

# Pacific Ridge Exploration Ltd.

## Management's Discussion and Analysis

### For the year ended December 31, 2016

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This management's discussion and analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("**Pacific Ridge**" or the "**Company**") is dated April 27, 2017 and provides an analysis of Pacific Ridge's financial results for the year ended December 31, 2016 ("**2016**") compared to those in prior year ended December 31, 2015 ("**2015**").

The following information should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016 and the related notes thereto. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts contained herein are in Canadian dollars, unless otherwise indicated.

The Company's shares are listed on the TSX Venture Exchange under the symbol "PEX". Additional information related to Pacific Ridge is available on the Company's website at [www.pacificridgeexploration.com](http://www.pacificridgeexploration.com) or on SEDAR at [www.sedar.com](http://www.sedar.com)

### Forward Looking Statements and Risk Factors

This MD&A contains forward-looking statements that are related to the Company's activities and future financial results. The results for the current periods are not necessarily indicative of the results for any future period. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance as the mineral exploration business is not without risk and most exploration projects will not become mines. The Company is subject to a number of risks and uncertainties due to the nature of its business and the early stage of its exploration projects. A detailed discussion of risks is presented at the end of this MD&A.

Pacific Ridge's disclosure of a technical or scientific nature has been reviewed and approved by Mr. Gerald G. Carlson, Ph.D., P. Eng., President and CEO of the Company, and a Qualified Person under the definition of National Instrument 43-101.

### Highlights

- June 17, 2016, at the Company's Annual General Meeting, Mr. John S. Brock retired from the board of directors after 40-year illustrious career with the Company. The Company thanks him for his leadership and significant contribution to the Company.
- In July 2016, MinQuest Limited notified the Company that it was terminating its option to earn an interest in the Company's Fyre Lake property.
- In August 2016, the Company announced that it had acquired options to earn a 100% interest, subject to varying royalties, in the TL Zinc project in British Columbia and the Poker Brown Gold project in Nevada.
- In August and October 2016, the Company completed a two-phase gravity survey on its TL Zinc property. The survey defined anomalous gravity readings that in some cases correlated with the large airborne conductivity anomaly.
- On September 14, 2016, the Company announced that it had reached an agreement to option out up to a 70% interest in its Mariposa gold project to Four Nines Gold Inc. ("**Four Nines**", formerly "Eureka Dome Gold Inc.").

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- In October, the Company completed a 3-D IP geophysical survey on the Poker Brown property that defined two chargeability targets that are potentially related to gold mineralization below the area of surface showings.
- On November 3, 2016, the Company closed an oversubscribed flow-through private placement for gross proceeds of \$434,600 by issuing 5,432,500 flow-through units. Each unit is priced at \$0.08 and consists of one common share and one half share purchase warrant exercisable at \$0.14 for 18 months.
- In December 2016, the Company completed a 2-hole 611-meter drill program on the TL Zinc property that tested the most easterly end of the airborne conductivity anomaly and found that it was caused by graphite. No significant zinc values were encountered.
- On December 28, the Company announced that it had agreed to option a 100% interest in its Fyre Lake Cu-Au-Co massive sulphide deposit to BMC Minerals (No. 1) Ltd. ("BMC") for either \$2.2 million under a one-year option or alternatively \$2.72 million under a two-year option. The agreement closed on January 18, 2017 with completion of the \$50,000 deposit and \$300,000 first option payment received in January 2017.
- On February 21, 2017, the Company announced that it had acquired an option to earn a 100% interest in the OGI Zinc prospect, located 50 km east of Dawson City, Yukon.
- On April 6, 2017, the Company completed a 6-hole 753-meter reverse circulation drill program at Poker Brown.

