Pacific Ridge Exploration Ltd.
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007

General

This management's discussion and analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("Pacific Ridge" or the "Company") is dated April 16, 2009 and provides an analysis of Pacific Ridge's financial results for the year ended December 31, 2008 compared to the previous year.

The following information should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2008 and the related notes thereto. 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.

Mr. Wayne J. Roberts, P.Geo, Vice-President, Exploration of the Company, a Qualified Person, has reviewed and compiled the mineral projects technical information presented in this document.

Corporate Developments

The Company is in the business of acquiring, exploring and developing mineral properties. All of the Company's mineral property interests are currently located in Canada.

On July 9, 2008, the Company announced a non-brokered private placement for up to 2,000,000 flow-through shares at a price of $0.20 per share. The private placement was closed in tranches in August and September 2008. The Company received gross proceeds of $370,000 and issued 1,850,000 flow-through shares at $0.20 per share for which a $3,900 finder's fee was paid.

In September 2008, the Company entered into an option/joint venture agreement ("Agreement") with Aurora Energy Resources Inc. ("Aurora") allowing Aurora the right and option to earn an initial 51% interest in the Baker Lake Project. Pursuant to the Agreement, Aurora subscribed to a 2,000,000 share private placement at $0.17 per share for gross proceeds of $340,000.

In October 2008, the Company announced a management changes with the appointment of Ms. Lei Wang as the new Chief Financial Officer and the appointment of Ms. Arie Page, LLB as the Corporate Secretary following the resignation of Ms. Jeannine Webb, the former Chief Financial Officer and Corporate Secretary.

On October 30, 2008 the Company granted incentive stock options under its 10% rolling stock option plan to directors, officers and consultants, to purchase a total of 1,500,000 common shares at $0.17 per share exercisable until October 30, 2013. The incentive stock options vest as to 25% on the date of grant, 25% in one year and 50% in two years, subject to the terms and conditions of the Company's stock option plan.

Overall Performance

As at December 31, 2008, the Company had cash, cash equivalents and short-term investment of $1,153,725 as compared to $1,603,543 in the prior year. Other than trade payables and amounts owing to the related parties (see Related Party Transactions), the Company has no debt or long-term debt obligations.

In 2008 the Company spent $1,011,469 in deferred exploration and mineral property expenditures as compared to $4,491,844 in 2007. $764,859 (2007: $17,850) acquisition costs and $3,002,011 (2007: $13) exploration expenditures totaling $3,766,870 were impaired and written off in 2008 compared to $17,863 in 2007.

Cash used in operating activities totalled $1,229,036 in 2008 as compared to $475,636 in 2007, while cash in-flows from financing activities totaled $704,423 in 2008 compared to $4,268,853 in 2007.

The Company earns no income from operations and any significant improvement in working capital depends principally upon the issuance of share capital. The current financial markets have deteriorated due to prevailing economic uncertainty, which has impacted opportunity for the raising of equity capital as well as other avenues for obtaining mineral exploration financing. As well, retraction of global growth estimates has precipitated substantial drops in most metal commodity prices. Companies worldwide have been affected negatively by these trends. As a result, the Company may have difficulties in equity financing for the purposes of mineral explorations. These financial circumstances will limit the Company's ability to further explore the Tumbler Ridge, Wapiti and Fyre Lake properties during the year 2009.

Apart from the above factors and the risk factors under the section "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that could have a material effect on the Company's business, financial condition or results of operations.

Results of Operations

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 capitalized as incurred. If a property is abandoned, or continued exploration is not practicable or is not planned to be carried out in the near future, the related deferred exploration expenditures and mineral property costs may be written off or written down (impaired) as may be appropriate.

During the year ended December 31, 2008, the Company had a net loss of $3,644,292, or $0.05 per share, as compared to a net loss of $177,744, or $nil per share in 2007. The difference was mainly due to the determination of a $3,749,007 impairment on its Baker Basin uranium project.

