

**Pacific Ridge Exploration Ltd.**  
**Management's Discussion and Analysis**  
**For the three and nine months ended September 30, 2011**

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This management's discussion and analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("Pacific Ridge" or the "Company") is dated November 21, 2011 and provides an analysis of Pacific Ridge's financial results for the three and nine months ended September 30, 2011 ("2011") compared to the same period in previous year ("2010").

The following information should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2010 and the unaudited condensed interim financial statements for the three and nine months ended September 30, 2011, together with the related notes thereto. The Company reports its financial position, results of operations and cash flows in Canadian dollars, unless otherwise indicated.

As of January 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS") for its year ending December 31, 2011 and IFRS 1, First-time Adoption of IFRS. The condensed interim financial statements for the nine months ended September 30, 2011, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), and using accounting policies consistent with IFRS, accordingly they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB"). Readers of this MD&A should refer to "Transition to IFRS" below for a discussion of IFRS and its effect on the Company's financial presentation.

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).

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, 2010.

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

## **Results of Operations**

The Company's 2011 exploration activities in the field have been completed. Some analytical results at this time of writing remain pending and data compilation is underway. The focus of this year's work was advancement of its 100% owned, subject to terms on option agreement, Mariposa gold property in the Yukon's White Gold District. The phase 1 program was initially budgeted at \$3 million to include 4,000 metres of drilling, with initial encouraging results; the budget was expanded to \$3.6 million to include 6,000 metres of diamond drilling and the collection of approximately 9,000 soil samples. In addition, airborne and ground geophysical surveys and focused prospecting was completed within selected areas of the property.

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Initial exploration on the Eureka Property was also completed during the quarter. Property wide soil sampling was completed along topographic ridges, spurs and selected contours. In addition, the company has agreed to acquire the data for an airborne magnetic and radiometric survey that was flown over a portion of the property. This data was collected by Precision Geosurveys as overflights during surveys completed by flanking property holders.

***Mariposa Gold Project, Yukon***

With less than 20% of the now 26,200 hectare property explored during 2010, the results of the initial 3,000 soil samples collected on the Mariposa soil grid successfully identified six gold and multi-element anomalies, among which the Skookum Jim anomaly is the largest.

The 3,500 metre long x 600 metre wide Skookum Jim gold-in-soil anomaly is to date, the most prominent gold trend on the Mariposa property. A compilation of airborne magnetic, soil and trenching results indicates that in the trenched area of this geochemical anomaly, there is a strong spatial correlation of converging linear magnetic lows with elevated soil results ranging from 100 to 1,570 ppb gold. These geophysical and geochemical trends correspond with trench exposures of strongly fractured, brecciated and oxidized rock which returned results of up to 1.25 g/t gold over 30 metres. A strongly oxidized hematitic rock sample in the trenching area also returned 8.1 g/t gold.

During this quarter, the planned 2011 exploration activities in the field were completed, and positive results warranted expansion of both the drilling and soil geochemical programs. The results of the 2010 soil geochemical and 2011 geophysical surveys were used as primary targeting tools to identify geologic structures with potential to host lode gold mineralization. A preliminary interpretation of these results suggests that the Mariposa grid area lies within a major, 3 kilometre wide east-northeast trending structural corridor of converging arrays of more discrete northeast, northwest and north-south trending structures. Gold-in-soil anomalism appears to coincide with several of the interpreted structures.

With the expansion of the soil geochemical program, samples were collected as infill and extensions to the 2010 Mariposa grid area and also as reconnaissance contour, ridge and spur samples in the Steven's Creek and Lou Linear areas. Grid sampling was also initiated in the Alberta Creek area, to follow up on 2010 reconnaissance 2010 gold-in-soil results (to 100 ppb) in an area of oxidized float. This area was added to the Mariposa claim group late in 2010 and has not seen prior exploration. Sampling of the Ah soil horizon was also completed on the north facing, permafrost slope of the Skookum Jim anomaly, since permafrost in this area prevented collection of deep auger C horizon samples. The highly anomalous gold results (to 323 ppb) obtained from silt samples in creeks draining this slope suggest the area is prospective to host gold mineralization. To date, approximately 65% of the geochemical results from these areas have been received and compilation is underway.

