



**(An Exploration Stage Company)**

## **Management's Discussion and Analysis (MD&A)**

**(Form 51-102F1)**

**Six months ended June 30, 2020**

This Management's Discussion and Analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("Pacific Ridge" or the "Company"), dated **August 6, 2020**, provides an update on the Company's business activities, financial condition, financial performance and cash flows for the six months ended June 30, 2020. 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, 2019 and 2018, the condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and 2019, and the annual MD&A for the year ended December 31, 2019, all available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The Company's shares are listed on the TSX Venture Exchange under the symbol "PEX". Additional information related to Pacific Ridge is also 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 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 annual MD&A for the year ended December 31, 2019.

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.

### **Summary of Second Quarter Activities**

During the second quarter, the Company renegotiated its earn-in agreement with Aurico Metals Inc. ("Aurico"), on the Kliyul and Redton copper-gold porphyry projects in British Columbia such that all or part of the required \$500,000 exploration required for the Kliyul and Redton projects could be deferred until 2021.

The Company also announced that it had renegotiated the payment schedule for its Fyre Lake project with BMC Minerals (No. 1) Ltd., as described below.

The Company also announced the results of an evaluation of the historical geophysical data from the Kliyul property completed by Platform Geosciences of Toronto.

Subsequent to the quarter, On July 3, 2020, the Company announced that it has retained Freeform Communications Inc. ("Freeform"), a full service investor relations firm based in Vancouver, British Columbia. Under the terms of the agreement, Freeform will receive \$4,000 per month over the 5-month term of the agreement. In addition, on July 21, 2020, the Company granted Freeform 200,000 incentive stock options exercisable for 2 years at a price of \$0.05 per share and vesting 25% each quarter over 12 months.

Also subsequent to the quarter, the Company announced that it was proposing to issue up to 4,000,000 units in a non-brokered flow-through private placement at a price of \$0.075 per unit ("FT Unit") for gross proceeds of \$300,000. Each FT Unit will be comprised of one common share of the Company that qualifies as a "flow-through share" and one-half of one common share purchase warrant, with each whole warrant exercisable to purchase one additional non-flow-through common share at an exercise price of \$0.12 for a period of 18 months.

## **Mineral Properties**

### *Kliyul and Redton, British Columbia*

On January 17, 2020, the Company entered into an earn-in property agreement (the "Kliyul-Redton Agreement"), amended on April 7, 2020 and on July 22, 2020, with Aurico Metals Inc. ("Aurico"), with respect to the Kliyul and Redton properties located in British Columbia (jointly, "the Properties").

Kliyul is a 6,000-ha advanced exploration project located 50 km southeast of the Kemess mine and 5 km from the Omineca mining road and power line in one of the most geochemically anomalous areas for copper and gold in the Quesnel Terrane. The property contains several Minfile occurrences, including four major target areas: Kliyul, Bap Ridge, Ginger-Shadow and M39, each representing an interpreted porphyry centre over a 4 km strike length.

Redton is a porphyry copper-gold property that adjoins Kwanika Copper Corporation's (Serengeti Resources Inc. and Posco International Corporation) Kwanika property along its eastern and northern boundary. The property is road accessible in a proven porphyry belt, underlain by rocks of the Hogem Batholith within the prolific Quesnel Terrane.

Under the terms of the Kliyul-Redton Agreement, the Company can earn a 51% undivided right, title and interest, other than underlying royalties, in the Properties by a payment to Aurico of \$100,000 in cash of which \$10,000 has been paid, the issuance of 2,000,000 common shares, and incurring expenditures in the aggregate amount of no less than \$3,500,000. In addition, the Company has the right to acquire, after the exercise of the 51% earn-in right, a 75% earned interest (an additional 24% undivided interest, other than underlying royalties) in the Properties by paying Aurico an additional \$60,000 in cash, issuing an additional 1,500,000 common shares and incurring additional expenditures of no less than \$3,500,000. The Kliyul property is subject to 2% net smelter return royalties. The Redton property is subject to (i) a 2.5% net smelter return royalty, with the right of reducing it to 1% for \$2,000,000, and (ii) a 2% royalty.

In the second quarter, a geophysical interpretation on the Kliyul property was completed by Platform Geosciences of Toronto. The study demonstrated that mineralization is associated with a wide range of chargeabilities and resistivities, but it is typically associated with the transition between high to moderate chargeabilities and moderate resistivity. Most of the mineralized intersections are either within or adjacent to areas of magnetic highs. The study has shown that the main Kliyul zone is open laterally and to depth. It has also shown the potential for new discoveries at BAP Ridge, the M39 Zone and Ginger, all of which demonstrate similar geophysical targets.