The significant turmoil in the financial markets starting late 2008 had a substantial negative impact on the Company's market value. As a result, the Company assessed its mineral properties for impairment at December 31, 2008, and determined that an impairment charge of $3,661,141 related to its Baker Basin Uranium Project was required.

Effective January 1, 2008, the Company entered into an agreement with an independent party to provide administrative, chief financial officer and office operations and facilities. As a result, management and administrative services were $202,082, an increase in cost over $125,484 in 2007. Investor relations or shareholder communications costs in the amount of $78,669 were reduced as compared to $176,534 in 2007. Legal and audit costs of $159,515 (2007: $50,999) were significantly higher due to legal costs related to the option of the Baker Basin Property to Aurora.

Stock-based compensation for the year 2008 totaled $110,563 as compared to $296,097 in 2007. The Company granted 1,500,000 stock options with exercise prices of $0.17 in 2008, as compared to 2,140,000 stock options granted with exercise prices of $0.26 in 2007. The Company expenses the value attributed to the options using the Black Scholes model over the options' vesting term. Stock-based compensation relating to those consultants working on the Company's exploration properties has been charged to the properties based on the percentage of their time spent on the properties. Due to the impairment charge taken in 2008, the Company expensed $33,169 allocated to properties bringing the total stock-based compensation to $110,563 (2007: $296,097).

Interest income decreased to $34,717 for the year ended December 31, 2008, as compared to $51,904 for 2007. The decreased interest income reflects lower interest rates and a lower overall average cash balance as compared to the prior year.

Under the provisions of CICA EIC 146, in respect of flow-through shares, a future income tax liability must be recognized, and shareholders' equity reduced, on the date that the company renounces the tax credits associated with flow-through expenditures, provided that there is reasonable assurance that the expenditures will be made. As the company has unrecognized future tax assets and the taxable temporary differences relating to the flow-through shares are expected to reverse during the loss carry forward period, these tax assets can be applied against the future taxable temporary difference. The recognition of the benefits resulted in a future income tax recovery of $783,370 (2007: $526,455).

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

	2008	2007	Increase (decrease)
Administrative expenses			
Consulting	25,300	2,093	23,207
Insurance	21,319	17,735	3,584
Legal and audit	159,515	50,999	108,516
Management and administrative services	165,079	69,277	95,802
Office operations and facilities	37,003	56,207	(19,204)
Shareholder communications	78,669	176,534	(97,865)
Transfer agent and regulatory fees	44,755	60,529	(15,774)
Travel	4,903	6,562	(1,659)
Other expenses and (income)			
Interest income	(34,717)	(51,904)	17,187
Stock-based compensation	110,563	296,097	(185,534)
Write-off of mineral properties	3,766,870	17,863	3,749,007
Future income tax recovery	783,370	526,455	256,915

Mineral Projects Updates

A summary of exploration and mineral property expenditures from January 1 to December 31, 2008 is listed below:

	Baker Basin	Tumbler Ridge	Wapiti	Phos Phosphate	Fyre Lake	Total
Accommodation	$ 27,667	$ 14,806	$ -	$ 586	$ -	$ 43,059
Assays & Geochemical Analysis	766	8,513	1,386			10,665
Consulting	144,417	70,354	13,331	21,910	350	250,363
Depreciation	6,426					6,426
Engineering & Metallurgical		16,735	6,665	175		23,575
Environmental & Mine Permit	27,454					27,454
Expediting		2,536				2,536
Field Supplies	185	1,371				1,556
Maps, Printing & Drafting	129					129
Project Management Fees		46,037	5,751			51,788
Property Acquisition	271,449	21,244	18,000	56,267	17,850	384,810
Salaries & Wages	10,802	105,614	21,371		200	137,987
Transportation	7,164	98,229	15,486	3,390		124,269
Recovery	(53,147)					(53,147)
	443,312	385,439	81,990	82,328	18,400	1,011,469
Write-off during the year	(416,460)	-	(5,000)	(82,328)	(18,400)	(522,188)
Total	$ 26,852	$ 385,439	$ 76,990	$ -	$ -	$ 489,281

During the year, the Company expended $1,011,469 (2007: $4,494,051) in exploration costs on mineral properties, primarily on the Baker Basin Uranium Project and Tumbler Ridge Project. Exploration expenditures in 2008 are lower than in 2007 as a result of reduced activity at the Baker Basin Uranium Project.

Baker Basin Uranium Project

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

During the first quarter of 2008, the Company converted selected portions of prospecting permits to mineral claims status, bringing the total mineral claims holdings to 97. The Company filed assessment work credit from 2007 exploration expenditures to maintain the mineral claims in good standing. The Company inaugurated permit applications in support of a proposed 2008 drilling program.

During the second quarter of 2008, the Company engaged in discussion with prospective joint venture participants in order to advance the Baker Basin Project.

During the third quarter of 2008, the Company amended an agreement with Kivalliq Energy whereby the Company accelerated the payment of 2,000,000 shares of its capital to Kivalliq thereby earning a 100% interest in the Baker Basin Uranium project, Kivalliq will have the option to back in to a 20% working interest when a prefeasibility study is produced (previously a positive feasibility study)

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.

On September 23, 2008 the Company announced the terms of an option/joint venture agreement with Aurora Energy Resources Inc. whereby Aurora may earn a majority interest in the Baker Basin Uranium project. The principal terms of the Aurora agreement allow Aurora, as operator during an initial option period expiring December 31 2011, to earn a 51 % interest in the project by immediately subscribing to a private placement of 2,000,000 shares of the Company at $0.17 per share, and incurring staged exploration expenditures totaling $15,000,000 during the option period. Upon earning a 51 % interest, Aurora may elect to either earn an additional 14% interest by financing 100% of continuing costs and commit to producing a prefeasibility study on or before December 31, 2013 or enter into a joint venture with the Company with an initial joint venture partnership level of 51% Aurora and 49% for the Company. The Company may elect to contribute or if it elects not to participate in the joint venture, its interest will be reduced to not less than 35 %. Aurora may then contribute 100 % of continuing costs until a prefeasibility study is produced. When a prefeasibility study is produced, Kivalliq will have the right to back in to a 20 % joint venture interest by reimbursing 40 % of the exploration costs incurred including the cost of producing the prefeasibility study. The reimbursement will be distributed on a pro rata basis between the Company and Aurora after the Company has received the first $7,300,000. Should Kivalliq elect to back in but fail to contribute to the joint venture, their interest would be subject to dilution and if reduced to 5% or less, converted to a royalty. The Company's joint venture interest would then range from a minimum of 15% to a maximum of 29%, depending on the prior elections of Aurora and the Company. The Company's and Aurora's joint venture interests would also be subject to dilution for non-contribution, and if reduced to 5% or less, be converted to a royalty. If Aurora terminates its agreement with the Company, Kivalliq can elect to re-establish the terms of its original option, back-in joint venture agreement with the Company by returning the two million shares to the Company.

Aurora completed their 2008 exploration program which included an initial 603 metre, two-hole drill program designed to further test the Lucky 7 zone – an intrusion-related mineralized zone initially discovered in 2006 and drill results included one drill hole containing 17.3 metres of 0.30% U_3O_8. Results of Aurora's 2008 drill program are shown in the table below.

Hole ID	From (m)	To (m)	Length	%U_3O_8
L7-08-11	144.00	146.00	**2.00**	**0.13**
and	216.00	218.00	**2.00**	**0.08**
L7-08-12	274.00	278.50	**4.50**	**0.22**

In addition to the drilling, a 7001 kilometre, 150 metre spaced, airborne magnetic, radiometric and broadband electromagnetic survey was completed in October, designed to cover the property and aid in the design of the 2009 exploration program. Similarly, a 435 kilometre ground magnetic survey, with 50 metre spacing, was completed around the known Lucky 7, Niner and 7-1 zones. Aurora reported that the interpretation of these results indicates that mineralized structures are continuous over several kilometres and there is significant potential to host unconformity style mineralization. Geological mapping around mineralized zones and a comprehensive geochemical sampling program of the areas around mineralization were also completed in an effort to better characterize the alteration system associated with mineralization and planning for the 2009 season.

