

Pacific Ridge Exploration Ltd.
Management's Discussion and Analysis
For the six months ended June 30, 2012

This management's discussion and analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("Pacific Ridge" or the "Company") is dated August 21, 2012 and provides an analysis of Pacific Ridge's financial results for the six months ended June 30, 2012 ("2012") compared to the same period in 2011 year ("2011").

The following information should be read in conjunction with the Company's audited financial statements for the years ended December 31, 2011 and the condensed interim financial statements for the six months ended June 30, 2012, together with the related notes thereto. The Company reports its financial position, financial performance and cash flows in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's audited financial statements for the year ended December 31, 2011. 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 or on SEDAR at www.sedar.com.

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 present stage of explorations. Please refer to a detailed discussion of risks in the Company's MD&A for the year ended December 31, 2011, and there have been no changes for the risks and uncertainties since December 31, 2011.

Pacific Ridge's disclosure of a technical or scientific nature has been reviewed by Janice Fingler, P.Geol., Qualified Person under the definition of National Instrument 43-101.

Results of Operations

During the six months ended June 30, 2012, the Company finalized plans for its 2012 exploration program with the majority of field work to be directed to the Mariposa Gold Project located in Yukon's White Gold District. The 2012 phase I exploration program, currently budgeted at \$2 million, and includes up to 2,500 metres of drilling. Exploration activity had been underway since early June and diamond drilling at Mariposa commenced during the second week of July.

Exploration this season is being concentrated mainly within the in Mariposa's, Skookum Main zone, where last year's 18 holes were drilled, with 14 holes intersecting gold values. The best drill intersection contained 2.44 grams per tonne (g/t) gold over 38.9 metres. During the preparation for a second year of drilling at Skookum Main, additional drill target enhancement and definition included trenching, pitting, and magnetic surveys have been carried out. This year's drilling includes fill-in holes to define continuity of gold mineralization, as well as step-out holes to test potential extensions of the three-square-kilometer Skookum Main gold zone.

The yet-to-be drill tested Big Alex zone, located west of Skookum Main is comprised of a one-kilometer-long gold-in-soil anomaly, within which bedrock grab samples assay to 3 g/t gold. Initial drilling is planned for this season.

With less than 30% of the 262-square-kilometre Mariposa property having seen exploration to date by Pacific Ridge, the newly recognized Alberta Creek zone is also seeing exploration this season. Alberta Creek is

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located about ten kilometers southeast of Skookum Main. The Alberta Creek target is comprised of open-ended gold-in-soil anomalies discovered last season. Additional soil sampling and magnetic surveys carried out this year have been directed to further definition of potential drill targets.

Looking forward, drilling results will be reported during the latter part of August upon completion of this season's first phase drilling program. With poor market conditions forecast to continue through the balance of this year, exploration expenditures are not contemplated at this time on other projects held by the Company.

As of August 21, 2012, the Company has approximately \$1.3 million in its treasury, of which amount \$152,630 is related to flow through funds which must be expended this year.

As of June 30, 2012, total accumulated exploration and evaluation costs were listed below:

Resource Properties	Balance	Additions			Balance
	December 31, 2011	Q1	Q2	Total additions	June 30, 2012
Mariposa	\$ 4,586,752	\$ 118,582	\$ 428,904	\$ 547,486	\$ 5,134,238
Other properties	542,743	10,097	9,053	19,150	561,893
General exploration	191,106	7,403	3,209	10,612	201,718
Total	\$ 5,320,601	\$ 136,082	\$ 441,166	\$ 577,248	\$ 5,897,849

General, Administration and Corporate

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 six months ended June 30, 2012, the Company had a net loss of \$933,614 or \$0.01 loss per share, as compared to net loss of \$1,609,787 or \$0.03 loss per share in 2011. To reserve cash, the Company has reduced its general administration and corporate activities, and focus on exploration program in its Mariposa property only.

A summary of comparative administrative and other expenses for 2012 and 2011 is provided in the table below with an analysis for the major changes. Due to the weather condition in Yukon, the company is limited to carry out its exploration programs during the period from May to September, when most exploration expenditures are incurred.