The diamond drill rig mobilized to the property on June 18<sup>th</sup>, and drilling continued until September 15<sup>th</sup>. During this time, a total of 6012 metres was drilled in 41 holes. The program included 18 holes (3005 m) testing the Skookum Main area, 14 holes (1671 m) in the Skookum West area, 4 holes (754 m) in the Maisy May area, 3 holes (282 m) in the Gertie area, and 2 holes (299 m) in the Hackly area.

In the Skookum Main area, exploration activities during 2011 included diamond drilling, ground geophysical surveys and infill soil sampling. Helicopter supported drilling was carried out an approximate 600 x 250 metre portion of 3.5 km long Skookum Jim gold-in-soil trend, in the area of 2010 trenching and

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coincident magnetic low responses. The results compiled to date indicate the program was successful in identifying a broad gold bearing system.

***Skookum Main***

- Initial 15 of 18 holes drilled in Skookum Main target intersect gold mineralization in steeping dipping brittle structures.
- Visible gold documented both near surface (hole 11MP-01) and at depth (hole 11MP-27), beyond the extent of oxidation.
- Magnetic lows and strong gold-in-soil anomalism coincide with widespread altered bedrock with sericite, alkali feldspar and quartz as veins and breccias.
- Infill soil results are consistently strong (>100 ppb gold), and range up to 1.9 g/t gold. Preliminary results indicate anomalism extending to both the north and east.
- Drill results include:

<b>11MP-01</b>	<b>2.44 g/t gold over 38.9 m</b>
<b>11MP-01</b>	<b>2.59 g/t gold over 9.6 m</b>
<b>including</b>	<b>6.51 g/t gold over 3.2 m</b>
<b>11MP-05</b>	<b>1.13 g/t gold over 19.8 m</b>
<b>11MP-06</b>	<b>0.63 g/t gold over 45.1 m</b>
<b>11MP-08</b>	<b>1.67 g/t gold over 12.0 m</b>
<b>11MP-27</b>	<b>1.96 g/t gold over 4.7 m</b>

***Skookum West***

- Infill soil results identified a minimum 1.5 km long trend defined by >50 ppb gold, to a peak result of 514 ppb. Results are pending to fully define the extent of this anomaly.
- Detailed prospecting located anomalous gold in float samples, up to 19.9 g/t gold.
- Diamond drilling results will be reported during the fourth Quarter.

**SKOOKUM MAIN**

In the Skookum Main area, exploration activities during 2011 included diamond drilling, ground geophysical surveys and infill soil sampling. Helicopter supported drilling tested an approximate 600 x 250 metre portion of 3.5 km long Skookum Jim gold-in-soil trend, in the area of 2010 trenching. A total of 3005 metres was drilled in 18 holes. The initial Phase 1 drill targets were based on 2010 trenching results, with subsequent holes testing a combination of soil, trench and geophysical results. Phase 2 drill holes (11MP-22 to -30), were planned to both infill and to test the edges of the airborne magnetic low. Drill results were reported on July 27, 2011 and September 27, 2011.

Results compiled to date indicate the program was successful in identifying a broad gold bearing system in bedrock that is closely coincident with a magnetic low response and strong gold-in-soil anomalism.

A complete compilation of results is in progress, to further assess the geometry of the gold bearing structures all of which will be more fully reported during the fourth Quarter.

## **SKOOKUM WEST**

In the Skookum West area, a total of 1672 metres was drilled in 14 holes. The targets included a combination of geophysical lineaments, locally elevated gold-in-soil results, and rock sample results (angular float) of up to 19.9 g/t gold. Targets were tested by either individual or a series (2-3) of holes that also obtained additional information about underlying geological and structural trends in areas of poor rock exposure. Drilling tested an east-northeast trending magnetic break with 6 widely spaced holes over a 700 metre distance.

## **MAISY MAY, GERTIE and HACKLEY**

At Maisy May, 4 holes were drilled (774 metres) to test a broad multi-element soil geochemical anomaly with elevated gold, silver, antimony, and mercury values. The drill results identified minor, narrow sections with anomalous (>100 ppb) gold, to a high of 2.2 g/t gold for an individual sample in hole 11MP-16. The holes intersected a section of variably oxidized, quartz-sericite-chlorite +/-pyrite schist, which may be an older, pre-existing alteration zone unrelated to the soil anomaly. The source of the soil anomaly has not yet been determined.