Exploration plans for 2020 include geological mapping, geochemical sampling and IP geophysical surveys at Kliyul and a geochemical soil survey at Redton.

### ***Spilus, British Columbia***

On April 27, 2018, the Company acquired an option to earn a 100% interest in the Spilus Cu-Mo porphyry property by making payments of \$210,000 (\$50,000 paid), issuing 1,000,000 shares (400,000 issued) and completing \$825,000 in exploration by December 31, 2021. The property is road accessible and located 40 km southwest of Merritt, British Columbia. In the fourth quarter of 2019, the agreement was re-negotiated, extending all cash and share payments and exploration work requirements by one year.

The Spilus 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 of 2018, 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 over 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.

In June 2019, the Company completed a four-hole, 1,087 m core drill program on the property testing a combination of soil geochemical and IP geophysical targets. Porphyry style alteration and mineralization was encountered in every hole. In July, the Company announced summary results. The best mineralization was encountered at the bottom of hole SP-19-03, drilled at the northern end of the Copper Zone, encountering 51.8 m averaging 0.099% Cu (224.3 to 273 m), including 39.0 m at 0.113% Cu. (237-276 m) Hole SP-19-04 located 200 m south of hole 3, encountered 81.0 of 0.071% Cu, (179 to 263 m) including 19.4 m at 0.116% Cu (182-200 m), also at the bottom of the hole. Hole SP-19-02, drilled 700 m southwest of hole 3, encountered 25.4 m at 0.0554% Cu and 0.0038% Mo (140.7 to 166 m) and 20.0 m at 0.557% Cu and 0.0018% Mo (250 to 270 m). Additional trenching and sampling is being considered for the 2020 field season to follow up on high grade surface mineralization encountered just north of the drilled area.

Due to the weak results from drilling, during the year ended December 31, 2019, the Company decided to impair the \$71,000 carrying value for Spilus.

### ***Mariposa, Yukon***

The Company's 100% owned 295 km<sup>2</sup> Mariposa property is in the Yukon's White Gold District, 120 km southeast of Dawson City, 40 km southeast of White Gold's Golden Saddle deposit and 30 km 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. 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.

The Company completed a program of trench mapping and sampling in July 2019. Seven samples collected from the float of quartz vein and stockwork material at the Hackly Zone averaged 2.50 gpt Au and 5.67 gpt Ag, with the highest, 9.75 gpt Au and 15.7 gpt Ag from a hematite-rich sample of quartz vein. All samples were collected upslope from historical trenching, suggesting an undiscovered structurally controlled gold source. The Hackly Zone occurs immediately above a particularly productive placer mining area on Mariposa Creek, noted for pristine gold nuggets that appear to be close to their bedrock source.

The plans for advancing Mariposa include seeking a potential farm-out for the property.

#### ***Eureka Dome, Yukon***

The Company's 100% owned 32 km<sup>2</sup> Eureka Dome property is located 70 km southeast of Dawson City, within the Klondike-White Gold District. Placer mining activity in Eureka Creek dates 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 could 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. On April 22, 2019, the Trifecta option was terminated because Trifecta was unable to fulfill its option requirements.

No exploration is planned for 2020.

#### ***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.

No exploration is planned for 2020.

#### ***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.

In December 2016, the Company announced that it had agreed to option a 100% interest in the project to BMC Minerals (No. 1) Ltd. ("BMC"), as amended on December 19, 2018 and on April 10, 2020, whereby BMC has the right to acquire a 100% interest in Fyre Lake. The Company 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. During 2019 the Company received payments for \$150,000. During the six months ended June 30, 2020, the Company received \$325,000.

During April 2020, the Company renegotiated the terms of the final \$1.22 million payment, which had been due upon BMC obtaining production financing for its Kudz Ze Kayah project, but in any event no later than December 31, 2020. As renegotiated, BMC paid \$250,000 to Pacific Ridge in April, 2020, and will pay \$1.2 million within thirty days of BMC receiving the Type A Water License for the development of its proposed ABM Mine, but in any event no later than December 31, 2021. BMC will continue to pay \$75,000 to Pacific Ridge every six months until the final tranche has been paid, with the June 30, 2020 payment received and the next payment being due December 31, 2020.

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 TL Zinc project. In early December 2016, the Company completed two drill holes for a total of 611 m.

In the first quarter of 2019, the Company formally terminated its agreement to earn an interest in the TL Zinc property and wrote off its \$45,000 TL Zinc carrying value in the year ended December 31, 2018.