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	Six months ended June 30,		Increase
	2012	2011	(decrease)
Administrative expenses			
Depreciation	\$ 5,793	\$ 8,276	\$ (2,483)
Insurance	26,152	23,190	2,962
Professional fees	23,225	16,974	6,251
Management and administrative services	84,266	84,034	232
Office operations and facilities	54,217	60,683	(6,466)
Investor relations	100,196	137,051	(36,855)
Share-based payments	59,927	149,863	(89,936)
Transfer agent and regulatory fees	17,358	23,521	(6,163)
	371,134	503,592	(132,458)
Other expenses (income)			
Exploration and evaluation costs	577,248	1,129,350	(552,102)
Interest	(14,768)	(8,266)	(6,502)
Government grant	-	(14,889)	14,889
	562,480	1,106,195	(543,715)
Total expenditures and expenses	\$ (933,614)	\$ (1,609,787)	\$ (676,173)

- Exploration and evaluation costs decreased by \$552,102 from \$1,129,350 in 2011 to \$577,248 in 2012 due to the first time preparation of drilling associated with Mariposa incurred in 2011.
- Investor relations decreased by \$36,855 from \$137,051 in 2011 to \$100,196 in 2012 reflecting the Company's effort to reserve cash and remain lean operation activities.
- The Company renewed its Directors' and Officer's insurance and general commercial liability same coverage in April 2012.
- Share-based payments decreased by \$89,936 from \$149,863 in 2011 to \$59,927 in 2012. The values of share-based payments were determined by the Black-Scholes option pricing model recognized over the vesting period of options.
- In 2011, the Company received \$14,889 from Yukon Government related to its Mariposa Gold Project in Yukon.

Summary of Quarterly Results

The following table sets forth a comparison of information for the previous eight quarters ending with June 30, 2012:

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	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Total revenue	\$ -	\$ -	\$ -	\$ -
Interest income	6,209	8,559	5,968	11,594
General and administration	(169,679)	(141,528)	(158,209)	(142,962)
Exploration and evaluation costs	(441,166)	(136,082)	(339,210)	(1,959,787)
Gain on sale of property	-	-	125,221	-
Share-based payments	(41,552)	(18,375)	(44,270)	(89,164)
Impairment	-	-	(96,000)	-
Net loss for the period	\$ (646,188)	\$ (287,426)	\$ (506,500)	\$ (2,180,319)
Basic and diluted loss per share	\$ (0.01)	\$ -	\$ (0.01)	\$ (0.04)

	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Total revenue	\$ -	\$ -	\$ -	\$ -
Interest income (expenses)	4,058	4,208	904	3,759
General and administration	(184,047)	(169,682)	(153,720)	(112,817)
Exploration and evaluation costs	(933,192)	(196,158)	(209,436)	(899,512)
Impairment	-	-	1	-
Share-based payments	(28,889)	(120,974)	37,086	-
Mining tax credit and government grant	-	14,889	85,380	-
Net loss for the period	\$ (1,142,070)	\$ (467,717)	\$ (239,785)	\$ (1,008,570)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.03)

Liquidity and Capital Resources

The Company is dependent on raising funds by the issuance of shares or subsequent disposition of interests in resource properties it may own or otherwise acquire in order to finance further acquisitions, undertake exploration of other resource properties and meet general and administrative expenses in the immediate and long term.

As at June 30, 2012, the Company had cash and cash equivalents of \$2,930,714 (\$1,333,314 related to flow-through) and a working capital of \$2,835,921. To continue to explore its properties in Yukon, the Company may have to raise additional equity or from potential strategic partnerships.

Off-Balance Sheet Arrangements

None

Proposed Transactions

None

Outstanding Share Data

As at August 21, 2012, the Company had 70,164,936 common shares issued and outstanding, 4,025,000 stock options were outstanding and 3,137,500 options were exercisable at a weighted exercise price of \$0.21 and \$0.22, respectively. 456,247 warrants were outstanding at an exercise price of \$0.14 expiring on December 28, 2012.

Disclosure Controls and Procedures

Current securities policies in Canada require that management of the Company certifies that it has assessed the effectiveness of the Company's disclosure controls and procedures at period ends. Management has concluded that the disclosure controls as at June 30, 2012 were effective in ensuring that all material information required to be filed had been provided to it in a timely manner, and that the information was recorded, processed and reported within the time period necessary to prepare the filings.

The Company continues to review and assess its internal control over financial reporting. There were no significant changes made to internal controls over financial reporting during the period ended June 30, 2012.

Forward Looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, which address future production, reserve potential, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance, that the Company expressly disclaims any responsibility for revising or expanding the forward-looking statements to reflect actual results or developments, and that actual results or developments may differ materially from those projected, in the forward-looking statements.