No significant results were returned from 3 holes (774 metres) drilled at Gertie, and 2 holes (300 metres) drilled at Hackley Gold. The first 2 holes, 11MP-17 and -18, in the Gertie area were abandoned due to poor ground conditions and failed to reach the target depth. On-going exploration in 2012 in these areas will require more detailed field evaluations and trenching prior to additional drilling.

## ***Baker Basin Uranium Project, Nunavut***

The Company owns a 100% interest in the Baker Basin Project subject to an underlying agreement with Kivalliq Energy ("Kivalliq") wherein Kivalliq has the option to back in to a 20% working interest when a prefeasibility study may be produced. With key claims in good standing until 2014, the Company plans no immediate further work at Baker Basin.

The Company will consider the option of Baker Basin to an industry partner active in the uranium sector.

## ***Fyre Lake Massive Sulphide Project, Yukon***

With the recent higher price of copper, the Company plans to re-evaluate its 100% owned Fyre Lake project. From the results of diamond drilling conducted during 1996-1997, the Company outlined a NI 43-101 compliant mineral resource in 2006 for the project which remains open to expansion. In addition, there is further exploration potential on the property, where coincident magnetic and electromagnetic geophysical anomalies remain to be drill tested.

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As of September 30, 2011, total accumulated exploration and evaluation costs, other than general exploration item, were listed below:

Resource Properties	Balance	Additions			Total	Balance
	January 1, 2011	Q1	Q2	Q3	additions	September 30, 2011
Mariposa	\$ 1,352,956	\$ 185,625	\$ 930,543	\$ 1,817,804	\$ 2,933,972	\$ 4,286,928
Other properties	359,054	115	1,400	114,570	116,085	475,139
General exploration	-	10,418	1,249	27,413	39,080	39,080
<b>Total</b>	<b>\$ 1,712,010</b>	<b>\$ 196,158</b>	<b>\$ 933,192</b>	<b>\$ 1,959,787</b>	<b>\$ 3,089,137</b>	<b>\$ 4,801,147</b>

***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 nine months ended September 30, 2011, the Company had a net loss of \$3,790,106, or \$0.07 loss per share, as compared to net loss of \$1,833,885 or \$0.07 loss per share in 2010. The Company incurred higher exploration and evaluation costs and higher investor communication expenses in 2011, the increase was partially offset by government grant received and higher interest income.

A summary of comparative administrative and other expenses for 2011 and 2010 is provided in the table below with an analysis for the major changes in the nine months ended September 30<sup>th</sup>. 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. Other than that, there are no significant activities that have been taken place in the three months ended September 30, 2011 which have not be discussed below:

	Nine months end September 30,		Increase
	2011	2010	(decrease)
<b>Administrative expenses</b>			
Depreciation	\$ 12,414	\$ 6,417	\$ 5,997
Insurance	25,026	15,915	9,111
Professional fees	36,746	29,921	6,825
Management and administrative services	86,657	87,881	(1,224)
Office operations and facilities	89,539	90,738	(1,199)
Investor relations	211,248	66,735	144,513
Transfer agent and regulatory fees	35,061	25,302	9,759
	496,691	322,909	173,782
<b>Other (expenses) and income</b>			
Exploration and evaluation costs	(3,089,137)	(1,258,510)	(1,830,627)
Impairment	-	(54,571)	54,571
Interest	19,860	(1,301)	21,161
Government grant	14,889	-	14,889
Share-based payments	(239,027)	(196,594)	(42,433)
	(3,293,415)	(1,510,976)	(1,782,439)
<b>Total expenditures and expenses</b>	<b>\$ (3,790,106)</b>	<b>\$ (1,833,885)</b>	<b>\$ (1,956,221)</b>

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- Exploration and evaluation costs increased by \$1,830,627 from \$1,258,510 in 2010 to \$3,089,137 in 2011 reflecting the Company's drilling program in Mariposa property;
- Investor relations increased by \$144,513 from \$66,735 in 2010 to \$211,248 in 2011 reflecting the Company's effort to expand its profile to the investment community. The Company entered into a consulting agreement with G2 Consultants Corp. to provide financial public relations services at an annual fee of \$80,000. The agreement has a twelve month term commencing on November 15, 2010 and expired on November 14, 2011;
- Transfer agent and regulatory fees increased by \$9,759 from \$25,302 in 2010 to \$35,061 in 2011. The higher fees in 2011 was mainly due to transfer agent fees associated with higher volume of share purchase warrants exercised in the current period;
- Share-based payments increased by \$42,433 from \$196,594 in 2010 to \$239,027 in 2011. 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.
- In 2010, the Company abandoned its Tumbler Ridge and Wapiti properties and recorded \$54,571 impairment due to lack of exploration merit of these properties.

### Summary of Quarterly Results

The following table sets forth a comparison of information for the previous eight quarters ending with September 30, 2011. The three quarters in 2011 and 2010 are presented using IFRS; all other quarters are presented under Canadian GAAP.

	September 30,		June 30,		March 31,		December 31,	
	2011		2011		2011		2010	
Total revenue	\$	-	\$	-	\$	-	\$	-
Interest income (expenses)		11,594		4,058		4,208		(3,053)
General and administration		(142,962)		(184,047)		(169,682)		(147,544)
Exploration and evaluation costs		(1,959,787)		(933,192)		(196,158)		(211,655)
Share-based payments		(89,164)		(28,889)		(120,974)		(37,086)
Impairment		-		-		-		1
Mining tax credit and government grant		-		-		14,889		85,380
Net loss for the period	\$	(2,180,319)	\$	(1,142,070)	\$	(467,717)	\$	(313,957)
Basic and diluted loss per share	\$	(0.04)	\$	(0.02)	\$	(0.01)	\$	(0.01)

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	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Total revenue	\$ -	\$ -	\$ -	\$ -
Interest income (expenses)	3,759	(2,199)	(2,859)	3,476
General and administration	(112,817)	(111,297)	(106,585)	(115,937)
Exploration and evaluation costs	(899,512)	(282,996)	(68,212)	(100,951)
Impairment	-	(54,573)	-	-
Share-based payments	-	-	(196,594)	(13,001)
Mining tax credit and government grant	-	-	-	25,274
Net loss for the period	\$ (1,008,570)	(451,065)	(374,250)	(201,139)
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.01)

The Company's results have been largely driven by the level of its exploration activities. The Company has had no revenue from mining operations. Major variations in costs are summarized below:

- Exploration and evaluation costs can vary widely from quarter to quarter depending on the weather condition and priorities of the exploration program.
- Share-based payments amounts can vary widely from quarter to quarter based on the timing, amount and tenure of stock option awards.
- Interest earned and financing costs vary based on the timing, type and amount of equity placements and resultant fluctuations in cash.

### **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.

During the nine months ended September 30, 2011, the Company received gross proceeds of \$1,053,360 for 6,554,667 share purchase warrants exercised and \$52,250 for 247,500 stock options exercised.

As at September 30, 2011, the Company had cash and cash equivalents of \$2,395,999 (\$nil related to flow-through) and a working capital of \$2,090,352. 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

## **Transition to IFRS**

The condensed interim financial statements for the nine months ended September 30, 2011 are the Company's third financial statements prepared under IFRS, as stated in note 2 to those statements. The accounting policies described in note 3 have been applied in preparing the condensed interim financial statements for the three and nine months ended September 30, 2011, the comparative information presented in the financial statements for the same periods ended September 30, 2010, and the statement of financial position as at December 31, 2010. An explanation of IFRS 1, exemptions applicable to first-time adoption of IFRS, and the required reconciliations between IFRS and Canadian GAAP are described below.

### IFRS 1 First-time Adoption of IFRS

The Company has elected the following:

- Not to apply IFRS 2, Share-based Payments, to equity instruments granted on or before November 7, 2002 and those granted but fully vested before the date of transition of January 1, 2010.
- To continue to measure equipment as its historical depreciated cost.

### Flow-through shares

On transition to IFRS, the Company elected to follow US GAAP whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the market value of the common shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in operations in the period renunciation. If flow-through shares are sold at a discount, this policy does not apply and the flow-through shares issued follow applicable IFRS guidance.

Please refer to Note 10 in the condensed interim financial statements for the reconciliations of liabilities, equity and comprehensive losses.

## **Outstanding Share Data**

As at November 21, 2011, the Company had 59,672,078 common shares issued and outstanding, 2,647,500 stock options were outstanding and 1,978,750 options were exercisable at a weighted exercise price of \$0.25, and 3,878,150 warrants were outstanding at an exercise price of \$0.45 expiring on December 22, 2011.

## **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 September 30, 2011 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 September 30, 2011.

### **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.