Aurora plan on-going exploration during 2009 with a minimum budget of $ 1,100,000 which will include diamond drilling.

Fyre Lake Massive Sulphide Project

During 2008 the Company continued to hold a 100% interest in 170 mineral claims comprising the Fyre Lake Project in the Yukon. In prior years the Company expended approximately $6.0 million on an extensive program of diamond drilling that resulted in definition of an NI 43-101 compliant mineral resource estimated to contain 3.6 million tonnes grading 1.57% copper, 0.10% cobalt and 0.61 grams gold per tonne of gold at a 1.0% copper cut-off plus an inferred mineral resource of 5.4 million tonnes grading 1.5% copper 0.08% cobalt and 0.53 grams gold per tonne. The resource remains open for expansion. The Company did not carry out any work on the property in 2008 other than making payments to maintain the mineral claims in good standing. The Company continued to seek an option/joint venture partner to fund further exploration.

Tumbler Ridge Phosphate Project

During the second quarter the Company announced that it had acquired a major phosphate exploration project in east-central British Columbia (subsequently called the Tumbler Ridge Phosphate Project). The phosphate project consists of a 100% interest in two staked groups encompassing 119 mineral claims covering a cumulative 127-kilometre-length (approximately 500 square kilometers) of favorable geology for the hosting of sedimentary phosphate deposits.

The Company selected the phosphate project area based on the high potential for discovery of large tonnages of phosphate mineralization, coupled with an established area of infrastructure for supporting future mine production.

In the northern portion of the Company's holdings, the phosphate horizon at Mt. Palsson was noted as being one-metre thick, with B.C. Geological Survey grab samples yielding an average grade of 26.4% P205 (phosphorus pentoxide). In the southern portion of the project area, at Meosin Mountain, the phosphate horizon was identified and sampled at several locations; one grab sample graded 23.64% P205. Within the northern portion of the Meosin holdings, a 1.3-metre-thick section assayed 10.05% P205 and, in the southern portion, four stacked horizons that were approximately one metre thick each were discovered, with assays ranging from 2.1% to 6.9% P205. Associated with the phosphate mineralization, reported rare earth values of lanthanum, cerium and yttrium suggest opportunity for added value.

During the third quarter the Company's exploration program identified widespread sedimentary or "blanket-type" laterally continuous phosphate mineralization. Of particular note was the Tunnel zones which yielded values to 19.4% P2O5 over 3 metres. The exploration program also outlined five additional targets where thicker and higher grade zones of phosphate are exposed. Although the early- stage Tumbler Ridge project has only seen its first year of exploration, drill-ready targets directed to tonnage and grade definition have been defined.

Wapiti Phosphate Property

During the third quarter of 2008, the Company added to the land position of prospective phosphate zones in the Tumbler Ridge project area with the signing of an agreement with Lateegra Gold Corp. in respect of the Wapiti property. Under the terms of an agreement, the Company paid $5,000 and issued 200,000 of its shares to Lateegra and has the option to make exploration expenditures totaling $1,000,000 within 3 years to earn a 51% interest in the property. Upon earning an initial 51% interest, the Company may elect to form a joint venture at its then current interest level or increase its interest to 65%, by paying a further $250,000 and issuing an additional one million shares and make a further $1,000,000 of exploration expenditures over a two year period.

The Wapiti property consists of 15 claims totaling over 68 square kilometers and covers an approximate 18 kilometre length of prospective phosphate bearing sedimentary rocks ranging to 3 metres thick. Historical exploration on the Wapiti property that included trenching and diamond drilling in the 1980's identified phosphate zones over a 5 kilometre length. The initial shallow drilling program of eight holes reported intercepts averaging 23.5% P2O5 over 1.2 metres to a depth of 90 metres.

During the third quarter the Company conducted a program of mapping and sampling of phosphate bearing zones. Of particular note was a hand-dug trench that yielded values to 29.1% P2O5 over 3 metres. In several locations, the phosphate horizon occurs as dip sloping beds suggesting opportunity for open pit extraction.

Phos Phosphate Property

During the second quarter the Company announced the acquisition of the Phos Property located in the Fernie area of Southeastern British Columbia.

The Phos Property comprised of 3 claims totaling over 360 acres, covers the central and thickest 3 kilometre length of the approximate 15 kilometre long Mount Lyne Phosphate deposit. Thickness ranges from one to 3 metres. The Mount Lyne deposit saw extensive work by Cominco and Crows Nest Resources in the 1980s, who both outlined a non-compliant phosphate resource averaging 20% P2O5. The deposit is known to contain additional significant levels of rare earth metals and low carbonate content. In accordance with the terms of the agreement, the Company paid $20,000 and issued 100,000 shares to the vendors.

Preliminary exploration of the Phos Property did not meet expectations and option was terminated and the property relinquished to the vendors.

Selected Annual Information

The following table sets forth a comparison of financial data for the previous three most recently completed fiscal years:

	December 31, 2008	2007	2006
Total revenue	$ -	$ -	$ -
Net loss for the year	(3,644,292)	(177,744)	(7,453,753)
Basic and diluted loss per share	(0.05)	-	(0.14)
Total assets	5,209,200	8,610,204	4,277,144
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, 2008.

	December 31, 2008	**September 30, 2008**	**June 30, 2008**	**March 31, 2008**
Total revenue	**$ -**	**$ -**	**$ -**	**$ -**
Interest income	4,551	4,786	15,662	9,718
Administration expenses	(105,859)	(173,775)	(128,738)	(128,171)
Exploration costs	(36,689)	(2,987)	(2,562)	(6,165)
Write-off of mineral properties	(3,766,870)	-	-	-
Stock-based compensation	(31,668)	(13,527)	(13,526)	(51,842)
Future income tax recovery	-	-	-	783,370
Net (loss) income for the period	(3,352,049)	(185,503)	(129,164)	606,910
Basic and diluted income (loss) per share	$ (0.04)	$ -	$ (0.01)	$ 0.01

	December 31, 2007	**September 30, 2007**	**June 30, 2007**	**March 31, 2007**
Total revenue	**$ -**	**$ -**	**$ -**	**$ -**
Interest income	14,155	17,123	9,717	10,909
Administration expenses	(86,299)	(84,067)	(202,603)	(66,967)
Exploration costs	(586)	(1,143)	-	(478)
Write-off of mineral properties	(17,116)	(735)	-	(12)
Stock-based compensation	(34,187)	(68,817)	(78,385)	(114,708)
Future income tax recovery	-	-	-	505,700
Net (loss) income for the period	(103,278)	(137,639)	(271,271)	334,444
Basic and diluted income (loss) per share	$ (0.01)	$ -	$ -	$ 0.01

Variations in annual and quarterly loss and loss per shares are affected by the administration costs and by the write down or write off of mineral property carrying costs, as evidenced by the change from 2007 to 2008. In accordance with its policies, management reviews the carrying value of the deferred mineral property acquisition and exploration expenditures to assess whether there has been any impairment in value. In the event that mineral deposits are determined to be insufficient to recover the carrying value of any property, the carrying value is written down or written off, as appropriate. Resource asset balances are dependent on the costs spent to date to earn an interest in projects held at period end.

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 acquire (by option, joint ventures or sales) in order to finance further acquisitions, undertake exploration of other mineral properties and meet general and administrative expenses in the immediate and long term.

As at December 31, 2008, the company had working capital of $1,102,421 (December 31, 2007: $1,664,270). During the year ended December 31, 2008, the Company experienced a negative cash flow of $1,229,036, (2007: $475,636) from operating activities, spent $725,205 (2007: $4,027,460) on mineral properties, and raised $704,423 (2007: $4,268,853) net of issue costs from private placements.

During the coming year, 2009, the Company will place priority on conservation of working capital. In this regard no direct exploration expenditures will be incurred on the Baker Uranium Project, as 2009 exploration expenditures will be incurred by Aurora in accordance with the continuance of an option/joint venture agreement between the Company and Aurora. No exploration expenditures are planned, other than mineral claims maintenance costs, on the Tumbler and Wapiti Phosphate projects as well as the Fyre Lake copper/gold deposit. Notwithstanding, early stage discussion is in progress with potential parties considering joint venture participation in those mineral properties.

The 2009 budget, as currently established, has set overall corporate and administrate costs at $225,000 and exploration costs at $100,000, resulting in year-end working capital comprised of cash in the approximate amount of $770,000. Exploration costs include an allocation for investigation and assessment of new mineral project acquisitions and related business opportunity for the Company. It is management's opinion that, with prevailing economic conditions, mineral properties of merit are available for acquisition at deep discount to historic value. New property acquisition would be dependant on availability of additional financing of the Company.

Off-Balance Sheet Arrangements

None

Related Party Transactions

During the year ended December 31, 2008, the Company was invoiced $40,900 (2007: $Nil) by its President and Chief Executive Officer for administration, management and exploration services, and $63,330 (2007: $Nil) by its Vice President of Exploration for professional geological services related to its properties. At December 31, 2008, $2,310 and $1,397 was due by the Company to the above two officers respectively.

These transactions are in the normal course of operations.

Proposed Transactions

There are no new acquisitions contemplated as at the date of this report.

Changes in Accounting Policies

The Company's significant accounting policies are subject to estimates and, key judgments about future events, many of which are beyond management's control. A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's audited financial statements for the year ended December 31, 2008.

Effective January 1, 2008, the Company adopted the following amended and new Canadian Institute of Chartered Accountants ("CICA") accounting pronouncements:

- Section 1400 (amended) – General Standards of Financial Statement Disclosure
- Section 1535 - Capital Disclosures
- Section 3862 – Financial Instruments – Disclosure
- Section 3863 – Financial Instruments – Presentation

The amendments to Section 1400 were in connection with the requirements to assess and disclose an entity's ability to continue as a going concern.

Section 1535 requires a company to disclose information that enables users of its financial statements to evaluate the company's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. Sections 3862 and 3863 require an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how a company manages these risks.

The adoption of these new standards did not have an impact on the Company's financial position or its results of operations. The disclosures required by these standards are included in Notes 10 and 11 of the audited financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to IFRS for Canadian profit-oriented publicly accountable enterprises such as Pacific Ridge. The date of first reporting under IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transaction date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The Company is completing a preliminary diagnostic and developing an IFRS conversion implementation plan, which includes a detailed assessment of the impact of the conversion on the financial statements and related disclosures. The plan also considers the impact of the conversion on the Company's information technology systems, internal controls over financial reporting, performance measurement systems, disclosure controls and procedures and other business activities that may be influenced by GAAP measurements.

The Company is currently performing an analysis of the significant IFRS - Canadian GAAP differences with respect to the Company's financial statements and disclosures. The Company will quantify the potential effect of theses differences as part of the conversion implementation plan. Certain key members of the accounting department of the Company have been attending in-depth training sessions regarding IFRS - Canadian GAAP differences with a particular focus on how they apply to entities in the mining industry.

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 16, 2008, the Company had 83,990,939 common shares issued and outstanding, 4,750,000 options were outstanding of which 3,625,000 were exercisable, and no warrants were outstanding.

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, 2008 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.

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 properties 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 which event 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 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 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 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 nil to 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 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 many other companies that 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 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, are 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 2008, 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.

Additional Financing

As at the date of this document, the Company has sufficient financial resources to pay its ongoing administrative expenses and to meet its liabilities for the ensuing year. In order to continue exploring its mineral properties and acquiring additional properties, management may be required to pursue additional sources of financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on existing exploration properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and the possible, partial or total loss of the Company's interest in certain properties. The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements reduced. 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.

Management and Directors

The Company is dependent on a relatively small number of key directors and officers: John S. Brock, Wayne J. Roberts and Lei Wang. 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, 2008 and the date of this document, there were no legal proceedings against or by the Company.