the data management and security of mining/oil gas companies. As at the date of this report, there have been no business activities in PB.

On June 1, 2018, the Company completed a share consolidation in which one (1) post-consolidated common share replaced two (2) pre-consolidated common shares. All information relating to basic and diluted loss per share, the weighted average number of common shares outstanding, the commitments to exploration and evaluation assets, the issued and outstanding common shares, common shares issued, share options, warrants, and the options issued to related parties have been adjusted retroactively to reflect the impact of the share consolidation in the consolidated financial statements and this report.

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On August 1, 2018, the Company announced that it has no current intention of abandoning the Confederation Lake properties, however, as a result of current conditions in the commodities market, it was considering other business opportunities, including those in the cannabis industry.

Pursuant to news releases dated September 6, 2018 and November 13, 2018, the Company had entered into an exclusivity agreement with a private Ontario company that allows Pistol Bay to undertake due diligence on the products, the intellectual property surrounding the products and the market opportunities for both the private company's foundational product, as well as new product applications containing cannabinoids. The parties are at arm's length. No business or financial terms were agreed to following completion of the Company's due diligence. The agreement expired and the parties are no longer engaged in any negotiations. After a careful consideration of the Company's future prospects, the management has decided not to pursue any business in the cannabis industry.

The consulting agreement with Zimtu Capital Corp. (referred to as 'Zimtu agreement'), expired on January 10, 2019, and the Company opted not to renew the agreement.

On April 10, 2019, the Company entered into an agreement to acquire a Vanadium project in Clark County, Nevada for and in consideration of non-refundable \$15,000 USD plus the total of \$150,000 USD and 8,000,000 fully paid and non-assessable common shares of the Company.

On May 28, 2019, the Company closed a private placement and issued 7,110,000 units at a price of \$0.05 per unit. Each unit is comprised of one common share and one transferrable warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to eighteen months at a price of \$0.06. All the securities issued under the Private Placement are subject to a four-month and one-day hold period expiring on September 29, 2019.

In addition, the Company announced the resignation of Doug McFaul as a Director and Chief Financial Officer of the Company.

On July 29, 2019, the Company entered into an option agreement with Northbound Capital to acquire a 100% right and title in and to 104 mining cells located in the Cabin Bay Township in the Red Lake Mining District, Ontario. The 5,264- acre property is located southeast of Great Bear Resources recent discovery. Pursuant to the option agreement to acquire a 100% interest in the property, the Company is required to pay a total of \$82,500 in cash and issue an aggregate 3,000,000 common shares over a three-year period.

On September 4, 2019, the Company entered into a mineral property acquisition agreement with Belmont Resources Inc. to acquire claims in Fredart/Gerry Lake Property. To acquire 65% interest in the property, Belmont Resource Inc. will pay \$140,000 cash and issue 4,000,000 common shares in a period of three years. On October 22, 2019, the Company announced that it has decided that it will not proceed with this project.

On September 04, 2019, the Company amended Joy North option agreement, pursuant to which, the Company issued 100,000 common shares (September 12, 2019) and is required to issue a further 100,000 common shares on or before September 19, 2020.

On September 9, 2019, the Company entered into an agreement with 1544230 Ontario Inc. to acquire 100% right, title, and interest in the North Pakwash Lake Area, Ontario. The Company has agreed to pay a total of \$45,000 and issue 500,000 common shares over a period of three years.

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On October 1, 2019, the Company amended the agreement for AurCrest Property, Ontario to replace the cash payment of the remaining \$15,000 due last August 1, 2019 with the:

- Issuance of 300,000 common shares on or before October 16, 2019, and
- Payment \$7,500 in cash on or before October 16, 2019

The company subsequently issued the 300,000 common shares on October 16, 2019 and paid \$7,500 in cash on October 16, 2019.

Management expects to be successful in arranging sufficient funding to meet operating commitments for the ensuing year. However, the Company's future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. The Company has a working deficit at August 31, 2019 of \$511,763 (May 31, 2019 – \$395,799). For significant expenditures and resource property development, the Company will depend almost exclusively on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company's operating commitments and further exploration and development plans. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected.

#### **FORWARD LOOKING STATEMENTS**

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

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

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

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Other than as required by applicable securities laws, the Company does not intend, and does not assume any obligation, to update any forward-looking statement to reflect events or circumstances after the

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date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements.

### **MINERAL PROPERTY INTERESTS**

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CONFEDERATION LAKE PROPERTIES – Dixie Properties, AurCrest Property, Joy North Property, Lucky 7 Property, Mitchell, Gerry Lake and Karas Lake Property.

On April 12, 2017, the Company contracted Geotech Ltd. of Aurora, Ont., to carry out a 1,128-line-kilometre helicopter-borne survey of the central part of the Company's land position in the Confederation Lake greenstone belt, southeast of Red Lake, Ont. The survey will use Geotech's versatile time-domain electromagnetic (VTEM Plus) system, which includes a horizontal magnetic gradiometer.

The VTEM Plus system delivers more power into the ground and a better signal-to-noise ratio than previous VTEM systems, resulting in greater depth penetration and better conductor resolution. Pistol Bay anticipates that this survey will explore the survey area to a significantly greater depth than previous airborne surveys, the last of which was done 20 years ago.