#### *Summary of exploration expenses:*

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

Property	Province / Territory	Six months ended June 30	
		2020	2019
		\$	\$
Mariposa	YT	-	1,495
TL Zinc	BC	-	13,470
Spius	BC	2,207	223,198
Kliyul	BC	101,438	-
Redton	BC	36,645	-
General exploration not allocated to a specific property		4,410	27,255
		<b>144,700</b>	<b>265,418</b>

**Results of Operations**

Year-to-date

A summary of comparative administrative and other expense is provided in the table below:

	<b>Six months ended June 30</b>		Increase (decrease)
	2020	2019	
<b>Administration expenses</b>	\$	\$	\$
Amortization of right-of-use asset	13,212	13,212	-
Depreciation	616	-	616
Finance lease interest	453	1,914	(1,461)
Insurance	5,850	5,386	464
Professional and consulting	13,718	28,905	(15,187)
Management and administrative	50,221	47,093	3,128
Office operations and facilities	13,061	8,496	4,565
Shareholder communications	14,901	8,869	6,032
Share-based payments	17,439	39,837	(22,398)
Transfer agent and regulatory fees	13,356	10,814	2,542
	<b>142,827</b>	<b>164,526</b>	<b>(21,699)</b>
<b>Other expenses (income)</b>			
Exploration and evaluation costs	144,700	265,418	(120,718)
Interest received	(2,548)	(5,232)	
Mining tax credit	(347)	-	(347)
Property option payments	(325,000)	(85,000)	(240,000)
Unrealized loss in fair value of warrants	-	980	(980)
Foreign exchange (gain) loss	(2,735)	3,059	(5,794)
	<b>(185,930)</b>	<b>179,225</b>	<b>(367,839)</b>
<b>Net loss</b>	<b>43,103</b>	<b>(343,751)</b>	<b>389,538</b>
<b>Other comprehensive income (loss):</b>			
Net change in fair value of marketable securities	(700)	(5,000)	4,300
<b>Total comprehensive loss</b>	<b>42,403</b>	<b>(348,751)</b>	<b>393,838</b>
<b>Loss per share (basic and diluted)</b>	<b>0.00</b>	<b>(0.01)</b>	
<b>Weighted average number of shares outstanding</b>			
basic and diluted	31,729,009	31,329,009	



### **Results of Operations (continued)**

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.

#### *Administration expenses:*

The treatment of the sublease agreement for office space results in a monthly amortization of the right-of-use asset and finance lease interest.

Insurance covers the Company's general operations and is marginally higher than in the equivalent period of 2019.

Professional fees decreased in comparison to the equivalent period in 2019. During the equivalent period in 2019 the Company incurred legal fees in connection with the preparation of a challenge to the Canada Revenue Agency on a proposed re-assessment of the 2016 BC Mining and Exploration Tax Credit, with successful results; no such expenses were incurred during the current period.

Management and administrative expenses include the compensation of CEO, CFO and Corporate Secretary, with a marginal increase during the current period.

Office operations and facilities increased due to higher dues for certain memberships and some additional board meeting expenses.

Shareholder communications increased due to active presence during an investors' conference in January of 2020, entailing printing of promotional materials. In addition, with the new Kliyul and Redton projects, more information was issued in press releases, updates to website, etc..

The non-cash stock-based compensation charged on the granting in March of 2020 of 750,000 fully vested stock options with an exercise price of \$0.05 was lower to the figure of the comparative period when 1,050,000 stock options had been granted with the same exercise price.

The remaining administration expenses were comparable with those of the comparative period of the prior year.

#### *Exploration and evaluation expenses:*

Exploration and evaluation costs decreased during the current period, and relate in great part to the preparation and execution of the contract for the Kliyul and Redton properties. During the comparative period in 2019, the Company incurred legal fees related to the termination of the TL Zinc project, and permitting fees and exploration contracts for Spius.

The Company also received \$325,000 in payments related to its Fyre Lake property as compared to \$85,000 received during the equivalent period in 2019, resulting in a net positive position for the "Other expenses (income)" section.

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.



Most recent quarter:

	Three months ended June 30		Increase (decrease)
	2020	2019	
<b>Administration expenses</b>	\$	\$	\$
Amortization of right-of-use asset	6,606	6,606	-
Depreciation	383	-	383
Finance lease interest	131	870	(739)
Insurance	150	-	150
Professional and consulting	2,469	18,269	(15,800)
Management and administrative	24,706	26,093	(1,387)
Office operations and facilities	7,330	2,528	4,802
Shareholder communications	5,209	3,594	1,615
Transfer agent and regulatory fees	4,193	3,632	561
	<b>51,177</b>	<b>61,592</b>	<b>(10,415)</b>
<b>Other expenses (income)</b>			
Exploration and evaluation costs	119,229	235,117	(115,888)
Interest received	(823)	-	-
Property option payments	(325,000)	(75,000)	(250,000)
Unrealized loss in fair value of warrants	-	110	(110)
Foreign exchange (gain) loss	1,331	2,035	(704)
	<b>(205,263)</b>	<b>162,262</b>	<b>(366,702)</b>
<b>Net loss</b>	<b>154,086</b>	<b>(223,854)</b>	<b>377,117</b>
<b>Other comprehensive income (loss):</b>			
Net change in fair value of marketable securities	5,000	(7,000)	12,000
<b>Total comprehensive loss</b>	<b>159,086</b>	<b>(230,854)</b>	<b>389,117</b>
<b>Loss per share (basic and diluted)</b>	<b>0.00</b>	<b>(0.01)</b>	
<b>Weighted average number of shares outstanding</b>			
basic and diluted	<b>31,729,009</b>	<b>31,729,009</b>	

Administration expenses for the second quarter of 2020 were fairly comparable to those of the equivalent period in 2019.

Exploration expenses were slightly lower, as in the second quarter of 2019 more funds were destined to the Spius project than those destined to Kliyul or Redton in the current quarter.

Property option payments were higher during the current quarter due to the additional \$250,000 payment received for Fyre Lake.

**Summary of Quarterly Results**

The following table sets forth a comparison of information for the previous eight quarters:

	Quarter ended (three-month figures) (\$)			
	30-Jun 2020 (Q2)	31-Mar 2020 (Q1)	31-Dec 2019 (Q4)	30-Sep 2019 (Q3)
Revenues	-	-	-	-
General and administration	(45,388)	(62,984)	(54,444)	(35,735)
Lease amortization and interest	(6,737)	(6,928)	(7,116)	(7,299)
Depreciation of plant and equipment	(383)	(233)	(236)	(31)
Share-based payments	-	(17,439)	(4,602)	-
Exploration and evaluation costs	(119,229)	(25,471)	(28,780)	(57,692)
Interest received	823	1,725	2,289	1,949
Impairment of resource properties	-	-	(71,000)	-
Mining tax credit and government grants	-	347	46,114	-
Property option payments	325,000	-	75,000	-
Allowance for contingency	-	-	207,262	-
Net income (loss) for the period	154,086	(110,983)	164,487	(98,808)
Basic income (loss) per share	0.00	(0.00)	0.01	(0.00)
Total assets	1,457,613	1,300,590	1,387,673	1,392,073
Total liabilities	97,403	99,466	87,305	262,494
Shareholders' equity	1,360,210	1,201,124	1,300,368	1,129,579
Cash dividends declared	Nil	Nil	Nil	Nil

  

	Quarter ended (three-month figures) (\$)			
	30-Jun 2019 (Q2)	31-Mar 2019 (Q1)	31-Dec 2018 (Q4)	30-Sep 2018 (Q3)
Revenues	-	-	-	-
General and administration	(58,788)	(53,834)	(58,977)	(52,221)
Lease amortization and interest	(7,476)	(7,650)	-	-
Share-based payments	-	(39,837)	(9,929)	-
Exploration and evaluation costs	(235,117)	(30,301)	(125,019)	(143,399)
Interest received	2,637	2,595	-	-
Unrealized gain (loss) in fair value of warrants	(110)	(870)	(30)	(3,620)
Impairment of mineral properties	-	-	(78,000)	-
Mining tax credit and government grants	-	-	77,796	-
Property option payment	75,000	10,000	1,214,710	-
Allowance for contingency	-	-	(207,262)	-
Net income (loss) for the period	(223,854)	(119,897)	813,289	(199,240)
Basic income (loss) per share	(0.01)	(0.00)	0.03	(0.01)
Total assets	1,686,032	1,726,894	1,776,012	777,703
Total liabilities	452,645	262,653	233,711	69,120
Shareholders' deficiency	1,233,387	1,464,241	1,542,301	708,583

### **Quarterly Information Trends**

- During Q2 2020 exploration activities were initiated in the Kliyul and Redton properties. Also, in addition to the \$75,000 received every six months from BMC for the Fyre Lake property, the Company received \$250,000 as part of the renegotiation of the agreement with BMC.
- During Q1 2020 the contract for the Kliyul and Redton properties was executed, and the exploration expenses of this quarter relate mostly to these properties. Also during Q1 2020, stock options were granted resulting in the related share-based payment amount.
- During Q4 2019, the Company was able to reverse a provision for a contingent liability, originally set up in Q4 2018, after a successful outcome with the Canada Revenue Agency, resulting in net income for this quarter. In addition, it was during Q4 2019 that the Company received the government grants, the tax credits and a significant property option payment, also contributing to the net income for the quarter. