Pacific Ridge Exploration Ltd.
Management's Discussion and Analysis
For the Year Ended December 31, 2010

This management's discussion and analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("Pacific Ridge" or the "Company") is dated April 19, 2011 and provides an analysis of Pacific Ridge's financial results for the year ended December 31, 2010 ("2010") compared to the previous year December 31, 2009 ("2009").

The following information should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2010 and the related notes thereto. The significant accounting policies and accounting changes are outlined in Note 2 of the 2010 year-end audited financial statements. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts contained herein are in Canadian dollars.

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.

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

Overall Performance

Encouraged by its 2009 exploration results, the Company continued exploration on its gold properties held within the White Gold District of the Yukon Territory. The Company holds the rights or option to earn up to 100% in four properties within the South Klondike and White Gold Districts: Mariposa, Goldcap, Polar / Stewart, and Eureka Dome. These properties, which comprise an area of over 260 square kilometers, were staked or otherwise acquired in 2009. In 2010, the Mariposa property was further expanded by staking, to an area of approximately 190 square kilometers.

During the year ended December 31, 2010, the Company collected approximately 3,500 soil and silt samples for geochemical analysis, yielding six anomalies, four of which remain open for expansion. These anomalies include Skookum Jim, Big Alex, Hackly, Gertie and Maisy May.

The Company completed three financings during fiscal 2010 by way of private placements raising total net proceeds of $5,325,790. On August 20, 2010, the Company issued 3,800,000 flow-through units at a price of $0.14 per share and 4,200,000 non-flow through units at a price of $0.12; on September 16, 2010, the Company issued 500,000 units shares at a price of $0.19; on December 22, 2010, the Company issued 8,588,834 flow-through shares and 6,478,500 non-flow through units at a price of $0.30.

During the year 2,250,001 share purchase warrants were exercised for proceeds received in the amount of $551,250.

As at December 31, 2010, the Company had cash and cash equivalents of $4,830,077 ($2,556,938 related to flow-through) as compared to $964,714 ($503,080 comprised of flow-through) at year ended December 31, 2009. Other than trade payables, the Company has no debt or long-term debt obligations.

Results of Operations

South Klondike/White Gold Properties

During 2010, the Company commenced its second year of gold exploration on two properties, Mariposa and Gold Cap, which are within the White Gold District of the Yukon's South Klondike region. Pacific Ridge acquired its South Klondike holdings in 2009 through a combination of the Company's management having prior exploration experience and historic exploration data in the region as well as contacts with Yukon prospectors.

Encouraged by its 2009 exploration results and overall discovery success reported in the South Klondike, the company completed exploration on the Mariposa and Gold Cap properties. Work on the Eureka Dome was postponed until 2011.

Mariposa Property

The Mariposa property now covers an area of approximately 200 square kilometers and is held under an option to acquire a 100% interest, subject to a 2% royalty, from the Tintina Syndicate. Five distinct gold-in–soils geochemical anomalies known as, Skookum Jim, Gertie, Maisy May, Hackly and Big Alex, have been established on the property.

The Company's 2010 exploration program has included: expanding geochemical sampling grids to further delineate the ultimate dimensions of already established gold anomalies. Back-hoe trenching was conducted in August 2010 in order to expose bedrock or subcrop, within areas of gold-in-soil geochemical anomalies.

The "Skookum Jim" anomaly is located within the central area of the Mariposa claims. This gold-in-soils geochemical anomaly target has an expanded northeast trending strike length of 3,500 meters, with widths reaching up to 600 meters. Gold in soils reached a peak value of 1,570 ppb within the anomaly defined in excess of 20 ppb gold. More recently sampled float within the anomaly has returned gold values up to 8.1 grams gold per tonne. Float prospecting in the area suggested that gold mineralization may be hosted within quartz-rich well-altered rocks, a setting similar to other recent gold discoveries in the South Klondike.

Five widely spaced (100 to 200 meters between trenches) back-hoe trenches were excavated within an approximate 1,000 meter length of the eastern part of the gold anomaly. A total of 1,600 lineal meters of trenches were excavated and sampled.

Four of the shallow trenches exposed loose subcrop and rubble indicating near bedrock sources. Elevated gold results are associated with quartz-biotite gneisses and schists hosting quartz veining, stockworks and breccias. Widespread limonitic fracturing with local sulphide and hematite mineralization are associated with these intervals of structural deformation. Composite rock samples collected along five metre intervals within the trenches returned significant results of up to 1.25 g/t over 30 metres.