## Mineral Properties

### *TL Zinc*

The target at TL is a Broken Hill type or SEDEX (Sedimentary Exhalative) Zn-Pb-Ag massive sulfide deposit. The property is road accessible with nearby highways, electrical power grid and rail. Recently discovered massive to semi-massive sulphide float and outcrop containing sphalerite, pyrite and pyrrhotite assayed in the range of 1.08% to 18.87% Zn and an average of 4.96% Zn. Trenching encountered a zone of 7.16% Zn over 4 m. An airborne magnetic-electromagnetic survey defined a strong conductive layer, 4 km in length and approximately 100 to over 200 m wide. In 2012, 6 shallow holes (total 490 m) were drilled below the trenching. The drilling encountered a 10 to 13 m thick sulphide mineralized zone with zinc values ranging from less than 1% to 5%. Mineralization encountered in trenches and drilling is believed to be a peripheral mineralized horizon stratigraphically above or distal to the main exploration target.

In August and October, 2016, the Company completed a two-phase gravity survey on five lines transecting the conductor, totaling approximately 8 km. All five lines produced positive gravity anomalies in the 1 milligal range that correlate in part with the EM conductor. These results suggest the strong likelihood that the conductor and gravity anomalies are reflecting a sulphide mineralized horizon.

In early December 2016, the Company completed two drill holes for a total of 611 m at the eastern end of the main HELITEM electromagnetic conductor. Both holes intersected several zones of graphitic schist that appear to be the cause of the electromagnetic anomaly. A one milligal gravity anomaly at the first hole drilled was not explained by anything seen in the drill hole. No significant base or precious metal values were encountered. The program was terminated due to severe winter weather conditions. The drilling program cost approximately \$178,000.

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#### *Poker Brown*

Poker Brown is road accessible and located 190 km from Reno, Nevada. The target is a bulk tonnage, heap leachable gold deposit. Numerous gold mines and advanced projects are located within an 80 km radius of the property. Gold was first discovered in 1875 and a small amount of production from high grade quartz veins is recorded up to 1926. Little modern exploration has been carried out on the property.

The target includes a 1,200 by 600 m zone of alteration and gold enrichment, open to the east, south and west, that includes hydrothermally altered slate with an auriferous quartz-limonite veinlet stockwork. Grab samples from four east-northeast striking shears average 0.68 g/t Au and 60 g/t Ag with the 10 high-grade assays cut to 2.0 g/t Au and 200 g/t Ag. Grab samples from two north-northwest striking shears average 0.50 g/t Au and 52.5 g/t Ag.

A 200 m by 400 m sericite-clay-calcite altered hydrothermal breccia occurs at the west end of the prospect. Twenty-one breccia samples from pit dumps and float and average 0.34 g/t Au and 78 g/t Ag.

In October, 2016, the Company completed a five line, 6.5 km 3D IP survey over the property. The survey defined two chargeability anomalies. Anomaly A is greater than 500 m long and 200 m wide, with strong chargeability values ranging from 40 to over 50 ms (milliseconds) and is strongest at depths of over 150 m below surface, reflecting the probable maximum depth of oxidation. This anomaly underlies the main area of historical surface workings, including vein, breccia and stockwork mineralization, and the area of most intense alteration on the property as defined by recent mapping. Anomaly B is 1,000 m by 600 m in size and ranges from 20 to 35 ms. Located to the north of Anomaly A, it underlies a broad area of structurally controlled and stockwork gold mineralization and alteration. The chargeability anomalies are interpreted to be caused by disseminated pyrite mineralization, which is associated with gold and silver mineralization at Poker Brown.

On April 6, 2017, the Company completed a reverse circulation drill program of 753 m in 6 holes. Results of the program have yet to be announced. The drilling program cost approximately \$95,000.

#### *OGI Zinc*

On February 21, 2017, the Company announced that it had acquired an option to earn a 100% interest in the OGI Zinc prospect, located 50 km east of Dawson City, Yukon. Terms of the agreement involve making payments totaling \$225,000, issuing 1,000,000 shares and completing \$2.5 million in exploration over 5 years, with an initial payment of \$10,000 (paid) and issuance of 100,000 shares (issued). The Company must also issue 500,000 shares upon commencement of commercial production. The vendors retain a 2% NSR, half of which can be purchased for \$2 million.

