PACIFIC RIDGE exploration ltd.

(An Exploration Stage Company)

Management's Discussion and Analysis (MD&A)

(Form 51-102F1)

Year ended December 31, 2018

This Management's Discussion and Analysis ("**MD&A**") of Pacific Ridge Exploration Ltd. ("**Pacific Ridge**" or the "**Company**"), dated **April 23, 2019**, provides an update on the Company's business activities, financial condition, financial performance and cash flows for the year ended December 31, 2018. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") in Canadian dollars (unless otherwise indicated). The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3", and "Q4" respectively.

The following information should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017.

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 and on SEDAR at www.sedar.com

Forward-looking statements and risk factors

This 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 below in the last sections of this MD&A.

Pacific Ridge's disclosure of a technical or scientific nature has been reviewed and approved by Mr. Gerald G. Carlson, Ph.D., P. Eng., President and CEO of the Company, and a Qualified Person under the definition of National Instrument 43-101.

Highlights for 2018

During 2018 the Company:

- In the second quarter, announced that it had optioned its Eureka Dome project to Trifecta Gold Ltd. ("Trifecta"). Subsequent to the end of the fiscal year, on April 22, 2019, the Trifecta option was terminated because Trifecta was unable to fulfill its option requirements.
- In the second quarter, announced that it had acquired an option to earn a 100% interest in the Spius Cu porphyry project, southern British Columbia.
- During the summer field season, completed surface exploration programs on its RC Gold and Gold Cap projects in the Yukon. The RC Gold option was terminated subsequent to the end of the year.
- In the fourth quarter, completed a soil geochemical and IP geophysical on its Spius copper porphyry project.
- In the fourth quarter, re-negotiated the payment schedule for BMC Minerals (No. 1) Ltd.'s option to purchase the Company's Fyre Lake project and received a $1.2 million payment towards that purchase.
- Subsequent to December 31, 2018, announced its intention to carry out a drill program on it Spius porphyry copper project.
- Subsequent to December 31, 2018, the Company terminated the option agreement with Four Nines Gold Ltd. with respect to the Company's wholly-own Mariposa property and the option agreement with RIT Minerals Corp. and Colin Dunn Consulting Inc. with respect to its option to earn an interest in the TL Zinc property.

Summary of first, second and third quarter activities

During the first half of 2018, the Company focused on new acquisition opportunities and plans for 2018 exploration programs including detailed mapping, sampling and an IP geophysical survey on the RC Gold property and a detailed mapping, prospecting and a deep penetrating GT Probe soil sampling program on the Gold Cap property.

On April 26, 2018, the Company announced that it had optioned its Eureka Dome property to Trifecta Gold Ltd. ("Trifecta"). Trifecta can earn a 70% interest in the property by making payments of $200,000, issuing 1,000,000 shares and completing $2.5 million in exploration by December 31, 2022.

On April 30, 2018, the Company announced that it had acquired an option to earn a 100% interest in the Spius Cu-Mo-Au porphyry property, southern British Columbia, by making payments of $210,000, issuing 1,000,000 shares and completing $800,000 in exploration by December 31, 2020.

The Company also announced it had extended the expiry date of 2,716,250 share purchase warrants from May 3, 2018 to November 3, 2018; however, all outstanding warrants expired unexercised.

During the third quarter, the Company completed surface exploration programs on its RC Gold and Gold Cap projects in the Yukon.

Summary of fourth quarter activities

During the last quarter of 2018, the Company announced the results from its Gold Cap and RC Gold projects, and subsequently terminated its option to earn an interest in the RC Gold project. It also completed a program of sampling and IP geophysical surveying on its Spius porphyry copper project, the results of which were announced prior to the end of the quarter. The Company also announced the appointment of Dr. Craig Hart as Technical Advisor to the Company.

The Company re-negotiated the payment schedule for BMC Minerals (No. 1) Ltd.'s option to purchase the Company's Fyre Lake project and received a $1.2 million payment towards that option to purchase.