Trench	Line	Interval	Length (meters)	Gold (grams/tone)
SJ 1	500E	20-25	5	3.21
		155-160	5	0.49
SJ 2	700E	150-255	105	0.67

	includes	150-180	30	1.25
	and	225-235	10	1.17
SJ 3	800E	40-45	5	0.37
SJ 4	900E	105-130	25	0.25
SJ 5	400E	25-30	5	0.60
		160-165	5	0.42

Trenches SJ-1 and SJ-2 were spaced 200 meters apart. Midway between these trenches, a grab sample of silicified and highly oxidized subcrop returned a significant assay of 8.1 g/t gold.

The entire Skookum Jim soil anomaly remains open to the north, where 2010 sampling was inhibited by permafrost conditions. However, stream sediment silt samples obtained from creeks draining the north flank of the anomaly returned anomalous gold values ranging up to 323 ppb gold. In addition, a recent prospecting discovery within this previously unexplored area encountered significant float (loose rock) occurrences of highly oxidized and silicified rock which appear similar to that of gold bearing rock samples from the Skookum Jim trenches. A rock sample collected from float located 500 meters north of the trenches returned 2.3 g/t gold ("grams per tonne gold") along with highly anomalous molybdenum to 517 ppm, barium to 4185 ppm and elevated arsenic values.

The Maisy May soil anomaly is located within the western portion of the Mariposa claims. The anomaly exhibits gold in soil values up to 73 ppb gold in an area of highly silicified quartz mica schist float that has been traced over 400 meters along a northwest trend. Samples of the siliceous float returned values up to 784 ppb gold and 4,222 ppm copper. Trenching was attempted late in the season but was terminated due to weather conditions.

The Gertie soil anomaly is located 2 kilometers southwest of Skookum Jim, near Mariposa Creek. The anomaly consisted of two distinct parallel geochemical trends (approximately 2 kilometers long and 150 meters wide) with anomalous values of bismuth, arsenic and molybdenum. Gold in soil values, ranging up to 149 ppb Au, are found adjacent to and within the anomalous trends. Historic sampling by Tintina Syndicate in the area returned values to 1,333 ppb gold along trend, to the east, bedrock schists exposed by placer mining in Mariposa Creek returned a value of 2,530 ppb gold over a 2m chip sample taken from a pyritic granitic dyke.

The Hackly soil anomaly, located within the eastern part of the area of geochemical sampling, contains anomalous gold values within an area measuring approximately 400 by 700 meters. This target is in close proximity to placer gold workings in Mariposa creek where "hackly" gold nuggets have been recovered. These rough textured nuggets suggest proximity to a potential lode-gold source. The anomalous area exhibits peak gold in soil values reaching 129 ppb gold from this year's sampling and 256 ppb gold from previous sampling by Tintina Syndicate.

The Big Alex soil anomaly, located within the northwest part of the property, lies west of Scroggie Creek. Two zones of anomalous gold in soils are underlain by an area of pegmatite dykes. Values to 203 ppb Au have been received with elevated values of antimony and molybdenum. To the east, and near Scroggie Creek, 3.0 grams per ton gold has been reported in pyritic quartz breccia within pegmatite dykes and granite bedrock exposed by placer mining.

Subsequent to year-end 2010, the Company completed an airborne magnetometer survey over a portion of the Mariposa property in April 2011. The survey covered the area of six gold-in-soil targets detected during the 2010 exploration program. Results are currently being processed and will be interpreted together with geochemical datasets. The Company will commence a drilling program in mid-June.

Gold Cap

The 56 claim, Gold Cap property covers 12 square kilometers and adjoins the northeast boundary of the Kinross' White Gold property. Gold Cap is 100% owned by Pacific Ridge and was staked in 2009 on the basis of an anomalous gold silt sample reported by the Geological Survey of Canada. The Pacific Ridge 2009 exploration program saw soil sampling within a 2 by 4 kilometer grid, flanking an aeromagnetic anomaly. An open ended gold, nickel, arsenic anomaly includes gold in soils ranging to 290 ppb gold, indicating stronger values building toward its open-ended northerly trend.

During 2010, exploration on the property consisted of detailed grid-based soil sampling to test the emerging geochemical trends detected from 2009 sampling. A total of 1,800 deep auger soil samples were collected along 100 metre spaced lines over an approximate 2500m x 3000m area. The combined results of the 2009-2010 surveys detected a 3km long northeasterly gold-in-soils trend which converges with a 1 km northwesterly trend. Gold-in-soil values peak at 217 ppb gold near this intersection. These trends remain to be further investigated during the 2011 exploration season.

Polar/ Stewart

The 149 claim Polar/Stewart property covers a 31 square kilometer area which adjoins Gold Cap to the east and claims held by Kinross to the south. Pacific Ridge holds an option to earn a 100% interest in the property subject to a 2% royalty.. It was acquired on the basis of favorable geology, an aeromagnetic anomaly and reconnaissance soil sampling yielding gold values of up to 634 ppb gold.

Although no exploration was carried out on the Polar/Stewart claims in 2010, grid controlled geochemical soil sampling of the anomalous gold geochemistry outlined on Polar/Stewart in 2009 was followed up to the north on the Gold Cap claims this season. The 2009 results remain to be followed up during the 2011 season.

Eureka (Eureka/Moose)

The 100% owned Eureka Property, is comprised of 156 quartz claims which are flanked by holdings of Golden Predator and Smash Minerals. The property covers a 33 square kilometer area which is partly road accessible from Dawson City.

Placer gold occurrences have been reported in most creeks draining the property, and geochemical anomalies suggest the presence of a high level epithermal style alteration system. Anomalous arsenic (3000 ppb) and mercury (17 ppm) occur within silicified and brecciated rocks. Prior workers reported breccia float samples grading to 14 grams/tonne gold, and silt samples running to 900 ppb on immediately adjacent properties,

No exploration was carried out during the 2010 exploration season. On-going exploration is planned during 2011.

Baker Basin Uranium Project

The Baker Basin Uranium Project located in southwestern Nunavut consists of mineral claims covering approximately 97,000 hectares prospective for uranium occurrences along a 60 kilometer length of the southern boundary of the Baker Lake basin. The geologically-defined Baker Lake basin is one of four Canadian Proterozoic basins that are attractive depositional environments for large uranium deposits.

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. In addition underlying interests are held by Hunter Exploration Group as to a 2% NSR interest, as well as by Shear Minerals Ltd/Stornoway Diamond Corporation who collectively hold an 8.5% Net Profits Interest. The Company's ownership of the Baker Basin Project pertains to all commodities other than diamonds.

In September, 2008 the Company entered into an option/joint venture agreement with Aurora Energy Resources Inc. ("Aurora"). In late 2009 Aurora advised that, upon completion of land use requirements, they will formally relinquish their option on the Baker Basin Project. 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

The Company continues to hold a 100% interest in the Fyre Lake Project in the Yukon. In 1996 and 1997 the Company expended approximately $6.0 million on an extensive program of diamond drilling that resulted in definition of a (2006) NI 43-101 compliant mineral resource estimated, at a 1.0% copper cut-off, to contain an indicated mineral resource of 3.6 million tonnes grading 1.57% copper, 0.10% cobalt and 0.61 grams gold per tonne and an inferred mineral resource of 5.4 million tonnes grading 1.5% copper 0.08% cobalt and 0.53 grams gold per tonne. This estimate was prepared by D. Blanchflower, P.Eng. of Minorex Consulting Ltd. who is the qualified person for this purpose. The resource remains open for expansion. The Company has received expressions of interest in option/joint venture from potential participants. Other than maintaining key mineral claims in good standing, no work was completed by the Company during 2010. Proposals for an up-dated economic valuation will be considered in 2011.

Tumbler Ridge and Wapiti Phosphate Projects

During the second quarter of 2010, the Company allowed its interests to lapse in mineral claims held within the Tumbler Ridge Project, located in east central British Columbia, which also included relinquishing its option on claims held by Lateegra Gold Corp.

As of December 31, 2010, total accumulated exploration expenditures for each property are summarized as follows:

	Balance	Additions				**Balance**
Mineral Properties	December 31, 2009	Q1	Q2	Q3	Q4	**December 31, 2010**
Klondike Kate						
Mariposa	$ 81,807	$ 22,958	$ 266,374	$ 836,858	$ 144,959	**$ 1,352,956**
GoldCAP	70,348	20,216	3,299	65,924	22,514	**182,301**
Polar/Stewart	83,577	-	-	-	13,369	**96,946**
Eureka/Moose	37,941	14,611	5,148	-	2,193	**59,893**
Baker Basin Lake	6,399,376	634	-	1,028		**6,401,038**
Fyre Lake	6,629,109	400	1,000	800	5,612	**6,636,921**
Total	$ 13,302,158	$ 58,819	$ 275,821	$ 904,610	$ 188,647	**$ 14,730,055**

General, Administration and Corporate

The Company has not yet determined whether any of its exploration 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, 2010, the Company had a net loss of $2,073,670, or $0.07 loss per share, as compared to net loss of $727,388 or $0.03 loss per share in 2009. The $1,346,282 total increase in loss is mainly due to the expanded exploration program conducted on Mariposa property, stock-based compensation related to January 2010 stock option grant, and increased activity level in shareholders' communications.

