

# **Pacific Ridge Exploration Ltd.**

## **Interim MD&A – Quarterly Highlights**

### **For the three months ended March 31, 2016**

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This interim Management's Discussion and Analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("**Pacific Ridge**" or the "**Company**"), dated May 17, 2016, provides a brief update on the Company's business activities, financial condition, financial performance and cash flow since December 31, 2015, and excludes information discussed in its most recent annual MD&A. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("**IFRS**") and presented in Canadian dollars.

The following information should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015 and condensed interim financial statements for the three months ended March 31, 2016 and the related notes thereto. The Company's shares are listed on the TSX Venture Exchange under the symbol "PEX". Additional information related to Pacific Ridge is available on the Company's website at [www.pacificridgeexploration.com](http://www.pacificridgeexploration.com) or on SEDAR at [www.sedar.com](http://www.sedar.com)

### **Forward Looking Statements and Risk Factors**

This interim MD&A contains forward-looking statements that are related to the Company's activities and future financial results. The results for the current periods are not necessarily indicative of the results for any future period. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance as 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 the early stage of its exploration projects. A detailed discussion of risks is presented in the 2015 year-end MD&A.

### **Summary of Mineral Properties**

The Company currently holds a 100% interests in three gold projects in the Klondike-White Gold District (Mariposa, Eureka Dome and Gold Cap), and one copper-rich massive sulphide deposit in the Finlayson District (Fyre Lake).

#### *Mariposa*

The 295 km<sup>2</sup> Mariposa property was acquired in September 2009 by way of an option agreement with the Tintina Syndicate and has been 100% owned by the Company since late 2014.

The Mariposa property is located 120 kilometres southeast of Dawson City, Yukon. It lies within a regional major northwest trending structural corridor which hosts numerous gold and copper deposits. The Company spent over \$6 million in exploration since 2010 including soil sampling, trenching and drilling, resulting in discovery of a number of well mineralized gold zones. In 2015, the Company completed a 12-hole, 655.3 m rotary air blast ("**RAB**") drill program.

The Company is seeking to option or joint venture the property.

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#### *Eureka Dome*

Eureka Dome is road accessible and is drained by several placer gold bearing creeks including Eureka Creek and Black Hills Creek. A preliminary evaluation of the property identified several areas anomalous in gold and pathfinder elements and hydrothermal alteration. A soil survey is planned for 2016 to refine targets for possible drill testing.

#### *Gold Cap*

This property, with yet-to-be drilled gold soil anomalies, adjoins the Kinross White Gold deposit on the east. No exploration is planned for 2016.

#### *Fyre Lake*

The Company holds a 100% interest in the Fyre Lake copper-gold-cobalt massive sulphide project in the Yukon's Finlayson Lake District. The Company has spent approximately \$6.0 million on an extensive program of diamond drilling in 1996 and 1997 that resulted in the definition of a NI 43-101 compliant mineral resource estimates that remains open for expansion.

The project is under option to MinQuest Limited ("**MinQuest**") who may earn an initial 51% interest by making payments in cash and shares valued at \$1.3 million (\$0.325 million paid) over three years and completing \$3.5 million in exploration.

The Company is waiting to hear MinQuest's plans for the property in 2016.

No active exploration was carried out on any of the Company's projects during the first quarter of 2016 with minimum expenditures for 2016 exploration planning and maintenance of the mineral properties.

#### **General Administration**

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. The Company has continued to reduce its general administration costs where possible. Major expenses were incurred to maintain the Company's status of being a publicly traded company.

During the three months ended March 31, 2016, the Company recorded a net loss of \$118,513 as compared to a net loss of \$76,275 in the same period of 2015. Both periods are significantly impacted by the non-cash loss on the fair value of the marketable securities in 2016 and stock-based compensation expenses recorded in 2015.

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**Summary of Quarterly Results**

The following table sets forth a comparison of information for the previous eight quarters ending with March 31, 2016:

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
	\$	\$	\$	\$
Total revenue	-	-	-	508,200
General and administration	(38,525)	(42,232)	(72,630)	(46,523)
Exploration and evaluation costs	(10,736)	(45,916)	(114,813)	(7,500)
Loss on sale of marketable securities		(1,887)		
Loss on fair value of marketable securities	(69,252)			
Impairments		(75,303)		
Government grant		40,000		
Property option payment			185,000	
Share-based payments				
Net income (loss) for the period	(118,513)	(125,338)	(2,443)	454,177
Basic and diluted income (loss) per share	-	(0.10)	-	0.02

	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
	\$	\$	\$	\$
Total revenue	-	-	-	-
General and administration	(45,807)	(102,649)	(44,382)	(65,663)
Exploration and evaluation costs	(9,300)	14,104	(51,400)	(20,530)
Gain (loss) on sale of marketable securities	-	(916)	2,120	-
Impairment	-	(135,712)	-	-
Government grant	-	50,000	-	-
Property option payment	-	(20,591)	50,000	-
Share-based payments	(18,103)			
Write-off and loss on sale of equipment	-	(11,665)	-	-
Net loss for the period	(73,210)	(207,429)	(43,662)	(86,193)
Basic and diluted loss per share	-	(0.01)	-	-

**Quarterly Information Trends**

The Company's results have been largely driven by the level of its property holding costs, exploration activities and recoveries from partners. The Company has had no revenue from mining operations since its inception other than disposal of its assets and mineral royalties. Major variations in costs are summarized below:

- The gain or loss on disposal of mineral properties is dependent on the negotiated sales proceeds and can vary significantly from property to property.
- General exploration expenditures can vary from quarter to quarter depending on the stages and priorities of the exploration program and the availability of funds.
- Share-based payments can vary widely from quarter to quarter based on the timing, amount and tenure of stock option awards.

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**Liquidity and Capital Resources**

The Company is dependent on raising funds by the issuance of shares or disposition of interests in resource properties to finance further acquisitions, undertake exploration and meet general and administrative expenses. As at May 17, 2016, the Company has cash on hand of approximately \$430,000 and 4.6 million shares of MinQuest worth approximately \$35,000.

Monthly cash used in the operating activities were approximately \$15,000 during three months ended March 31, 2016 (2015 - \$18,000). The Company believes it has sufficient cash to sustain its operations in the next 12 months. The longer term ability of the Company to continue its business is dependent on the continuing success of its exploration programs coupled with available funding through sale of its share capital, funding from a joint venture partner or disposition of property interests.

**Outstanding Share Data**

As at May 17, 2016, the Company has 24,390,884 common shares issued and outstanding; 2,215,500 stock options outstanding and exercisable at a weighted exercise price of \$0.16; and 2,000,000 and 1,063,750 warrants outstanding exercisable at \$0.075 which expire on November 18 and December 23, 2016, respectively.

**Off-Balance Sheet Arrangements**

None

**Proposed Transactions**

None

**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 March 31, 2016 were effective in ensuring that all material information required to be filed had been effected 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 March 31, 2016.

**Changes in Accounting Policies**

The Company has not made any changes to its significant accounting policies, as described within Note 2, during the year ended December 31, 2015. Certain requirements were issued by the IASB that are mandatory for annual years beginning on or after January 1, 2016. These changes have not yet been early adopted and have been evaluated to have no major impact on the Company.