Mineral properties

RC Gold, Yukon

In 2017, the Company acquired an option on the road accessible RC Gold project, including the RC, Bee and Bop claim groups, through two separate agreements. RC Gold lies at the headwaters of Clear Creek, one of the Yukon's prolific placer gold creeks, within the Yukon's Tintina Gold Belt. The target at RC Gold is an Intrusion-Related Gold deposit such as Victoria Gold's Eagle Gold, Golden Predator's Brewery Creek, and Kinross Gold's Fort Knox in Alaska.

In August 2018, the Company completed a program of prospecting and mapping, soil sampling (118 samples) and a 4.3 km Induced Polarization (IP) geophysical survey over four priority targets defined by the Company's 2017 program. After a review of the results, the Company terminated its option and has determined to write off its RC Gold carrying value of $33,000.

Mariposa, Yukon

The Company's 100% owned 295 km2 Mariposa property is located in the Yukon's White Gold District, 120 km southeast of Dawson City, 40 kilometres southeast of White Gold's Golden Saddle deposit and 30 kilometres east-northeast of Goldcorp's Coffee property. Prior exploration identified an open-ended 7 km long horizon of altered sulphide bearing quartz mica schist in the Skookum Zone area, in a setting favorable for hosting gold mineralization.

The property was under option to Four Nines Gold Inc. ("Four Nines"). Under the terms of the agreement, Four Nines could earn a 51% interest in the property by making cash payments of $190,000 ($30,000 received), issuing 240,000 common shares (60,000 received) and 30,000 common share purchase warrants (received) and completing $2,500,000 in exploration in staged annual increments by December 31, 2020, of which approximately $304,000 was completed as of December 31, 2017. However, as Four Nines failed to meet its cash and share payment and work requirement obligations by the December 31, 2018 due date, the Company terminated the Four Nines option.

Eureka Dome, Yukon

The Company's 100% owned 32 km^2 Eureka Dome property is located 70 km southeast of Dawson City, within the Klondike-White Gold District. Placer mining activity in Eureka Creek dates back to the 1896 gold rush, with estimated historical production from Eureka and Black Hills Creeks of greater than 140,000 oz. Au.

In April 2018, the Company optioned Eureka Dome to Trifecta Gold Ltd. ("Trifecta"). Trifecta can earn a 70% interest in the property by making payments of $200,000 ($20,000 paid), issuing 1,000,000 shares (200,000 shares issued) and completing $2.5 million in exploration by December 31, 2022.

No work was completed on the project in 2018.

Subsequent to the end of the fiscal year, on April 22, 2019, the Trifecta option was terminated because Trifecta was unable to fulfill its option requirements.

Gold Cap, Yukon

The 100% owned 1,100 ha Gold Cap property adjoins the northeast boundary of White Gold Corp's Golden Saddle property. The property was staked in 2009 based on an anomalous gold silt sample reported by the Geological Survey of Canada. In 2010, Pacific Ridge collected 1,766 soil samples and defined two anomalous gold zones.

In July and August 2018, the Company completed 368 deep penetrating GT Probe samples at a 5 m spacing and 168 regular soil samples over the two target areas. Geological mapping and prospecting were also completed over these target areas. The sampling further refined the gold target areas and numerous samples of quartz vein float were encountered, but no bedrock gold source was found. Further detailed prospecting, sampling and hand trenching is required over the refined anomalies to detect any related gold mineralization in underlying bedrock.

Fyre Lake, Yukon

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 diamond drilling that resulted in definition of a NI 43-101 compliant mineral resource estimated, at a 1.0% copper cut-off, to contain an indicated mineral resource of 3.6 million tonnes grading 1.57% copper, 0.10% cobalt and 0.61 grams gold per tonne and an inferred mineral resource of 5.4 million tonnes grading 1.5% copper 0.08% cobalt and 0.53 grams gold per tonne. The resource remains open for expansion.

Fyre Lake, Yukon (continued)

In December 2016, the Company announced that it had agreed to option a 100% interest in the project to BMC Minerals, more recently amended on December 19, 2018 whereby BMC has the right to acquire a 100% interest in Fyre Lake by making payments as follows:

The Company has received a non-refundable deposit and initial option payment of $375,000 ($25,000 received in November 2016 and $350,000 received in January 2017), a second option payment of $300,000 in December 2017, and a third option payment of $1,200,000 on December 28, 2018. In order to exercise the option, BMC must make a final $1,220,000 payment. This payment is due upon BMC obtaining production financing for its Kudz Ze Kayah project, but in any event no later than December 31, 2020. BMC will also pay $75,000 to Pacific Ridge every six months, commencing June 30, 2019, until the final tranche has been paid.

In addition, BMC has agreed to make a bonus payment of $1,000,000 if and when BMC's Kudz Ze Kayah property has reached commercial production for one year.

TL Zinc, British Columbia

The Company negotiated an option to earn a 100% interest in the road-accessible, 6,420 ha TL Zinc project located 80 km northeast of Vernon, British Columbia. In early December 2016, the Company completed two drill holes for a total of 611 m at the eastern end of a large and strong electromagnetic conductor. Both holes intersected several zones of graphitic schist that appear to be the cause of the electromagnetic anomaly.

Subsequent to December 31, 2018, the Company terminated its agreement to earn an interest in the TL Zinc property and has determined to write off its TL Zinc carrying investment of $45,000.

Spius, British Columbia

On April 27, 2018, the Company acquired an option to earn a 100% interest in the Spius Cu-Mo-Au porphyry property, southern British Columbia, by making payments of $210,000 ($50,000 paid), issuing 1,000,000 shares (400,000 issued) and completing $800,000 in exploration by December 31, 2020. The Spius property was explored for its porphyry potential in the 1960's and early 1970's. Exploration focused on a gossan area where work included an IP survey, trenching and 27 percussion and core drill holes. The drilling was shallow, with none of the drill holes exceeding 100 m.

Recent exploration has defined a central copper soil geochemical anomaly. Two float samples of porphyry style mineralization with disseminated chalcopyrite assayed 2.53% Cu and 1.43% Cu.

In the fourth quarter, the Company completed an IP geophysical survey, additional soil sampling and a prospecting and geological mapping program over the core target area. The soil survey confirmed earlier sampling results and defined a central copper soil anomaly, 900 m by 750 m and open to the south, ranging from 100 ppm to plus 4,000 ppm Cu. The IP survey defined a horseshoe-shaped, high chargeability anomaly that envelopes the copper soil anomaly. The chargeability anomaly is believed to represent the pyritic halo of a porphyry copper system, surrounding a copper mineralized shell or core zone.

On March 21, 2019, the Company announced plans for a 1,250 m core drilling program to be completed during the 2019 field season.

Summary of exploration expenses:

The following is a summary of exploration expenses incurred in each of the Company's projects:

Property	Province / Territory	Years ended December 31 2018	2017
		$	$
Mariposa	YT	594	5,655
Eureka Dome	YT	8,375	76,260
TL Zinc	BC	37,293	32,114
RC and Bee	YT	79,408	112,718
Spius	BC	94,965	-
Gold Cap	YT	73,021	-
Fyre Lake	YT	5,810	-
Poker Brown	NV (USA)	-	124,364
OGI Zinc	YT	-	73,940
Contingent liability (Note 14)		207,262	-
General exploration not allocated to a specific property		59,473	59,080
		566,201	484,131

Selected Annual Information

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

	2018	2017	2016
	$	$	$
Total income	-	-	-
Net income (loss) for the year	386,401	10,385	(598,117)
Basic and diluted income (loss) per share	0.01	0.00	(0.02)
Total assets	1,776,012	1,174,148	1,282,631
Long-term financial liabilities	-	-	
Cash dividends declared	-	-	-

The resulting net income in 2018 and 2017 is due to the option payments received from BMC for the Company's Fyre Lake Property, of $1,214,710 and $650,000, respectively, while during 2016 the total amount received in property option payments was only $25,000, resulting in a net loss for that year.

The net income for 2018 and 2017 was also a result, in part, of larger government grants received during those years than during 2016.

The increase in value of total assets during 2018 is also a result of the $1,200,000 payment received.

Results of Operations

A summary of comparative results of operations for the year is provided in the table below:

	Years ended December 31		
	2018	2017	Increase (decrease)
Administration expenses	**$**	$	$
Insurance	**5,225**	7,500	(2,275)
Professional and consulting	**34,155**	37,809	(3,654)
Management and administrative	**88,830**	87,553	1,277
Office operations and facilities	**56,768**	56,983	(215)
Shareholder communications	**35,149**	16,877	18,272
Share-based payments	**19,957**	19,294	663
Transfer agent and regulatory fees	**20,751**	19,560	1,191
	260,835	245,576	15,259
Other expenses (income)			
Exploration and evaluation costs	**358,939**	484,131	(125,192)
Government grant	**(77,796)**	(119,659)	41,863
Mining tax credit	**-**	(10,045)	10,045
Property option payments	**(1,214,710)**	(650,000)	(564,710)
Impairment of resource properties	**78,000**	32,263	45,737
Unrealized loss in fair value of warrants	**4,350**	4,190	160
Allowance for contingency	**207,262**	-	207,262
Foreign exchange (gain) loss	**(3,281)**	3,159	(6,440)
	(647,236)	(255,961)	(391,275)
Net income for the year	**386,401**	10,385	376,016
Other comprehensive loss:			
Net change in fair value of marketable securities	**(22,500)**	(5,500)	(17,000)
Total comprehensive income for the year	**363,901**	4,885	359,016
Earnings per share (basic and diluted)	**0.01**	0.00	
Weighted average number of shares outstanding			
basic	**31,468,735**	31,215,859	
diluted	**31,539,635**	33,967,123	

The administration expenses were very comparable with those of the prior year, with the exception of shareholder communications, as management of the Company attended more technical and investor conferences than in the prior year, some of them requiring travelling.

As for exploration and evaluation costs, 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.

Please refer to the Mineral Exploration section, above, for details of exploration expenses by project

During 2018, exploration was carried out on the Spius, RC-Bee and Gold Cap projects. Results from the RC-Bee exploration program was negative, the options were terminated and carrying value of these properties was impaired. The General exploration line includes $48,000 corresponding to 50% of the CEO's compensation, the rest of which is included under Management and administrative expenses. The OGI Zinc and Poker Brown options were terminated in 2017.

The Government grants were received from the Yukon Mineral Exploration Program ("YMEP"), relating to exploration on the Gold Cap and RC-Bee projects.

Property option payments amounting to $1,200,000 were received from BMC for the Company's Fyre Lake project, pursuant to the amended property option agreement, and the remaining amount was received from Trifecta with respect to the Eureka Dome project.

The carrying values of the Company's mineral properties are reviewed by management quarterly, or when events or circumstances indicate that a carrying amount may not be recovered. The potential impairment indicators include but are not limited to the amount of work performed on the property, results of exploration to date, and plans or budgeting for the future exploration. As indicated, during the year ended December 31, 2018, the Company impaired the $33,000 carrying value of its RC-Bee property and the $45,000 carrying value of the TL Zinc property, while during the previous year the impairment was related to the carrying amount of the OGI Zinc and Poker Brown properties of $18,500 and $13,763, respectively.

Allowance for contingent liability

On October 23, 2018, the Canada Revenue Agency ("CRA") notified the Company that it would conduct an audit of the BC Mining Exploration Tax Credit ("BCMETC") with respect to the flow-through financing conducted during 2016, affecting the taxation years 2016 and 2017. For that 2016 flow-through financing, an amount of $434,600 was raised and the Company committed to renounce the same amount to the investors through Canadian Exploration Expenses ("CEE") to be incurred before the end of 2017.

On March 1, 2019, the CRA concluded its audit and issued a letter to the Company proposing a reclassification of $366,730 as Canadian Development Expenses ("CDE"), which cannot be renounced to investors, leaving only the remaining $67,870 as CEE. The CRA based its conclusion taking the position that expenses in mineral properties held under option agreements cannot be treated as CEE, and should be treated as CDE instead.

After obtaining advice from a law firm specializing in taxation issues, the Company submitted a response to the CRA outlining arguments by which the Company challenges the position taken by the CRA and requesting that the ruling be reconsidered.

As the Company provided indemnity agreements to the investors that participated in the 2016 flow-through private placement, should the final decision upon review of the Company's legal letter remain unchanged, the Company would have to refund any personal tax reassessed to its investors; the Company estimates this amount to be equal to 50% of the amount denied, or $183,365. In addition, the CRA is also proposing a reassessment of the BCMETC by $21,397 and $2,500 in fines, adding up to the $207,262 that the Company has set up set up as a provision.

