

Pacific Ridge Exploration Ltd.
Management's Discussion and Analysis
For the year ended December 31, 2011

This management's discussion and analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("Pacific Ridge" or the "Company") is dated April 24, 2012 and provides an analysis of Pacific Ridge's financial results for the year ended December 31, 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 years ended December 31, 2011 and 2010 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") as issued by the International Accounting Standards Board ("IASB"). A reconciliation of Canadian generally accepted accounting principles ("GAAP") to IFRS is disclosed in Note 13 of the financial statements. 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.

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.

Results of Operations

During the fourth quarter, the Company reported complete results from its first drill program on the Mariposa Property. Full reporting of soil geochemical results was pending at the end of the quarter. Gold and related elements in soils will be used in conjunction with drilling and geophysical results to target specific drillholes as well as to prioritize work on additional targets to be groomed for drilling. 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 include 6,000 metres of diamond drilling and the collection of approximately 9,000 soil samples. Mariposa expenditures as at year-end totaled \$ 3.3 million. In addition, airborne and ground geophysical surveys and focused prospecting was completed within selected areas of the property.

Initial exploration on the Eureka Property was also completed during the previous 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.

Mariposa Gold Project, Yukon

During this quarter, the Company compiled field results and reported complete results from the first diamond drill program on its Mariposa Gold Project, in the Yukon's White Gold District. The 2011 drill program was successful in making a new bedrock gold discovery in the White Gold District. The positive results warrant further work and diamond drill testing in 2012.

The drill program consisted of 6012 metres drilled in 41 holes, which tested targets in the area of five areas within gold-in-soil and multi-element anomalies in the Mariposa Grid area. The focus of the drilling was in the Skookum Main and Skookum West areas, within the original 3,500 metres long x 600 metres wide Skookum Jim gold-in-soil anomaly. A compilation of airborne magnetic, soil and trenching results indicated that in the trenched area of the Skookum Main there is a strong spatial correlation of converging linear magnetic lows with elevated soil results ranging from 100 to 1,570 ppb gold and trench results of up to 1.25 g/t gold over 30 metres. In the Skookum West area, prospecting of soil anomalies also detected widespread gold values of up to 19.9 g/t gold, from surface rock samples of oxidized float material.

Drilling on the Mariposa property in 2011, successfully intersected gold in a total of 20 drill holes: 18 in the Skookum Main and Skookum West areas and 2 in the Maisy May area. Broad areas of intensely fractured and hydrothermally altered rock, which appear related to deposition of the gold, were noted in both drill core and surface float samples. The results warrant additional drilling and trenching in 2012 to further define geometry and extent of gold bearing structures encountered and to follow-up on additional targets emerging from 2011 soil sampling. Complete results from approximately 9,000 soil samples collected on the Mariposa and Eureka Dome properties remain to be reported.

Also of importance is the identification of a 15 kilometre-long brittle deformation zone, referred to as the Mariposa Fault, within which the presence of gold in bedrock has been confirmed from this year's diamond drilling. In prolific gold mining camps, such corridors have the potential to host significant gold deposits. Within the Mariposa Fault, which remains largely unexplored, additional targets have emerged from geophysical and geochemical coverage completed to date. A comprehensive exploration program, to include diamond drilling, is therefore planned in 2012 to continue to systematically evaluate this prospective corridor.

HIGHLIGHTS

Skookum Main

- 14 of 18 drill holes intersected gold mineralization within steeply dipping, brittle structures hosted by strongly sericite and quartz K-feldspar altered rock.
- Gold bearing structures within a broad area of altered rock are coincident with linear magnetic lows and elevated gold-in-soil results, which recently returned values up to 1.95 g/t. (grams per tonne).
- Visible gold was noted both in near surface intersections (hole 11MP-01) and at depth (hole 11MP-27), with elevated gold results associated with increased pyrite mineralization, as well as quartz and K-feldspar breccias.

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- Drill results indicate gold potential to depth and along strike. Preliminary soil results show gold anomalism to the east and north, where silt samples returned up to 323 ppb gold.

Drill results include the following selected intercepts:

Hole 11MP-01	2.44 g/t gold over 38.9 m
	2.59 g/t gold over 9.6 m
Including	6.51 g/t gold over 3.2 m
Hole 11MP-05	1.13 g/t gold over 19.8 m
Hole 11MP-06	0.63 g/t gold over 45.3 m
Hole 11MP-08	1.67 g/t gold over 12.0 m
Hole 11MP-27	1.96 g/t gold over 4.7 m

Skookum West

- Soil sampling results identified an open-ended 1.5 kilometre-long trend defined by greater than 50 ppb gold, to a peak result of 514 ppb. Additional soil results are pending.
- Detailed prospecting located gold in float samples, grading up to 19.9 g/t gold.
- Widely spaced drilling intersected narrow gold intercepts in 4 of 14 holes. Strong alteration similar to that at Skookum Main was encountered in drill holes 11MP-10, -11, -32, -33, and -41.

Drill results include the following intercepts:

Hole 11MP-10	1.19 g/t gold over 3.4 m
Hole 11MP-12	0.54 g/t gold over 6.0 m
Hole 11MP-33	3.74 g/t gold over 1.2 m
Hole 11MP-34	2.11 g/t gold over 1.3 m

EXPLORATION REPORT

The 2011 drill program was conducted in the western part of the property where gold-in-soil anomalies were detected in the Mariposa grid area. Five exploration targets were tested with 41 holes comprising 6,000 metres of drilling. The program was carried out within the following target areas: Skookum Main-18 holes (3,005 metres), Skookum West-14 holes (1,671 metres), Maisy May-4 holes (754 metres), Gertie-3 holes (282 metres), and Hackly Gold-2 holes (299 metres). The results for each area are further discussed below, with drill hole assay composites included in the table appended to this report.

The combined results of geophysical and geochemical surveys have identified broad areas of gold anomalism within the Mariposa Fault. This corridor, which contains Skookum Main and Skookum West, is defined by a series of parallel and converging magnetic and topographic breaks interpreted as brittle fault structures. It spans a length of 15 kilometres within the property from the Mariposa grid in the west toward the headwaters of Alberta Creek in the east. The interpreted structures defining the Mariposa Fault cut the prolific placer gold deposits mined in both Scroggie and Mariposa Creeks, suggesting that gold

mineralization within these bedrock structures may have contributed to the gold endowment of the placer deposits in the area.

Within the Mariposa Fault, results have identified anomalous gold values in both grid soil and rock sampling along the Skookum Jim trend, which includes Skookum Main and Skookum West, as well as from recent soil sampling in the Alberta Creek area.

Skookum Main

The 2011 exploration program included diamond drilling, airborne and ground geophysical surveys, infill soil sampling within previously defined gold-in-soil anomalies, as well as soil sampling to further define open-ended extensions of the gold-in-soil anomaly. Drilling tested an approximate 600 x 250 metre area of the 3.5 kilometre-long Skookum Jim gold-in-soil trend. A total of 3,005 metres were drilled in 18 holes.

Drill holes targeted 2010 trenching intercepts and combinations of gold-in-soil anomalies and geophysical targets interpreted to represent geological structures. The results of 10 drill holes were previously reported; the results of the remaining 8 drill holes are reported herein. 14 of the 18 holes drilled in this area were successful in identifying a broad gold bearing system closely coincident with a magnetic low response and strong gold-in-soil anomalism.

The first drill hole, 11MP-01, intersected results of 2.44 g/t gold over a drilled interval of 38.9 metres, containing a section of 6.44 g/t gold over 11.1 metres. This hole was drilled under an interval in trench SJ-2, which had returned 1.25 g/t gold over 30 metres. Drill holes 11MP-05 and 11MP-06 also targeted anomalous gold values in trenches, and returned broad sections grading 1.13 g/t gold over 19.8 metres (11MP-05) and 0.63 g/t gold over 45.3 metres (11MP-06). Drill holes cutting deeper in the area of this section (11MP-01, -08, and -27), beyond the extent of oxidation, intersected significant gold results associated with quartz K-feldspar breccias and pyrite, with individual samples up to 9.24 g/t gold.

Drill holes 11MP-01, -02, -05, and -06 intersected gold-bearing intervals hosted within a 75 metre wide (drilled section), steeply dipping corridor of strongly limonitic fractures overprinting quartz veining and breccias, as was encountered in trench SJ-2. This brittle deformation cuts a diffuse contact zone between granodiorite and quartz-biotite gneiss, which have both been hydrothermally altered and cut by local pegmatite and quartz-feldspar pyritic veinlets. Late andesite dykes overprinted by strong faulting and fracturing were intersected in the westernmost drill holes 11MP-22, -23, and -24. Drill hole 11MP-24 encountered mineralization from surface, grading 1.09 g/t gold over 4.5 metres, suggesting that stronger mineralization may be located to the east where there are soil values of up to 620 ppb gold.

Sulphide content varies within the Skookum Main drill holes. Pyrite occurs either as boxworks within limonitic fracture fillings or as grains within quartz veins or silicified sections. Elevated pyrite of 3-5% was noted within intense quartz feldspar breccias encountered in the gold intercept at depth in hole 11MP-27. This style of mineralization was observed at surface in trench SJ-2, and correlates with elevated gold values.

The geometry of observed structures from both drill core and detailed geophysics suggests that a series of steeply dipping, northerly trending (NNW and/or NNE) structures may be important loci for gold mineralization within the northeasterly trend defined by magnetic responses. The predominantly north-south oriented drill pattern of the 2011 program, while successful in encountering significant gold, may

have only tested a limited area of these prospective trends. A compilation of exploration results currently in progress should further define the geometry of the gold bearing structures in preparation for drilling in 2012.

Skookum West

Within the 1.5 kilometre-long Skookum West area, a total of 1,672 metres were drilled in 14 holes. The targets included a combination of geophysically defined lineaments, elevated gold-in-soil results, and numerous rock sample results (angular float) ranging in grade from 0.5 to 19.9 g/t gold. Targets were tested by either single holes or the fanning of up to 3 holes from one set-up in order to obtain additional geological information.

Drilling tested an east-northeast trending magnetic low anomaly with 6 widely spaced holes over a 700 metre distance (11MP-10, -11, -31, -32, -33, and -41). Eight holes (11MP-12, and 11MP-34 through 11MP 40), drilled from 4 additional sites, tested geophysical and topographic lineaments and gold values in float sample locations.

The targets drilled in the Skookum West area returned narrow intercepts in holes 11MP-10, -12, -32, -33, and -34. The best results to date, from 11MP-10 and 11MP-33, returned 1.19 g/t gold over 4.1 metres and 3.74 g/t gold over 1.2 metres, respectively. The intensity of alteration, fracturing, and veining is widely variable from strong, in drill holes 11MP-31, -32, and -41, to no alteration in drill holes 11MP-35, -36, -39, and -40. The latter drill holes were not sampled, as the rock encountered appeared barren and unfavorable for hosting gold mineralization.

The drilling results obtained in the Skookum West area have as yet to explain the significance of widespread gold anomalism contained in rocks and soils collected to date. In preparation for on-going drilling proposed in 2012, a program of trenching will be carried out in areas of gold-bearing float in order to expose bedrock sources for sampling and the definition of geological parameters to aid selection of drill hole locations.

Maisy May

In the Maisy May area, a total of 774 metres were drilled in 4 holes. The primary drill target was a multi-element gold, bismuth, copper, arsenic, and mercury soil anomaly coincident with potential NS and NE trending structures defined from airborne magnetic lineaments. Previous prospecting located a 400 metre-long, northwest trending train of siliceous float material. Selected samples of the float returned anomalous results of up to 1.08 g/t gold, with anomalous silver, copper, bismuth, antimony, and tellurium values.

Drill holes 11MP-13 and -14 did not intersect significant gold values. At depth, drill hole 11MP-16 intersected a section of silicified quartz sericite schist with 3-5% pyrite and chalcopyrite containing 0.72 g/t gold over 5.8 metres. This interval appeared similar to the mineralized float boulders sampled on surface.

Drill hole 11MP-15 was located further downslope to the northeast and tested anomalous gold-in-soil results coincident with a linear magnetic low. Anomalous gold results of 0.54 g/t gold over 6.5 metres and 2.13 g/t gold over 2.5 metres were associated with sections of fractured and brecciated quartz veins, similar to those encountered at Skookum Main.

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Given the strong geochemical anomalism of both rock and soil samples from this area, additional field reviews are warranted to determine the source of mineralization that has been detected in both float and drill core.

Gertie

In the Gertie area, a total of 282 metres were drilled in 3 holes. Rock sampling of float in this area returned anomalous copper, arsenic, stibnite, and mercury values. Holes 11MP-17 and -18 encountered poor ground conditions due to strong faulting, and were abandoned before reaching the target depth. Drill hole 11MP-19 did not return significant results.

Hackly Gold

In the Hackly Gold area, a total of 299 metres were drilled in 2 holes. Holes 11MP-20 and -21 were planned to test anomalous 2010 gold-in-soil results. No significant drill results were returned, however, further prospecting in this area is warranted, as contour soil results from 2011 geochemical sampling continue to yield anomalous gold results.

PLANS FOR MARIPOSA 2012

With the success resulting from work completed on the Mariposa property to date, the Company is planning a comprehensive exploration program in 2012. The focus of the program will be further drilling in the Skookum Main area, to test the geometry and extent of the gold bearing structures identified from the combined results of 2011 drilling and ground work. Existing targets will be further refined for diamond drilling with detailed ground surveys, geological mapping, prospecting, and trenching. Within the Skookum West area, continued surface exploration will be carried out to further delineate drill targets. With complete results pending for the Alberta Creek area, it is anticipated that continuing surface exploration in this area, as well as reconnaissance in new areas of the property may identify additional drill targets.

Goldcap – Polar Stewart, Yukon

During 2011, no work was completed on the company's Goldcap and Polar Stewart properties. The company owns a 100% interest in the Goldcap property, and holds an option to acquire a 100% right in the Polar Stewart property from Ryanwood Exploration. The company has yet to determine the scope of on-going exploration in 2012..

Eureka Dome, Yukon

During 2011, initial exploration on the company's 100% owned Eureka Property was completed. Property wide, auger soil sampling was completed along topographic ridges, spurs and selected contours. In addition, the company acquired the data from 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. This data has been received, and reporting of final results is pending.

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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.

During the quarter, the company also completed a digital compilation of previous results, to fully evaluate the potential of both resource expansion of the Kona Deposit and additional exploration targets. The Company may consider the option of Fyre Lake to an industry partner.

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. \$96,000 acquisition was written off in the year ended December 31, 2011.

As of December 31, 2011, total accumulated exploration and evaluation costs were listed below:

Resource Properties	Balance		Additions				Total additions	Balance December 31, 2011
	December 31, 2010	Q1	Q2	Q3	Q4			
Mariposa	\$ 1,352,956	\$ 185,625	\$ 930,543	\$ 1,817,804	\$ 299,824	\$ 3,233,796	\$ 4,586,752	
Other properties	396,974	115	1,400	114,570	29,684	145,769	542,743	
General exploration	142,324	10,418	1,249	27,413	9,702	48,782	191,106	
Total	\$ 1,892,254	\$ 196,158	\$ 933,192	\$ 1,959,787	\$ 339,210	\$ 3,428,347	\$ 5,320,601	

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 year ended December 31, 2011, the Company had a net loss of \$4,296,606 or \$0.08 loss per share, as compared to net loss of \$2,073,670 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. 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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	Year Ended December 31,		Increase (decrease)
	2011	2010	
Administrative expenses			
Depreciation	\$ 16,552	\$ 9,315	\$ 7,237
Insurance	25,026	15,685	9,341
Professional fees	83,085	79,519	3,566
Management and administrative services	124,657	119,796	4,861
Office operations and facilities	115,223	126,001	(10,778)
Investor relations	253,666	106,142	147,524
Share-based payments	283,297	159,508	123,789
Transfer agent and regulatory fees	36,691	27,961	8,730
	938,197	643,927	294,270
Other expenses and (income)			
Exploration and evaluation costs	3,428,347	1,460,156	1,968,191
Gain on sale of property	(125,221)	-	(125,221)
Impairment	96,000	54,572	41,428
Interest	(25,828)	395	(26,223)
Government grant	(14,889)	(85,380)	70,491
	3,358,409	1,429,743	1,928,666
Total expenditures and expenses	\$ 4,296,606	\$ 2,073,670	\$ 2,222,936

- Exploration and evaluation costs increased by \$1,968,191 from \$1,460,156 in 2010 to \$3,428,347 in 2011 largely reflecting the Company's drilling program in Mariposa property.
- Investor relations increased by \$147,524 from \$106,142 in 2010 to \$253,666 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 Corporation to provide financial public relations services at an annual fee of \$84,000. The agreement has a twelve month term commenced on November 15, 2011 and expiring on November 14, 2012.
- The Company purchased Directors' and Officer's insurance in addition to its general commercial liability coverage in 2011.
- Transfer agent and regulatory fees increased by \$8,730 from \$27,961 in 2010 to \$36,691 in 2011. The higher fees in 2011 were mainly due to transfer agent fees associated with higher volume of share purchase warrants exercised in the current year.
- Share-based payments increased by \$123,789 from \$159,508 in 2010 to \$283,297 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.
- Since 2009, the Company had not spent much exploration expenditures on Baker uranium property and has no future plan as of December 31, 2011. As a result, the Company decided to write \$96,000 acquisition cost off. In 2010, the Company abandoned its Tumbler Ridge and Wapiti properties and recorded \$54,572 impairment due to lack of exploration merit of these properties.

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Selected Annual Information

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

	December 31,		
	2011	2010	2009
Total income	\$ -	\$ -	\$ -
Net loss for the year	(4,296,606)	(2,073,670)	(727,388)
Basic and diluted loss per share	(0.08)	(0.07)	(0.03)
Total assets	4,370,138	5,554,700	1,471,701
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, 2011:

	December 31,		September 30,		June 30,		March 31,	
	2011		2011		2011		2011	
Total revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	5,968		11,594		4,058		4,208	
General and administration	(158,209)		(142,962)		(184,047)		(169,682)	
Exploration and evaluation costs	(339,210)		(1,959,787)		(933,192)		(196,158)	
Gain on sale of property	125,221		-		-		-	
Share-based payments	(44,270)		(89,164)		(28,889)		(120,974)	
Impairment	(96,000)		-		-		-	
Mining tax credit and government grant	-		-		-		14,889	
Net loss for the period	\$ (506,500)	\$ (2,180,319)	\$ (1,142,070)	\$ (467,717)				
Basic and diluted loss per share	\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.01)				

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	December 31,		September 30,		June 30,		March 31,	
	2010		2010		2010		2010	
Total revenue	\$	-	\$	-	\$	-	\$	-
Interest income (expenses)		904		3,759		(2,199)		(2,859)
General and administration		(153,720)		(112,817)		(111,297)		(106,585)
Exploration and evaluation costs		(209,436)		(899,512)		(282,996)		(68,212)
Impairment		1		-		(54,573)		-
Share-based payments		37,086		-		-		(196,594)
Mining tax credit and government grant		85,380		-		-		-
Net loss for the period	\$	(239,785)	\$	(1,008,570)	\$	(451,065)	\$	(374,250)
Basic and diluted loss per share	\$	(0.01)	\$	(0.03)	\$	(0.02)	\$	(0.01)

Fourth Quarter

The Company recorded a net loss of \$506,500 in the fourth quarter of the 2011 comparing a loss of \$239,785 in 2010. 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 year ended December 31, 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 December 30, 2011, the Company had cash and cash equivalents of \$3,237,913 (\$1,444,082 related to flow-through) and a working capital of \$3,102,075. 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 financial statements for the year ended December 31, 2011 are prepared under IFRS, as issued by the IASB. The accounting policies described in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in the financial statements for year ended December 31, 2010 and the statement of financial position as at January 1, 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.

In preparing these financial statements, the Company has applied IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional exemptions in certain areas, to the general requirement for full retrospective application of IFRS.

Share-based payments

The Company has elected to not apply IFRS 2 Share-based Payments to equity instruments granted on or before November 7, 2002 that were fully vested before the date of transition of January 1, 2010.

Business combination

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after January 1, 2010.

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.

The Company had no IFRS adjustments for the year ended December 31, 2010 and on the transition date of January 1, 2010.

Outstanding Share Data

As at April 24, 2012, the Company had 70,114,936 common shares issued and outstanding, 2,610,000 stock options were outstanding and 2,577,500 options were exercisable at a weighted exercise price of \$0.25, and 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 December 31, 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 December 31, 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.

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

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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, 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, 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 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

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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 its President and CEO, John S. Brock. 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

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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, 2011 and the date of this document, there were no legal proceedings against or by the Company.