The target at OGI is SEDEX style, stratabound Zn-Pb-Ag mineralization, similar to Howards Pass and many other zinc-rich base and precious metal occurrences within Yukon's Selwyn Basin. The soil anomaly, with values ranging from 500 to 5,780 parts per million Zn, is 1,000 m long and over 250 m wide and open in two directions. Other elements enriched in the soil anomaly include Ag, Pb, Ba, Mo, Ni, V, As and P. The bedrock source of the anomaly is unexplained, as there is no outcrop in the immediate area. A single piece of oxidized float assayed 3% Zn.

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The Company plans a program of prospecting, expansion of the soil geochemical grid and trenching, to be carried out early in the 2017 field season.

#### *Mariposa*

The Company completed a geological mapping and sampling program over the central part of the property in the third quarter of 2016.

On September 14, 2016, the Company announced that it had reached an agreement to option up to a 70% interest in Mariposa to Four Nines Gold Inc. ("Four Nines" – formerly Eureka Dome Gold Inc.). Under the terms of the agreement, Four Nines can earn a 51% interest in the property by making cash payments of \$200,000 (\$20,000 received), issuing 1,000,000 common shares and 150,000 common share purchase warrants and completing \$2,450,000 in exploration in staged annual increments by December 31, 2020. Four Nines will then have the option to increase its interest to 70% by making additional cash payments of \$200,000, issuing an additional 500,000 common shares and completing an additional \$2,500,000 in exploration by December 31, 2022. In addition, Four Nines must be listed on the TSX Venture Exchange or the Canadian Securities Exchange by May 31, 2017.

#### *Eureka Dome*

During the year 2016, the Company completed a geological mapping, prospecting and soil sampling survey on Eureka Dome, including the collection of 673 soil samples. Additional soil sampling is planned for 2017.

#### *Fyre Lake*

On July 19, 2016, the Company reported that MinQuest had terminated its option to acquire an interest in Fyre Lake.

On December 28, 2016, the Company announced that it had agreed to option a 100% interest in its Fyre Lake Cu-Au-Co massive sulphide deposit to BMC Minerals. BMC has paid a non-refundable deposit of \$25,000 (paid) and must pay an additional \$50,000 (paid) on the closing of the transaction. BMC has been granted two options effective as of the closing; the first, a one year option whereby, in order to maintain and exercise the option, it must pay the Company \$300,000 (paid) on closing and \$2,200,000 one year after closing, or the second, a two year option whereby, in order to maintain and exercise the option, it must pay the Company \$300,000 (paid) on closing, \$300,000 one year after closing and \$2,420,000 two years after closing. In addition, BMC has agreed to make a bonus payment of \$1,000,000 if and when BMC's Kudz Ze Kayah property has reached commercial production for one year.

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**Results of Operations**

The Company has not yet determined whether any of its resource properties contain mineral reserves that are economically recoverable. All direct costs associated with the exploration of these properties have been expensed as incurred.

During the year ended December 31, 2016, the Company recorded a net loss of \$598,117 as compared to a net income of \$253,186 in 2015. Income in 2015 was mainly due to a mineral royalty package sale that closed in June 2015 for gross proceeds of \$610,001 (US\$500,000).

Total general administration costs were increased by \$61,568. Excluding non-cash share-based payment, the increase is mainly due the higher professional fees related to the Fyre Lake farm-out option agreement with BMC.

With the proceeds from the flow-through financing and existing working capital, the Company conducted a two-phase gravity survey and drilling program for its TL Zinc property, completed a 3-D IP survey on the Poker Brown property, and surface evaluation on the Eureka Dome property resulting in a \$189,016 increase in exploration expenses.

Share-based payments were determined by the Black-Scholes option pricing model recognized over the vesting period of options based on each stock option grant. 728,000 stock options were granted in 2016 with an exercise price of \$0.08. 868,000 options were granted on Feb 2, 2015 at an exercise price of \$0.05.

The carrying values of the Company's mineral properties are reviewed by management quarterly, or when events or circumstances indicate that a carrying amount may not be recovered. The potential impairment indicators include but are not limited to the amount of work performed on the property, results of exploration to date, and plans or budgeting for the future exploration. As of December 31, 2016, no impairment was recorded (2015 - \$23,734 – the Sophie property was written down to nil).

A summary of comparative administrative and other expenses for 2016 and 2015 is provided in the table below:

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	Year end December 31,		Increase
	2016	2015	(decrease)
<b>Administrative expenses</b>	\$	\$	\$
Insurance	5,000	5,000	-
Professional and consulting fees	78,209	60,159	18,050
Management and administrative services	53,575	59,748	(6,173)
Office operations and facilities	61,400	57,061	4,339
Investor relations	15,203	6,046	9,157
Share-based payments	47,757	18,103	29,654
Transfer agent and regulatory fees	25,719	19,178	6,541
	286,863	225,295	61,568
<b>Other expenses (income)</b>			
Exploration and evaluation costs	366,545	177,529	189,016
Sale of mineral property royalties	-	(508,200)	508,200
(Gain) loss on sale of marketable securities	(10,936)	1,887	(12,823)
Government grant	(19,355)	(40,000)	20,645
Property option payment	(25,000)	(185,000)	160,000
Impairment of marketable securities	-	51,569	(51,569)
Impairment of resource properties	-	23,734	(23,734)
	311,254	(478,481)	789,735
<b>Total expenditures and expenses</b>	<b>(598,117)</b>	<b>253,186</b>	<b>851,303</b>

**Selected Annual Information**

Selected annual information from the Company's three most recently completed financial years is listed as below:

	2016	2015	2014
	\$	\$	\$
Total income	-	508,200	-
Net income (loss) for the year	(598,117)	253,186	(417,042)
Basic and diluted income (loss) per share	(0.02)	0.01	(0.02)
Total assets	1,282,631	1,129,161	853,519
Long-term financial liabilities	-	-	-
Cash dividends declared	-	-	-

**Fourth quarter ended December 31, 2016**

In the three months ended December 31, 2016, the Company closed a non-brokered flow-through private placement for gross proceeds of \$434,600. The Company also received a \$19,355 government grant from the Yukon.

A \$43,544 increase in professional fees is due to the legal fees related to the optioning of Fyre Lake to BMC and year-end audit fees. The \$158,771 increase in exploration is due mainly to the drilling program on the TL Zinc project.

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	Three months end December 31,		Increase (decrease)
	2016	2015	
<b>Administrative expenses</b>	\$	\$	\$
Insurance	-	-	-
Professional and consulting fees	52,594	9,050	43,544
Management and administrative services	15,425	17,731	(2,306)
Office operations and facilities	18,733	13,836	4,897
Investor relations	3,660	661	2,999
Share-based payments	31,917	-	31,917
Transfer agent and regulatory fees	3,411	952	2,459
	125,740	42,230	83,510
<b>Other expenses (income)</b>			
Exploration and evaluation costs	204,687	45,916	158,771
Sale of mineral property royalties	-	-	-
(Gain) loss on sale of marketable securities	(10,936)	1,887	(12,823)
Government grant	(19,355)	(40,000)	20,645
Property option payment	(25,000)	-	(25,000)
Impairment of marketable securities	-	51,569	(51,569)
Impairment of resource properties	-	23,734	(23,734)
	73,972	83,106	(9,134)
<b>Total expenditures and expenses</b>	<b>(199,712)</b>	<b>(125,336)</b>	<b>\$ (92,644)</b>

**Summary of Quarterly Results**

The following table sets forth a comparison of information for the previous eight quarters ending with December 31, 2016:

	December 31,	September 30,	June 30,	March 31,
	2016	2016	2016	2016
	\$	\$	\$	\$
Total income	-	-	-	-
General and administration	(93,823)	(53,011)	(53,747)	(38,525)
Exploration and evaluation costs	(204,687)	(143,022)	(8,100)	(10,736)
Gain on sale of marketable securities	10,936	-	-	-
Impairments	-	-	-	-
Government grant	19,355	-	-	-
Property option payment	25,000	-	-	-
Share-based payments	(31,917)	(15,840)	-	-
Net loss for the period	(275,136)	(211,873)	(61,847)	(49,261)
Basic and diluted loss per share	(0.01)	(0.01)	(0.00)	(0.00)

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	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
	\$	\$	\$	\$
Total income	-	-	508,200	-
General and administration	(42,232)	(72,630)	(46,523)	(45,807)
Exploration and evaluation costs	(45,916)	(114,813)	(7,500)	(9,300)
Loss on sale of marketable securities	(1,887)	-	-	-
Impairment	(75,303)	-	-	-
Government grant	40,000	-	-	-
Property option payment	-	185,000	-	-
Share-based payments	-	-	-	(18,103)
Net (loss) income for the period	(125,338)	(2,443)	454,177	(73,210)
Basic (loss) income per share	(0.01)	(0.00)	0.02	(0.00)

**Quarterly Information Trends**

The Company's results have been largely driven by the level of its property holding costs, exploration activities and recoveries from partners. The Company has had no revenue from mining operations since its inception other than from disposal its assets and mineral royalties. Major variations in costs are summarized below:

- The gain or loss on disposal of mineral properties is dependent on the negotiated sales proceeds and can vary significantly from property to property.
- General exploration expenditures can vary from quarter to quarter depending on the stages and priorities of the exploration program and the availability of funds.
- Share-based payments can vary widely from quarter to quarter based on the timing, amount and tenure of stock option awards.

**Liquidity and Capital Resources**

The Company is dependent on raising funds by the issuance of shares or disposition of interests in resource properties in order to finance further acquisitions, undertake exploration and meet general and administrative expenses. As at April 27, 2017, the Company has cash on hand of approximately \$630,000.

During the year 2016, the Company raised \$434,600 flow-through financing, received \$71,672 as proceeds from the exercise of warrants, received \$35,000 from an option payment and from a deposit, received \$125,041 as gross proceeds from the sale of marketable securities, and the receipt of a \$19,355 government grant.

Cash used in operating activities was \$407,891 (2015 - \$356,033), plus \$33,764 in acquisition costs for TL Zinc and Poker Brown.

The Company believes it has sufficient cash to sustain its operations in the next 12 months. The longer-term ability of the Company to continue its business is dependent on the continuing success of its



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exploration programs coupled with available funding through sale of its share capital, funding from a joint venture partner or disposition of property interests.

#### **Outstanding Share Data**

As at April 27, 2017, the Company has

- a) 31,023,384 common shares issued and outstanding;
- b) 2,791,500 stock options outstanding and exercisable at a weighted exercise price of \$0.10; and
- c) 2,815,250 warrants outstanding exercisable at \$0.14 until May 3, 2018.

#### **Off-Balance Sheet Arrangements**

None

#### **Proposed Transactions**

None

#### **Changes in Accounting Policies**

The Company has not made any changes to its significant accounting policies, as described within Note 2, of its financial statements during the year ended December 31, 2016. Certain requirements were issued by the IASB that are mandatory for annual years beginning on or after January 1, 2018. These changes have not yet been early adopted and have been evaluated to have no major impact on the Company.

#### **Risk Factors**

The Company is subject to a number of risks due to the nature of its business and the present stage of explorations. The following factors should be considered:

##### *Mineral Exploration and Development*

The Company's properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Company's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in the discovery of a body of commercial ore on any of its properties. Several years may pass between the discovery and the development of commercial mineable mineralized deposits. Most exploration projects do not result in the discovery of commercially mineralized deposits.

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#### *Trends*

The Company's financial success is dependent upon the discovery of mineral resources which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as market value of the products produced and availability of capital from the public market place. Other than as disclosed herein, the company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's results or financial position.

#### *Operating Hazards and Risks*

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in any of which events the Company could incur significant costs that could have a material adverse effect upon its financial condition.

#### *Economics of Developing Mineral Properties*

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operation or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

#### *Environmental Factors*

The Company conducts exploration activities in various parts of Canada and has previously conducted exploration activity within the United States. Such activities are subject to various laws, rules and regulations governing the protection of the environment, including, in some cases, posting of reclamation bonds. Extensive environmental legislation has been enacted in Canada by federal, provincial and territorial governments and in the United States by federal and state governments. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement,

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increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the Company's properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of the properties held or formerly worked by the Company. The approval of new mines in Canada is subject to detailed review through a clearly established public hearing process, pursuant to both the Federal Canadian Environmental Assessment Act and the provincial and territorial Environmental Review Agencies. Further, under such review process, there is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. Failure to comply with the legislation may have serious consequences. Orders may be issued requiring operations to cease or be curtailed or requiring installation of additional facilities or equipment. Violators may be required to compensate those suffering loss or damage by reason of its mining activities and may be fined if convicted of an offense under such legislation.

Canadian provincial and territorial state mining legislation establishes requirements for the decommissioning, reclamation and rehabilitation of mining properties in a state of temporary or permanent closure. Such closure requirements relate to the protection and restoration of the environment and the protection of the public safety. Some former mining properties must be managed for long periods of time following closure in order to fulfill closure requirements. The costs of closure of mining properties, and, in particular, the cost of long term management of mining properties can be substantial. The Company intends to progressively rehabilitate its mining properties during their period of operation, should any properties become operational, so as to reduce the cost of fulfilling closure requirements after the termination or suspension of production.

The Company has adopted environmental practices designed to ensure that it continues to comply with or exceeds all environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. The Company is currently engaged in exploration with minimal environmental impact.

#### *Title*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties. Before a number of claims under option can be recorded in the Company's name, the underlying title holder has to assign title to the Company once the Company satisfies its option agreement obligations. There are no assurances that the underlying title holder will assign title. Land may be transferred by the State to businesses and citizens for possession and use based on leases.

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#### *Canadian Aboriginal Land Claims*

Canadian Aboriginal rights may be claimed on properties or other types of tenure with respect to which mining rights have been conferred. The Company is aware of the mutual benefits afforded by cooperative relationships with indigenous people in conducting exploration activity and is generally supportive of measures established to achieve such cooperation. While there is, to the Company's knowledge, no specific existing claim in respect of any of its properties, the advent of any future aboriginal land claims and the outcome of any aboriginal land claims negotiations or related issues cannot be predicted.

#### *Competition and Agreements with Other Parties*

The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of resource acquisition opportunities and as a result, the Company may be unable to acquire attractive mining properties on terms it considers acceptable. The Company competes with other companies that may have substantially greater financial resources than the Company. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

#### *Governmental Regulation*

Operations, development and exploration on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with Company policy, government regulations, and maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on Crown Mineral land or to stake a claim) in any Canadian province or territory in which it is carrying out work. Mineral exploration primarily falls under provincial or state jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdictions, such as the Fish and Wildlife Act in Canada and the Environmental Protection Agency in the United States.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

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#### *Metals Prices*

The Company's revenues, if any, and ability to attract equity financing is expected to be in large part derived from the discovery of mineral properties and the sale of minerals contained or interests related thereto. The price of those commodities has fluctuated widely, particularly in the last three years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and other and inventory carrying costs. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations, cannot accurately be predicted.

#### *Management and Directors*

The Company is dependent on its key management personnel. Loss of the key person could have an adverse effect on the Company. The Company does not maintain "key-man" insurance in respect of any of its management.

#### *Conflicts of Interest*

Certain of the Directors and Officers of the Company are also in their personal capacities, or as Directors or Officers of other companies, engaged in mineral exploration and development. Accordingly, exploration opportunities or prospects of which they become aware may not necessarily be made available to the Company. The Directors and Officers intend to allocate opportunities or prospects from time to time on the basis of prudent business judgment. The Directors are required by law to act honestly and in good faith with a view to the best interest of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a Director for the approval of such transaction.

#### *Price Fluctuations: Share Price Volatility*

In recent years, the international securities markets have experienced high levels of price and volume volatility, and the market prices of securities of many mineral exploration companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that the continual fluctuations in market price will not occur which may impact the Company's market capitalization as well as its ability to facilitate equity financing.

#### *Legal Proceedings*

As at December 31, 2016 and the date of this document, there were no legal proceedings against or by the Company.