In May 2017, the Company announced that the VTEM airborne electromagnetic and magnetic survey of the Company's properties in the Confederation Lake greenstone belt has been expanded to cover almost twice the area of the original survey plan. The Company modified its contract with Geotech Ltd. to expand the helicopter-borne VTEM survey from 1,128 to 2,100 line kilometres. The survey will cover a 40-kilometre length of the Confederation Lake greenstone belt, southeast of Red Lake, Ont. The Confederation Lake belt is characterized by numerous occurrences, zones and deposits of volcanogenic massive sulphide (VMS) mineralization carrying zinc and/or copper with associated gold and silver credits.

In August and September 2017, the Company announced that the VTEM airborne electromagnetic and magnetic survey of the Company's properties in the Confederation Lake greenstone belt has been completed. The VTEM survey has identified a number of anomalies where no mineralized zones were previously known. The Company staked over 14,500 acres of conductors and IP Anomalies detected by the VTEM survey. A total of 297 new claim units have brought the Company's total land package in the Confederation Lake belt to over 51,000 acres.

The Company filed a new NI43-101 technical report on the Garnet Lake Property (which includes the Fredart and Lucky 7 claim groups). The report was prepared by a "qualified person" for the purposes of NI 43-101.

In March 2018, the Company commenced a 3,500-metre diamond drilling program on its 51,000-acre Confederation Lake property in north western Ontario.

In May and June 2018, the Company announced an update on the drilling program at Confederation Lake. Three holes totalling 1,556 metres provide additional information where previous drill intercepts were sparse or where there was a degree of uncertainty in the location of drill intercepts. All three drill holes intersected a sulphide zone with sphalerite, chalcopyrite, pyrite, and pyrrhotite.

On October 22, 2019, the Company announced that they have planned to commence additional geophysical studies from the 2017 VTEM survey. The Company will be conducting a more comprehensive interpretation of the 2100 line km VTEM survey done by Geotec in 2017. To date, only a small percentage has been interpreted. The Company plans to focus this work on the Fredart-Gerry Lake trend with the number one priority target generated from the survey on the north end of the Fredart Lake trend. The second priority target will be north of the 43-101 compliant Arrow Zone on the Garnet property. The Company had acquired additional ground by staking new claims covering previously unknown anomalies detected by the 2017 2100 line km VTEM Plus™ airborne survey. The new claims cover a continuous magnetic anomaly that runs for 6.5 kilometres between the existing Joy and Fredart claim groups. The

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total strike length of this anomaly, which encompasses the historic Joy and Fredart claim groups, is now approximately 22 kilometres.

**Dixie Property, Ontario:**

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

On May 26, 2015, the Company entered into an option agreement to acquire 100% Zinc-Copper properties located in the Red Lake, Ontario region. The Dixie 17-18-19 properties consist of 1,072 hectares located in the Confederation Lake greenstone belt, 35 kilometres southeast of Red Lake, Ontario.

On March 22, 2016, the Company received Exchange approval to amend the terms of the option agreement for the Dixie 17-18-19 properties previously announced May 26, 2015. Under the amended agreement, the vendor received 200,000 additional common shares of the Company in lieu of a \$10,000 cash payment which was due upon execution of the original option agreement.

Pursuant to the amended option agreement to acquire a 100% interest in the Dixie 17-18-19 properties, the Company is required to make total cash payments of \$76,000 and issue a total of 1,200,000 common shares of the Company over a four-year period as follows:

- Issue 500,000 shares (issued with a fair value of \$49,000) to the optionors upon Exchange approval (Approved on July 3, 2015).
- Pay \$10,000 (paid) and issue 300,000 shares (issued on June 7, 2016 at a fair value of \$30,000) to the optionors on or before the first-year anniversary of Exchange approval (July 3, 2016).
- Pay \$16,000 (paid) and issue 400,000 shares (issued 300,000 shares on July 12, 2017 at a fair value of \$36,000 and 100,000 shares on August 9, 2017 at a fair value of \$10,000) to the optionors on or before the second-year anniversary of Exchange approval (July 3, 2017).
- Pay \$20,000 (paid) to the optionors on or before the third-year anniversary of Exchange approval (July 3, 2018).
- Pay \$30,000 (paid \$10,000) to the optionors on or before the fourth anniversary of Exchange approval (July 3, 2019).

The vendors of the Dixie 17-18-19 properties will retain a 0.5% net smelter returns royalty, which may be repurchased for \$400,000 at any time up to when a production decision is made.

The Company is currently negotiating an extension for the outstanding \$30,000 cash payment which was due subsequent to August 31, 2019 but remains unpaid as of the date of this report.

**Dixie 3 property:**

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

Under the option agreement to acquire a 100% interest in the Dixie 3 property, the Company is required to make total cash payments of \$56,000 and issue a total of 1,200,000 shares over a three-year period as follows:

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- Pay \$8,000 (paid) and issue 250,000 common shares (issued on October 14, 2016 at a fair value of \$45,000) to the optionors upon Exchange approval (approved on October 7, 2016).
- Pay \$12,000 (paid) and issue 300,000 common shares (issued on November 29, 2017 at a fair value of \$30,000) to the optionors on or before the first-year anniversary of Exchange approval (October 7, 2017).
- Pay \$16,000 (paid \$11,000) and issue 300,000 common shares (issued on October 24, 2018 at a fair value of \$15,000) to the optionors on or before the second-year anniversary of Exchange approval (October 7, 2018).
- Pay \$20,000 (paid \$2,000) and issue 350,000 common shares to the optionors on or before the third-year anniversary of Exchange approval (October 7, 2019).

The vendors of the Dixie 3 property will retain a 0.5% net smelter returns royalty, which may be repurchased for \$400,000 at any time up to when a production decision is made.

The Company is currently negotiating an extension for the outstanding \$5,000 cash payment which was due on October 7, 2018 and an \$18,000 cash payment which was due on October 7, 2019. A total of \$23,000 remains outstanding as of August 31, 2019 and as of the report date.

**AurCrest Property, Ontario:**

On October 26, 2016, the Company entered into an option agreement with AurCrest Gold Inc. to acquire a 100% interest in the AurCrest properties located in the Confederation Lake greenstone belt southeast of Red Lake, Ontario. The AurCrest property comprises the Confederation Lake Property and the Fredart Lake Property.

To earn the 100% interest, the Company is required to make total cash payments of \$250,000 and issue a total of 2,500,000 common shares of the Company over a four-year period as follows:

- Pay \$25,000 (paid) and issue 500,000 common shares (issued at a fair value of \$60,000) on the closing (approved by Exchange on January 11, 2017)
- Pay \$25,000 (paid) within 90 days following the closing date of the agreement (January 11, 2017)
- Pay \$50,000 (paid) and issue 500,000 common shares (issued at a fair value of \$80,000 on January 17, 2018) on or before the first-year anniversary of the closing date (January 11, 2018)
- Pay \$50,000 and issue 500,000 common shares (issued on January 30, 2019 at a fair value of \$20,000) or before the second-year anniversary of the closing date (January 11, 2019). On February 2, 2019, the agreement was amended regarding the cash payments of \$50,000. The \$50,000 payment is replaced with:
  - Pay \$10,000 by February 22, 2019 (paid)
  - Issue 500,000 common shares on or before February 22, 2019 (issued on February 21, 2019 at a fair value of \$25,000)
  - Pay \$15,000 in cash or common shares by August 1, 2019 (amended)

On October 01, 2019, the agreement for AurCrest was amended regarding the cash payment of the remaining \$15,000 due last August 01, 2019. The \$15,000 payment was replaced with:

- Issuance of 300,000 common shares on or before October 16, 2019 (issued on October 01, 2019)
- Payment \$7,500 in cash on or before October 16, 2019 (paid on October 18, 2019)
- Pay \$50,000 and issue 500,000 common shares on or before the third-year anniversary of the closing date (January 11, 2020)
- Pay \$50,000 and issue 500,000 common shares on or before the fourth-year anniversary of the closing date (January 11, 2021)

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Additionally, pursuant to the option agreement, the Company is required to pay an annual advance royalty payment of \$10,000 every year to an optionor. As of the date of this report, the annual advance royalty for 2019 is still outstanding (2018- \$10,000) for annual advance royalty to the optionor.

**Joy North Property, Ontario:**

On February 9, 2017, the Company entered into an option agreement, extended on September 4, 2019, with an arm's length vendor to acquire a 100% interest in the Joy North Property. The 64-hectare Joy North Property located in the Gerry Lake Area, approximately 50km southeast of Red Lake, Ontario.

To earn the 100% interest in the Joy North Property, the Company is required to make total cash payments of \$40,500 and issue a total of 502,500 common shares of the Company over a four-year period as follows:

- Pay \$3,000 (paid) and issue 27,500 common shares (issued on February 21, 2017 at a fair value of \$3,850) to the optionor upon Exchange approval (approved date was on February 21, 2017)
- Issue 50,000 common shares (issued on March 20, 2018 at a fair value of \$5,500) to the optionor on or before the first-year anniversary of the approval date (February 21, 2018)
- Issue 50,000 common shares (issued on April 16, 2019 at a fair value of \$3,000) to the optionor on or before the second-year anniversary of the approval date (February 21, 2019)
- Issue 100,000 common shares (issued on September 12, 2019 at a fair value of \$3,000) to the optionor upon the Exchange approval.
- Issue 100,000 common shares to the optionors on or before the one-year anniversary of Exchange approval.
- Issue 75,000 common shares to the optionor on or before the third-year anniversary of the approval date (February 21, 2020)
- Pay \$37,500 and issue 300,000 common shares to the optionor on or before the fourth-year anniversary of the approval date (February 21, 2021).

In addition to the cash payments and issuance of common shares, the Company is required to drill a minimum of two diamond drill holes with core of BTW or larger size by February 21, 2020, to a minimum aggregate depth of 600 metres on the property, subject to the Company being granted an Early Exploration Permit by the Ministry of Northern Development and Mines.

A 2% net smelter returns royalty ("NSR") is payable to the optionor, of which 1% may be purchased at any time by the Company for \$500,000 and the remaining 1% at any time for \$1,500,000.

In connection with the amendment on September 4, 2019, the Company issued a further 100,000 common shares to the optionor on September 19, 2019 and is required to issue a further 100,000 common share on or before September 19, 2020.

**Lucky 7 Property, Ontario:**

On March 20, 2017, the Company entered into an option agreement to acquire a 100% interest in the Lucky 7 Property located in the Confederation Lake greenstone belt, southeast of Red Lake, Ontario. The property covers 640 hectares.

To earn the 100% interest in the Lucky 7 property, the Company is required to make total cash payments of \$72,000 and issue a total of 1,150,000 common shares over a three-year period as follows:

- Pay \$12,000 (paid) and issue 200,000 common shares (issued on April 27, 2017 at a fair value of \$28,000) to the optionors upon TSX-V Exchange approval (approval date was on April 27, 2017)
- Pay \$16,000 (paid) and issue 250,000 common shares (issued on May 10, 2018 at a fair value of \$20,000) to the optionors on or before the first anniversary of the approval date (April 27, 2018)

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- Pay \$20,000 (outstanding) and issue 300,000 common shares (issued on April 16, 2019 at a fair value of \$18,000) to the optionors on or before the second anniversary of the approval date (April 27, 2019)
- Pay \$24,000 and issue 400,000 common shares to the optionors on or before the third anniversary of the approval date (April 27, 2020)

A 1.5% net smelter return royalty is payable to the optionors, of which 0.75% may be purchased at any time for \$400,000.

The Company is currently negotiating an extension for the outstanding \$20,000 cash payment which was due on April 27, 2019 and remains unpaid as of August 31, 2019 and as of the date of this report.

**Mitchell, Gerry Lake and Karas Lake Property, Ontario:**

On December 28, 2017, the Company entered into an option agreement to acquire a 100% interest in the Mitchell, Gerry Lake and Karas Lake Property, located in the Karas Lake area, Red Lake Mining Division, Ontario. The properties cover approximately 3,700 hectares.

Pursuant to the option agreement to acquire a 100% interest in the property, the Company is required to pay a total of \$104,000 and issue an aggregate 250,000 common shares over a four-year period as follows:

- Pay \$20,000 (paid) to the optionor upon signing the agreement (December 28, 2017)
- Issue 150,000 common shares (issued on January 24, 2018 at a fair value of \$27,000) to the optionor within five days of the acceptance date (January 30, 2018)
- Pay \$16,000 (outstanding) and issue 100,000 common shares (issued on January 30, 2019 at a fair value of \$4,000) to the optionor on the first anniversary of the acceptance date (January 30, 2019)
- Pay \$18,000 to the optionor on the second anniversary of the acceptance date (January 30, 2020)
- Pay \$20,000 to the optionor on the third anniversary of the acceptance date (January 30, 2021)
- Pay \$30,000 to the optionor on the fourth anniversary of the acceptance date (January 30, 2022)

A 1.5% NSR has been granted to the optionors, of which 0.75% may be purchased at any time by the Company for \$400,000. All shares issued will be subject to a hold period expiring four months and one day from the day of issuance.

The Company is currently negotiating an extension for the outstanding \$16,000 cash payment which was due on January 30, 2019 and remains unpaid as of August 31, 2019 and as of the date of this report.

**Vanadium Project, Clark County, Nevada, USA:**

On April 10, 2019, the Company entered into an agreement to acquire a Vanadium project in Clark County, Nevada for and in consideration of non-refundable \$15,000 USD plus the sum of \$150,000 USD upon exchange approval, and 8,000,000 fully paid and non-assessable common shares of the Company. The purchase consideration is due and payable as follows:

- a) A cash consideration of \$15,000 USD paid on the date of execution of this Agreement (April 3, 2019) (outstanding).
- b) \$50,000 USD upon exchange approval (April 16, 2019) (outstanding).
- c) \$100,000 USD six months post exchange approval (October 16, 2019).
- d) 8,000,000 fully paid and non-assessable shares of Pistol Bay Mining Inc. (issued on April 16, 2019 at a fair value of \$480,000) on the five dates following the date this agreement is accepted for filing by the Exchange (April 20, 2019); and
- e) A 2% Net Milling Returns Royalty on the Properties (the "Royalty"); including the right of Pistol Bay Mining Inc. to purchase one and one half (1.5%) of the Royalty at any time for USD \$1,000,000.

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Subsequent to Exchange approval, the Company paid a finder's fee of 800,000 common shares (issued on April 22, 2019 at a fair value of \$48,000).

The Company is currently negotiating an extension for the outstanding \$65,000 USD cash payment which was due upon execution of the agreement and Exchange approval and remains unpaid as of August 31, 2019 and as of the date of this report.

**Cabin Bay Area, Red Lake, Ontario:**

On July 26, 2019, the Company entered into an option agreement to acquire a 100% interest in the 104 mining cells located in Cabin Bay Area, Red Lake Mining Division, Ontario. Pursuant to the option agreement to acquire 100% interest in the property, subject to Exchange approval, the Company is required to pay a total of \$82,500 and issue an aggregate of 3,000,000 common shares as follows:

- a) \$15,000 (outstanding) and issue 500,000 common shares (issued on August 01, 2019) upon the Exchange approval.
- b) \$17,500 and issue 1,000,000 common shares on the first anniversary of the Exchange approval (July 26, 2020).
- c) \$20,000 and issue 1,000,000 common shares on the second anniversary of the Exchange approval (July 26, 2021).
- d) \$30,000 and issue 1,000,000 common shares on the third anniversary of the Exchange approval (July 26, 2022).

The Optionee shall have the right at any time to purchase one-half (1/2) of the NSR Royalty, being one percent (1%), from the Optionor in consideration of the payment to the Optionor of \$1,000,000, thereby leaving the Optionor with a one percent (1%) NSR Royalty.

**Mitchell, Gerry Lake and Karas Lake Property, Ontario:**

On December 28, 2017, the Company entered into an option agreement to acquire a 100% interest in the Mitchell, Gerry Lake and Karas Lake Property, located in the Karas Lake area, Red Lake Mining Division, Ontario. The properties cover approximately 3,700 hectares.

Pursuant to the option agreement to acquire a 100% interest in the property, the Company is required to pay a total of \$104,000 and issue an aggregate 250,000 common shares over a four-year period as follows:

Pay \$20,000 (paid) to the optionor upon signing the agreement (December 28, 2017)  
Issue 150,000 common shares (issued on January 24, 2018 at a fair value of \$27,000) to the optionor within five days of the acceptance date (January 30, 2018)  
Pay \$16,000 (outstanding) and issue 100,000 common shares (issued on January 30, 2019 at a fair value of \$4,000) to the optionor on the first anniversary of the acceptance date (January 30, 2019)  
Pay \$18,000 to the optionor on the second anniversary of the acceptance date (January 30, 2020)  
Pay \$20,000 to the optionor on the third anniversary of the acceptance date (January 30, 2021)  
Pay \$30,000 to the optionor on the fourth anniversary of the acceptance date (January 30, 2022)

A 1.5% NSR has been granted to the optionors, of which 0.75% may be purchased at any time by the Company for \$400,000. All shares issued will be subject to a hold period expiring four months and one day from the day of issuance.

The Company is currently negotiating an extension for the outstanding \$16,000 cash payment which was due on January 30, 2019 and remains unpaid as of August 31, 2019 and as of the date of this report.

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**North Pakwash Lake Area, Ontario:**

On September 9, 2019, the Company entered into an agreement with 1544230 Ontario Inc. to acquire 100% right, title, and interest in the North Pakwash Lake Area, Ontario. The Company has agreed to pay a total of \$45,000 and issue 500,000 common shares over a period of three years as follows:

- a) \$7,500 upon Exchange approval (outstanding)
- b) 250,000 common shares (issued September 26, 2019) upon Exchange approval.
- c) \$7,500 payment in cash and issue 250,000 common shares on or before one-year anniversary from Exchange approval (September 26, 2020).
- d) \$10,000 payment in cash and issue common shares on or before two-year anniversary from Exchange approval (September 26, 2021)
- e) \$20,000 payment in cash and issue common shares on or before three-year anniversary from Exchange approval (September 26, 2022)

The Optionee shall have the right at any time to purchase one-half (1/2) of the NSR Royalty, being three-quarters of one percent (0.75%), from the Optionor in consideration of the payment to the Optionee of \$500,000, thereby leaving the Optionor with a three-quarters of one percent (0.75%) NSR Royalty.

**Athabasca Basin, Saskatchewan:**

On February 7, 2018, the Company entered into an amended and final agreement with Rio Tinto PLC (“Rio Tinto”), whereby Rio Tinto will acquire the remaining 25% of the interest in the property by paying an initial cash payment of \$750,000 (paid) and making a cash payment of \$1,000,000 (paid) to the Company by February 21, 2018.

Pursuant to the amended agreement, Rio Tinto increased its aggregate interest to 100% in the property.

As the Company had previously written the property costs down to \$Nil, the \$1,000,000 (2017 - \$750,000) was recorded as a gain on the statements of comprehensive income (loss) during the year ended May 31, 2018.

**RESULTS OF OPERATIONS**

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**Operational activities:**

During the three months ended August 31, 2019, the Company had a comprehensive loss of \$154,116, compared to \$178,753 during the three months ended August 31, 2018. Significant comparative variances for the three months ended August 31, 2019 and 2018 were:

Amortization of \$22 (2018 - \$33);  
Business development and shareholder communications of \$21,694 (2018 - \$14,194);  
Consulting fee of \$60,217 (2018 - \$112,722);  
Management fees of \$Nil (2018 - \$7,500);  
Office services and miscellaneous of \$15,490 (2018 - \$25,624);  
Professional fees of \$2,375 (2018 - \$2,005);  
Rent of \$8,784 (2018 - \$8,571);  
Share-based payments of \$38,156 (2018 - \$2,643);  
Transfer agent and filing fees of \$5,275 (2018 - \$4,358) and;

Business development and shareholder communication expenses of \$21,694 (2018 - \$14,194) relate to maintaining the current projects, investigating new projects and promoting the Company. The expense increased as the Company incur new projects during the three months ended August 31, 2019.

Consulting fees of \$60,217 (2018 - \$112,722) relate to fees paid to consultants of the Company for consultation on the Company’s current and prospective projects. These general consulting expenses cannot be directly attributed to any particular project and have therefore been expensed as general consulting.

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Management fees of \$Nil (2018 - \$7,500) relate to fees accrued or paid to officers of the Company for management of the Company's operations and projects.

Office services and miscellaneous amounts of \$15,490 (2018 - \$25,624) relate to expenses paid for administration and support. The Company office expenses decreased as its activities in relation to operational activities decreased during the three months ended August 31, 2019.

Professional fees of \$2,375 (2018 - \$2,005) consist of expenses relating to the Company's legal advice, financial recording and reporting activities. The expense for professional fees remained relatively consistent in comparison to the same period in the previous year.

Rental expenses of \$8,784 (2018 - \$8,571) are expenses paid for the Company's occupancy. The Company's rental expenses remained relatively consistent in comparison to the same period in the previous year.

Share-based payments of \$Nil (2018 - \$2,643) relate to the issuance of stock option by the Company.

Transfer agent and filing fees of \$5,275 (2018 - \$4,358) relates to expenditures in connection with share capital and reporting activities of the Company. Transfer agent and filing fees remained relatively consistent in comparison to the same period in the previous year.