A summary of comparative administrative and other expenses is listed below:

	2010	**2009**	**Increase (decrease)**
Administrative expenses			
Insurance	15,685	15,463	222
Professional fees	79,519	69,023	10,496
Management and administrative services	119,796	101,616	18,180
Office operations and facilities	126,001	128,104	(2,103)
Shareholder communications and investor relations	106,142	65,164	40,978
Transfer agent and regulatory fees	27,961	38,338	(10,377)
	475,104	417,708	57,396
Other expenses and (income)			
Amortization	9,315	4,498	4,817
Exploration expenditures	1,460,156	432,098	1,028,058
Interest	395	(20,312)	20,707
Mining tax credit and government grant	(85,380)	(25,274)	(60,106)
Stock-based compensation	159,508	31,520	127,988
Future income tax recovery	-	(112,850)	112,850
Write-off of resource assets	54,572	-	54,572
	1,598,566	309,680	1,288,886
Total expenditures and expenses	**$ 2,073,670**	**$ 727,388**	**$ 1,346,282**

- Professional fees increased by $10,496 from $69,023 in 2009 to $79,519 in 2010 resulting from IFRS reporting compliance effective January 1, 2011;

- Management and administration fees increased by $18,180 from $101,616 in 2009 to $119,796 in 2010 due to the increased charges on corporate secretary services provided by a private law firm;
- Transfer agent and regulatory fees reduced by $10,377 from $38,338 in 2009 to $27,961 in 2010. The higher fees in 2009 was mainly due to higher mailing costs associated with the Company's annual general meeting and filing fees associated with the share consolidation;
- In 2010, the Company received $75,871 from Yukon Government related to its Klondike Kate Gold Project in Yukon and $9,509 BC mining tax credit while in 2009 the Company received $25,274 mining tax credit in 2009.
- $54,572 acquisition costs for Tumbler Ridge and Wapiti projects were written off in 2010 due to lack of exploration merits.

Selected Annual Information

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

	December 31, 2010	December 31, 2009	December 31, 2008
Total revenue	$ -	$ -	$ -
Net loss for the year	(2,073,670)	(727,388)	(1,268,944)
Basic and diluted loss per share	(0.07)	(0.03)	(0.06)
Total assets	5,554,700	1,471,701	1,384,001
Long-term financial liabilities	-	-	-
Cash dividends declared	-	-	-

Summary of Quarterly Results

The following table sets forth a comparison of information for the previous eight quarters ending with December 31, 2010.

	December 31, 2010	**September 30, 2010**	**June 30, 2010**	**March 31, 2010**
Total revenue	$ -	$ -	$ -	$ -
Interest income	(3,053)	3,759	(2,198)	1,097
Administration expenses	(147,544)	(112,817)	(113,517)	(110,541)
Exploration costs	(211,655)	(899,512)	(280,776)	(68,213)
Stock-based compensation	37,086	-	-	(196,594)
Write-off of mineral properties	1	-	(54,573)	
Mining tax credit and government grant	85,380	-	-	-
Net loss for the period	$ (239,785)	$ (1,008,570)	$ (451,064)	$ (374,251)
Basic and diluted loss per share	$ (0.01)	$ (0.03)	$ (0.02)	$ (0.01)

	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Total revenue	$ -	$ -	$ -	$ -
Interest income	3,476	4,736	6,084	6,016
Administration expenses	(115,937)	(91,990)	(99,806)	(114,473)
Exploration costs	(100,951)	(236,099)	(59,686)	(35,362)
Stock-based compensation	(13,001)	(2,896)	(2,863)	(12,760)
Write-off of mineral properties	25,274	-	-	-
Future income tax recovery	-	-	-	112,850
Net loss income for the period	(201,139)	(326,249)	(156,271)	(43,729)
Basic and diluted loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.00)

Fourth Quarter

The Company recorded a net loss of $239,785 in the fourth quarter of the 2010 fiscal year comparing a loss of $201,139 in 2009,

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

- Exploration costs can vary widely from quarter to quarter depending on the timing of option payments, weather condition and priorities of the exploration program.
- Stock based compensation 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 mineral properties it may own or otherwise acquire in order to finance further acquisitions, undertake exploration of other mineral properties and meet general and administrative expenses in the immediate and long term.

From year to date, the Company received $5,651,200 gross proceeds from its three private placements by issuing 12,388,834 flow-through shares and 11,178,500 non-flow-through shares as well $551,250 from 2,250,001 warrants exercise.