The Company has not received a response from the CRA to the Company's legal letter as at the date of publication of these consolidated financial statements.

Results of Operations (continued)

Most recent quarter (Q4) comparative results:

	Three months ended December 31		
	2018	2017	Increase (decrease)
Administration expenses	**$**	$	$
Professional and consulting	**18,900**	22,571	(3,671)
Management and administrative	**20,962**	21,033	(71)
Office operations and facilities	**15,868**	22,772	(6,904)
Shareholder communications	**4,087**	3,336	751
Share-based payments	**9,929**	-	9,929
Transfer agent and regulatory fees	**1,491**	690	801
	71,237	70,402	835
Other expenses (income)			
Exploration and evaluation costs	**125,019**	27,252	97,767
Government grant	**(77,796)**	(119,659)	41,863
Property option payments	**(1,214,710)**	(300,000)	(914,710)
Impairment of resource properties	**78,000**	18,500	59,500
Unrealized loss in fair value of warrants	**30**	4,190	(4,160)
Allowance for contingency	**207,262**	-	207,262
Foreign exchange (gain) loss	**(2,331)**	(166)	(2,165)
	(884,526)	(369,883)	(514,643)
Net income for the year	**813,289**	299,481	513,808
Other comprehensive loss:			
Net change in fair value of marketable securities	**500**	(5,500)	6,000
Total comprehensive income for the year	**813,789**	293,981	519,808
Earnings per share (basic and diluted)	**0.03**	0.01	
Weighted average number of shares outstanding			
basic	**31,572,487**	31,329,009	
diluted	**31,643,387**	34,080,273	

During the last quarter of 2018, administration expenses were consistent with those of the last quarter of the prior year. Stock options were granted during the last quarter of 2018, resulting in the stock-based compensation being reported; during the prior year no stock options were granted during the last quarter.

With respect to exploration and evaluation costs, given the geographical location of the projects, most of the work is carried out and invoiced by contractors towards the end of the third quarter and during the last quarter. For the same reason, the government grant from the Yukon is received during the last quarter once the summary of expenses for the year has been presented.

The property option payment from BMC related to the Fyre Lake project and a portion of Trifecta's payment on Fyre Lake were also received during the last quarter. The impairment analysis for the RC and Bee property as well as the one for the TL Zinc property also took place during the last quarter of 2018.

Summary of Quarterly Results

The following table sets forth a comparison of information for the previous eight quarters ending with December 31, 2018:

	Quarter ended (three-month figures) ($)			
	31-Dec 2018	30-Sep 2018	30-Jun 2018	31-Mar 2018
Revenues	-	-	-	-
General and administration	(58,977)	(52,221)	(68,368)	(58,031)
Share-based payments	(9,929)	-	-	(10,028)
Exploration and evaluation costs	(125,019)	(143,399)	(73,670)	(16,851)
Unrealized gain (loss) in fair value of warrants	(30)	(3,620)	(6,540)	5,840
Impairment of resource properties	(78,000)	-	-	-
Mining tax credit and government grants	77,796	-	-	-
Property option payments	1,214,710	-	-	-
Allowance for contingency	(207,262)			
Net income (loss) for the period	813,289	(199,240)	(148,578)	(79,070)
Basic income (loss) per share	0.03	(0.01)	(0.00)	(0.00)
Total assets	1,776,012	777,703	938,775	1,093,264
Total liabilities	233,711	69,120	17,952	8,363
Shareholders' equity	1,542,301	708,583	920,823	1,084,901
Cash dividends declared	Nil	Nil	Nil	Nil

	Quarter ended (three-month figures) ($)			
	31-Dec 2017	30-Sep 2017	30-Jun 2017	31-Mar 2017
Revenues	-	-	-	-
General and administration	(70,237)	(43,859)	(60,988)	(54,357)
Share-based payments			(19,294)	-
Exploration and evaluation costs	(27,252)	(223,264)	(88,626)	(144,989)
Unrealized loss in fair value of warrants	(4,190)	-	-	-
Impairment of mineral properties	(18,500)	-	(13,763)	-
Mining tax credit and government grants	119,659	10,045	-	-
Property option payment	300,000	-	-	350,000
Net income (loss) for the period	299,480	(257,078)	(182,671)	150,654
Basic income (loss) per share	0.01	(0.01)	(0.01)	0.00
Total assets	1,174,148	937,646	1,162,811	1,338,770
Total liabilities	36,705	94,184	62,270	87,852
Shareholders' deficiency	1,137,443	843,462	1,100,541	1,250,918
Cash dividends declared	Nil	Nil	Nil	Nil

Quarterly Information Trends

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

- Administrative expenses have been consistent on a quarter-to-quarter basis, with variances generally related to investor relations activities and related travelling requirements.
- Share-based payments can vary widely from quarter to quarter based on the timing, amount and tenure of stock option awards.
- Exploration and evaluation expenses can vary from quarter to quarter depending on seasonality, the stages and priorities of the exploration program and the availability of funds. As indicated, given the geographical location of the Company's projects, most of the work is carried out during the third and fourth quarters of each calendar year.
- While impairment analysis of mineral properties is performed quarterly, it is normally at the end of the exploration season during the last quarter of each year, when results are known, that impairment decisions are made.
- Property option payments are made by third parties in accordance with the respective property option agreements, but in most cases the payments are done at the end of the calendar year.

Liquidity Working Capital and Capital Resources

The Company's liquidity and working capital figures are as follows:

	December 31, 2018	December 31, 2017
	$	$
Cash	**1,213,872**	598,401
Other receivable	**5,196**	2,334
Marketable securities	**25,980**	36,830
Liquidity:	**1,245,048**	637,565
Prepaid	**6,000**	5,522
Trade payables and accrued liabilities	**(26,449)**	(36,705)
Provision for contingent liability	**(207,262)**	-
Working capital:	**1,017,337**	606,382

The Company is dependent on raising funds by the issuance of shares, property option payments and/or disposition of interests in resource properties in order to finance further acquisitions, undertake exploration and meet general and administrative expenses. As at April 23 2019, the Company has cash on hand of approximately $1,114,092.

The Company believes it has sufficient cash to sustain its operations for the next year. 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 option/joint venture parties or disposition of property interests. However, the Company believes it will be able to secure sufficient funding to continue as a going concern.

Transactions with related parties:

The following transactions with related parties took place:

	Years ended December 31	
	2018	2017
	$	$
Management fees paid to a company controlled by the CEO of the Company	**96,000**	96,000
Management fees paid to a company controlled by the CFO of the Company	**30,700**	18,000
Stock-based compensation recorded for stock options granted to directors and officers of the Company (non-cash expense)	**10,028**	19,294
	136,728	133,294

As at December 31, 2018, there were no amounts payable to related parties in consulting fees and reimbursable expenses (December 31, 2017 - $6,137).

In addition, the underlying vendors of the Spius property include KGE Management Ltd., a company controlled by Gerald Carlson, President and director of the Company, as to a 25% interest.

Management is of the opinion that these transactions have occurred in the normal course of operations and they are measured at the exchange amount, being the amount of consideration established and agreed to by the transacting parties.

Outstanding Share Data

As at April 23, 2019, the Company has

a) 31,729,009 common shares issued and outstanding;
b) 3,060,000 stock options outstanding and exercisable at a weighted exercise price of $0.06; and

Off-Balance Sheet Arrangements

None

Proposed Transactions

None

Changes in Accounting Policies

The Company has not made any changes to its significant accounting policies, as described within Note 2, of its annual audited financial statements for the year ended December 31, 2018, except as noted below. Certain requirements were issued by the IASB that are mandatory for annual years beginning on or after January 1, 2018, as follows:

IFRS 9, *Financial Instruments* has been adopted by the Company effective January 1, 2018, replacing the former standard, IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

Please refer to note 2(j) to the financial statements for the year ended December 31, 2018, for detailed information on the adoption of IFRS 9.

The Company now classifies its cash, other receivables and trade payable and accrued liabilities at amortized cost; its marketable securities (excluding warrants) as fair value through other comprehensive income ("FVTOCI") and its warrants as fair value through profit and loss ("FVTPL"). Fair value movements and gains or losses realized on the sale of financial assets at FVOCI will not be reclassified to the statement of income. The adoption of IFRS 9 is did not have a material effect on the Company's financial statements.

IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company's only lease as at December 31, 2018, relates to a sublease agreement for office space covering the period from September 1, 2018 to August 31, 2020, and the treatment of this sublease will change for financial periods beginning on January 1, 2019. The Company has made an assessment of the impact of IFRS 16, which will imply setting up the fair value of the lease liability as at January 1, 2019 with a corresponding right-of-use asset that will be amortized over the remaining life of the sublease.

Financial Instruments

With the adoption of IFRS 9, the Company has classified cash, other receivables, and trade payable and accrued liabilities at amortized cost; marketable securities as FVTOCI, and warrants as FVTPL.

Fair values

As at December 31, 2018, the recorded amounts for cash, other receivables and trade payable and accrued liabilities approximate their fair values due to their short maturity. The Company's marketable securities and warrants are measured subsequent to initial recognition at fair value on a recurring basis. These financial instruments are grouped into Level 1 to 3 based on the degree to which the significant inputs used to determine the fair value are observable. Marketable securities are classified within level 1 of the fair value hierarchy as their fair value measurement is derived from quoted prices in active markets for identical assets. Warrants are classified within level 2 of the fair value hierarchy as their fair value measurement is derived from inputs other than quoted prices included within level 1, that are observable either directly or indirectly. No financial instruments were considered level 3, which are fair value measurements derived from valuation techniques that include significant inputs that are not based on observable market data.

Interest rate risk

The Company's cash held in financial institutions earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a material impact on the expected cash flows.

Credit risk

The Company has its cash deposited with large, federally insured, commercial financial institutions, and therefore exposed to minimal credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. At December 31, 2018, the Company had cash of $1,213,872 (2017- $598,401), and trade payable and accrued liabilities of $26,449 (2017 - $36,705), and a provision for a contingent liability of $207,262 (2017 – nil).

Currency risk

The Company keeps approximately 4% of its cash in US dollars. A change in the value of the US dollar by 10% relative to the Canadian dollar would affect the Company's working capital by approximately $4,000, with minimal impact to its net income (loss) for the year as there are virtually no transactions in US dollars.

Price risk

The Company is exposed to price risk on its marketable securities and warrants due to fluctuations in the current market prices and fluctuations in trading volumes of those securities. At December 31, 2018, the Company held marketable securities and warrants with a fair value of $25,980 (2017 - $36,830). These investments are subject to market price fluctuations that can be significant.

Critical Accounting Estimates

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the areas of estimate and judgment applied by management that most significantly affects the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Resource properties: The carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that their carrying amounts may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

Risk Factors

The Company is subject to a number of risks due to the nature of its business and the present stage of exploration projects. The following factors should be considered:

Mineral Exploration and Development

The Company's properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Company's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in the discovery of a body of commercial ore on any of its properties. Several years may pass between the discovery and the development of commercial mineable mineralized deposits. Most exploration projects do not result in the discovery of commercially mineralized deposits.

Trends

The Company's financial success is dependent upon the discovery of mineral resources which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as market value of the products produced and availability of capital from the public market place. 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 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. 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 territorial 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 specific 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 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 key management personnel. 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 values or prospects of such companies. There can be no assurance that the continual fluctuations in market price will not occur which may impact the Company's market capitalization as well as its ability to facilitate equity financing.

Legal Proceedings

As at December 31, 2018, and at the date of this document, there were no legal proceedings against or by the Company.

Subsequent events

Subsequent to December 31, 2018, the Company:

- granted an aggregate of 1,050,000 fully-vested stock options to certain directors and officers pursuant to the Company's stock option plan. Each stock option is exercisable into one common share of the Company at an exercise price of $0.05 per common share for a period of five years;
- received $10,000 in cash and 100,000 common shares of Trifecta Gold Ltd. as second option payment related to the Company's Eureka Dome property;
- terminated the option agreement with Trifecta with respect to the Company's wholly-owned Eureka Dome property;
- terminated the option agreement with Four Nines with respect to the Company's wholly-owned Mariposa property; and
- terminated the option agreement with RIT Minerals Corp. and Colin Dunn Consulting with respect to the TL Zinc property.

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