During the three months ended August 31, 2019, the Company incurred interest of \$2,103 (2018 - \$1,103) to the amounts owing on CRA penalties and the additional interest for the loans due last June 19, 2019.

**SUMMARY OF QUARTERLY FINANCIAL RESULTS**

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The following table provides a summary of the Company's eight quarterly results ending on August 31, 2019:

	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net loss for the period	(154,116)	(260,783)	(104,511)	(284,622)
Loss per share	(0.00)	(0.01)	0.00	(0.01)

  

	August 31, 2018	May 31, 2018	February 28, 2018	November 30, 2017
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net income (loss) for the period	(178,933)	(158,326)	732,346	(162,311)
Earnings (loss) per share	(0.01)	(0.00)	0.03	(0.01)

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

Decreased loss during the quarter ended August 31, 2019 compared with the quarter ended May 31, 2019 was primarily due to the decrease in the consulting fee to \$60,217 from \$190,059 last quarter incurred during the quarter ended August 31, 2019 partly offset by the recognition of share-based payments amounting to \$38,156 this quarter.

Increases loss during the quarter ended May 31, 2019 compared with the quarter ended February 28, 2019 was primarily due to the increase in the consulting fee of \$190,059, office expense of \$20,539 incurred in the quarter ended May 31, 2019.

Decreased loss in the quarter ended February 28, 2019 compared with the quarter ended November 30, 2018 were primarily due to decrease in business development of \$38,044, consulting fees of \$29,319, professional fees of \$4,293, and share-based compensations of \$477 incurred in the quarter ended February 28, 2019. Other expenditures were comparable between the quarters.

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Increased loss in the quarter ended November 30, 2018 compared with the quarter ended August 31, 2018 were primarily due to increased professional fees of \$25,454, consulting fees of \$114,876, business development and shareholder communications of \$51,500, and share-based payments of \$63,732 incurred in the quarter ended November 30, 2018. Other expenditures were comparable between two quarters.

Increased loss in the quarter ended August 31, 2018 compared with the quarter ended May 31, 2018 were primarily due to the recoveries related to flow-through share for \$176,246 in the quarter ended May 31, 2018 and an increase in office expenses from \$8,285 to \$25,624 in the quarter ended August 31, 2018. Other expenditures, such as business development and shareholder communications of \$14,194, consulting fees of \$112,722, share-based payments of \$2,643, professional fees of \$2,005, and transfer agent and filing fees of \$4,358, decreased in the quarter ended August 31, 2018.

Increased loss in the quarter ended May 31, 2018 compared with the quarter ended February 28, 2018 were primarily due to the gain on disposition of an exploration asset of \$1,000,000 received in the quarter ended February 28, 2018, an increase of business development from \$59,154 to \$130,707, an increase of professional fees from \$8,514 to \$19,514 due to year-end filing requirements, an increase of property evaluation expense from \$Nil to \$7,500, and an increase of transfer agent and filing fee from \$3,750 to \$19,542. Other expenditures, such as option compensation expense of \$7,587 and consulting expense of \$124,352 decreased in the quarter ended May 31, 2018.

Increased income in the quarter ended February 28, 2018 compared with the quarter ended November 30, 2017 were primarily due to the gain on disposition of an exploration asset of \$1,000,000 and a decrease of professional fees from \$18,590 to \$8,514 incurred in the quarter ended February 28, 2018. Other expenditures, such as business development and shareholder communications of \$59,154, consulting expense of \$143,823, share-based compensation expense of \$28,723, increased in the quarter ended February 28, 2018. Other expenditures were comparable between the quarters.

Decreased loss in the quarter ended November 30, 2017 compared with the quarter ended August 31, 2017 were primarily due to decrease in business development of \$33,210, consulting fees of \$82,109, professional fees of \$18,590, and share-based compensations of \$Nil incurred in the quarter ended November 30, 2017. Other expenditures were comparable between the quarters.

Increased loss in the quarter ended August 31, 2017 compared with the quarter ended May 31, 2017 were due to the consulting expenses of \$126,504, business development and shareholder communications of \$40,313, professional fees of \$25,269, management fees of \$7,500, and rent of \$8,244. Other expenditures, such as share-based compensations of \$33,090, office expenses of \$5,182, and transfer agent and filling fees of \$260, decreased in the quarter ended August 31, 2017.

## **CAPITAL DISCLOSURE**

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

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

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**LIQUIDITY & CAPITAL RESOURCES:**

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As at August 31, 2019, the Company had a working deficit of \$511,763 (May 31, 2019 – \$395,799), and cash of \$7,286 (May 31, 2019 – \$78,848). The Company anticipates that it will require significant funds from either equity or debt financing for property exploration and to support general administrative expenses.

On June 1, 2018, the Company completed a share consolidation in which one (1) post-consolidated common share replaced two (2) pre-consolidated common shares. All information relating to basic and diluted loss per share, the weighted average number of common shares outstanding, the commitments to exploration and evaluation assets, the issued and outstanding common shares, common shares issued, share options, warrants, and the options issued to related parties have been adjusted retroactively to reflect the impact of the share consolidation in these consolidated financial statements.

As of the date of this report, there were 51,483,822 common shares, 4,887,500 options, and 15,650,000 warrants outstanding.

*Share Capital Transactions:*

Transactions after the three months ended August 31, 2019:

- i. On September 12, 2019, the Company issued 650,000 common shares valued at \$17,500 for the acquisition of exploration and evaluation assets.

During the three months ended August 31, 2019:

- i. On August 1, 2019, the Company issued 500,000 common shares valued at \$25,000 for the acquisition of exploration and evaluation assets.

During the year ended May 31, 2019:

- i. On June 1, 2018, the Company completed a share consolidation in which one (1) post-consolidated common share replaced two (2) pre-consolidated common shares. All current and comparative share capital amounts have been restated to account for the 2-for-1 share consolidation.
- ii. On October 24, 2018, the Company issued 300,000 common shares valued at \$15,000 for the acquisition of exploration and evaluation assets.
- iii. On October 25, 2018, the Company closed its first tranche of a non-brokered private placement financing for total gross proceeds of \$425,000. The Company issued 8,500,000 units (the “Units”) at a price of \$0.05 per Unit. Each Unit is comprised of one common share and one transferable warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to 18 months at a price of \$0.06 (amended from \$0.08 to \$0.06 on February 19, 2019 after Exchange approval).

In addition, the Company paid \$2,000 finders’ fees and issued 40,000 finders’ warrants (the “Finders Warrants”). Each Finders Warrant is exercisable into one common share for a period of up to 12 months at a price of \$0.05. The 40,000 Finders Warrants have an estimated fair value of \$548, which have been included in warrant reserve. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 1 year, volatility 149% risk-free rate 2.27%, dividend yield 0%.

- iv. On January 30, 2019, the Company issued 600,000 common shares valued at \$24,000 for the acquisition of exploration and evaluation assets.

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- v. On February 21, 2019, the Company issued 500,000 common shares valued at \$25,000 for the acquisition of exploration and evaluation assets.
- vi. On April 16, 2019, the Company issued 8,350,000 common shares valued at \$501,000 for the acquisition of exploration and evaluation assets.
- vii. On April 22, 2019, the Company issued 800,000 common shares valued at \$48,000 as the finder's fees for the acquisition of exploration and evaluation assets.
- viii. On May 28, 2019, the Company issued 7,110,000 units (the "Units") at a price of \$0.05 per Unit for gross proceeds of \$355,500. Each Unit is comprised of one common share and one transferable warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to eighteen months at a price of \$0.06.

*Stock options:*

During the three months ended August 31, 2019:

- i. During the three months ended August 31, 2019, 1,750,000 share options granted on July 17, 2019, which were exercisable for a period of two years at a price of \$0.05 per share. The fair value of \$38,157 was estimated using the Black-Scholes pricing model with estimated stock price of \$0.03, volatility 173.81%, risk-free rate 2.26%, dividend yield 0%, and expected life of two years.

During the year ended May 31, 2019:

- i. During the year ended May 31, 2019, 77,500 share options were expired unexercised, resulting in the transfer of \$18,620 from share-based payment reserve to deficit.
- ii. During the year ended May 31, 2019, 75,000 of the 100,000 share options granted on March 9, 2018 to a consultant, were vested. \$3,807 of the fair value of options has been expensed with a corresponding credit to share-based payment reserve.
- iii. On September 14, 2018, the Company granted 475,000 share options, which are exercisable for a period of five years, at a price of \$0.065 per share. The fair value of \$27,211 was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.06, volatility 178.45%, risk-free rate 2.26%, dividend yield 0%, and expected life of 5 years.
- iv. On November 8, 2018, the Company granted 750,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. The fair value of \$35,834 was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility 177.42%, risk-free rate 2.46%, dividend yield 0%, and expected life of 5 years.

*Warrants*

During the three months ended August 31, 2019:

No transaction was observed during the three months ended August 31, 2019.

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During the year ended May 31, 2019:

- i. During the year ended May 31, 2019, 10,028,063 warrants expired unexercised.
- ii. On October 25, 2018, the Company granted 8,500,000 warrants to investors and 40,000 finders' warrants to agents for the private placement closed on October 25, 2018.
- iii. On February 19, 2019, TSX-V approved the amendment in warrant price for 8,500,000 warrants, granted on October 25, 2018 and expired on April 25, 2020. The exercise price is changed from \$0.08 to \$0.06.
- iv. On May 28, 2019, the Company granted 7,110,000 share warrants, exercisable for \$0.06 per share warrant, to investors, which will expire on November 28, 2020.

For the three months ended August 31, 2019, the Company experienced a net decrease in its cash position by \$71,562 (August 31, 2018 – decreased by \$6,999). At August 31, 2019, the Company had a working capital deficit of \$511,763 (May 31, 2019 - \$395,799). Cash inflows consisted of funds provided by financing activities totaling \$69,631 (August 31, 2018 – \$82,500). Significant cash outflows consisted of the cash used in operating activities of \$141,167 for operations and consultants (August 31, 2018 – \$71,558) and the cash used in investing activities of \$26 on its projects (August 31, 2018 - \$17,941).

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

**OFF-BALANCE SHEET ARRANGEMENTS:**

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

**TRANSACTIONS WITH RELATED PARTIES AND EXECUTIVE COMPENSATION:**

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

Due to related parties:

	August 31, 2019	May 31, 2019
	- \$ -	- \$ -
Amount due to former CFO	-	5,219
	-	5,219

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Key management personal compensation

For the three months ended August 31, 2019 and 2018, the Company incurred the following amounts through transactions with directors of the Company:

	August 31, 2019	August 31, 2018
	- \$ -	- \$ -
Management fees	-	7,500
Consulting fees	7,500	6,000
	7,500	13,500

During the three months ended August 31, 2019 and 2018, in Company paid or accrued \$7,500 to a director of the Company (2018 - \$6,000) in consulting fees.

**FINANCIAL INSTRUMENTS:**

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The Company's financial instruments are comprised of cash, accounts payable, loans and due to related parties. The carrying value of cash and cash equivalents as presented in the statement of financial position is a reasonable estimate of its fair value.

Financial assets and liabilities measured at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value financial assets and liabilities are described below.

**Level 1 - Quoted Prices in Active Markets for Identical Assets**

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Cash is valued using quoted market prices in active markets. Accordingly, it is included in Level 1 of the fair value hierarchy.

**Level 2 - Significant Other Observable Inputs**

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. There are no items in Level 2 of the fair value hierarchy.

**Level 3 - Significant Unobservable Inputs**

Unobservable (supported by little or no market activity) prices. There are no items in Level 3 of the fair value hierarchy.

**Fair Values**

The following table outlines the Company's financial instruments measured at fair value by level with the fair value hierarchy described in Note 3. Assets and liabilities are classified based on the lowest level of input that is significant to the fair measurement.

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As at August 31, 2019 and May 31, 2019, the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
August 31, 2019				
Cash	7,286	-	-	7,286
May 31, 2019				
Cash	78,848	-	-	78,848

#### Financial Instrument Risks

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

a) Credit risk

The Company is exposed to credit concentration risk by holding cash. This risk is minimized by holding the investments in large Canadian financial institutions. The Company has no accounts receivable exposure.

b) Interest rate risk

The Company is exposed to minimal interest rate risk. Fluctuations in market interest rates do not have a significant impact on the Company's operations.

c) Market risk

The Company is exposed to market risk for fluctuating values of its publicly traded marketable securities and other company investments. The Company has no control over these fluctuations and does not hedge its investments.

d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at August 31, 2019, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at August 31, 2019, the Company had cash of \$7,286 (May 31, 2019 - \$78,848) and a working capital deficit of \$511,763 (May 31, 2019 - \$395,799). The Company may not be able to settle accounts payable of \$389,407 (May 31, 2019 - \$415,690) and loan payable of \$131,631 (May 31, 2019 - \$61,000) which fall due for payment within twelve months of the statement of financial position date.

e) Currency risk

Currency risk is the risk from fluctuations in foreign exchange rates and the degree of volatility of these rates. At August 31, 2019, the Company's cash is held in Canadian dollars and accordingly the Company's exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

#### LEGAL JUDGEMENT

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On June 8, 2015, Pacific Centre Leaseholds Limited (the "Landlord") filed a civil claim against the Company and three related companies for the unpaid lease payments and assessed damages pursuant to the amended lease agreements dated June 16, 2014. The assessed damages claimed by the Landlord for the breaches of the lease agreement are \$156,424 for arrears of rent prior to termination of the lease, \$70,316 for accelerated rent for December 2014, \$52,737 for accrued rent from April 2015 to July 2015, cost on a full indemnity basis, and accruing interest on the assessed amounts. The total amount claimed is \$279,477. As at February 28, 2019 and May 31, 2018, the Company accrued \$79,506 in connection with the outstanding amounts. In the Company's opinion, it will not be liable for the other related companies' portion of the amount claimed.

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**PROPOSED TRANSACTIONS**

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The Company has no proposed transactions.

**CRITICAL ACCOUNTING ESTIMATES**

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For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 3 of the Notes to the audited consolidated financial statements for the year ended May 31, 2019 and 2018 that are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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Detailed listing of exploration expenditures and a breakdown of general and administrative expenses are provided in the financial statements for the period ended August 31, 2019.

**OTHER MATTERS**

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**Commitments:**

Flow-through shares tax liabilities

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

The Company had Canadian Exploration Expenditure obligations of \$301,125 that was required to be fulfilled by December 2012. As the Company did not fulfill the expenditure obligation, Canada Revenue Agency ("CRA") assessed penalties in the amount of \$36,072. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling \$130,000 had previously been accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount of actual claims and penalties, if any, is contingent on future assessments of CRA.

The Company entered into Flow-through Share Subscription Agreements in the calendar year ended December 31, 2011 whereby it was committed to incur on or before December 31, 2012 a total of \$347,900 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada. The Company had Canadian Exploration Expenditure obligations of \$347,500 that was required to be fulfilled by December 31, 2012. CRA has assessed a penalty in the amount of \$37,935 related to Part XII.6 tax penalties on the unfulfilled commitments. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment.

An estimated amount totaling \$134,100 had been accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount actual claims and penalties, if any, is contingent on future assessments of CRA.

During the year ended May 31, 2018, the probability of settlement of the potential liability decreased sufficiently for the Company allowing it to derecognize the provision. As a result, the Company recognized additional recoveries of \$176,246. The Company may be required to settle this potential liability in the future. The outcome of the amount of actual claims, if any, is contingent on future assessments to the Company and its investors.

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

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In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer

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Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying MD&A.

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

## **RISKS**

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

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

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

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

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

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

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of the properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to its current properties that may result in material liability to the Company.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

## **DIRECTORS**

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

Current Directors of the Company are as follows:

Charles Desjardins, CEO, CFO

Doug McFaul, Former CFO

Glen MacDonald

Dave Bissoondatt

## **OUTLOOK**

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

## **ADDITIONAL INFORMATION**

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

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