At December 31, 2010, the company had cash and cash equivalents of $4,830,077, and net working capital of $4,740,501 (2009 - $937,029). Cash used in operating activities was $1,788,384 (2009 - $827,843). Cash used or (provided by) in investing activities was $223,293 (2009 - $619,041), among which $169,302 (2009 - $190,017) was for mineral property acquisition, and 53,991 (2009 - $nil) for purchase of field equipment.

Off-Balance Sheet Arrangements

None

Proposed Transactions

None.

International Financial Reporting Standard ("IFRS")

The Company continues to monitor progress on its plan to adopt IFRS. Differences between Canadian GAAP and IFRS will impact the Company's activities to varying degrees, some of which are dependent on policy choice decisions. The Company's main objective in the selection of IFRS policies and transition elections is to ensure that meaningful and transparent information is provided to stakeholders.

The major differences between the current accounting policies of the Company and those the Company expects to apply in preparing IFRS financial statements are included below. These differences do not represent a complete list of expected changes under IFRS. As the Company's transition project is impacted by changes to IFRS that may occur prior to the changeover date, the analysis below may be subject to change. Future disclosures will continue to report updated progress as well as any additional impacts identified on the Company's financial reporting.

Key areas	Canadian GAAP	IFRS	Preliminary analysis
Capital assets	Capital assets are recorded at cost. Each capital asset's cost, less residual value, if any, is depreciated over its estimated useful life.	Under IFRS 1, capital assets can be recorded at historical cost or at fair value. The carrying value must be assessed annually or when events or circumstances occur which could impair the carrying value. Depreciation is based on the estimated useful life of each major component of each asset.	The Company will continue to record the capital assets at cost due to the complexity and the resources required to reassess fair value on a regular basis. Definition of components of major assets could impact deprecation charges.
Mineral properties and deferred exploration costs	Exploration, evaluation and development costs can be either capitalized or expensed when incurred.	IFRS provides only limited guidance on this topic and currently allows the Company to continue its current accounting treatment.	The existing policy of expensing exploration costs will be maintained.
Impairment of long-lived assets	Mineral properties and capital assets are tested for impairment on an annual basis or when there are indicators of	Same as Canadian GAAP.	The use of discounted future cash flows as an indicator of impairment may increase the likelihood of write

	impairment. The impairment test is a two-step process whereby an asset's carrying value is compared against undiscounted future cash flows. If the latter is less than the carrying value, the asset is written down to the amount of its discounted future cash flows.	Impairment test is a one-step process whereby the asset's carrying value is compared to its discounted future cash flows. The asset is written down to its future estimated discounted cash flows. Unlike Canadian GAAP, asset write downs can be reversed if indicators of impairment cease to exist.	downs in the future. The use of discounted cash flow models for the Company, a junior mining exploration company with no revenues, is not deemed the appropriate method to determine impairment in all circumstances. Management will continue to consider alternative impairment tests.
Stock-based compensation	Stock-based compensation is determined using the Black Scholes option pricing model. Allows use of the straight-line method or accelerated method to account for graded-vesting features.	Stock-based compensation is determined using the Black Scholes option pricing model. For graded-vesting features, each installment or vesting period is treated as a separate share option grant, and hence the fair value of each vesting period will differ.	The recognition of the value of stock-based compensation will be higher in early vesting periods and will decrease as options approach the final vesting period.

Financial Instruments

Accounts receivable, accounts payable and accrued liabilities and amounts due to related parties are reported at amounts paid or received, which are reasonable estimates of fair value due the relative short time period to maturity. The Company has no exposure to asset backed commercial paper.

Outstanding Share Data

As at April 19, 2011, the Company had 53,393,054 common shares issued and outstanding, 2,610,000 options were outstanding and 2,070,000 options were exercisable at a weighted exercise price of $0.23, and 9,309,708 warrants were outstanding at a weighted average exercise price of $0.28.

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 December 31, 2010 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 fillings.

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 December 31, 2010.

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.

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.

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. 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, land slides 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, 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. The approval of new mines in the United States is subject to detailed review through a clearly established public hearing process, pursuant to both the Federal Environmental Protection Agency and the Bureau of Land Management. In addition, lands under federal jurisdiction are subject to the preparation of an environmental impact assessment report prior to commencement of any mining operations. These reports entail a detailed and scientific assessment as well as a prediction of the impact on the environmental and proposed development. 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, territorial and the United States 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.

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 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 by 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.

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 a relatively small number of key directors and officers: John S. Brock (President and CEO), Lei Wang (CFO), and Arie Page. (Corporate Secretary) Loss of any one of those persons could have an adverse affect 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 price will not occur.

Legal Proceedings

As at December 31, 2010 and the date of this document, there were no legal proceedings against or by the Company.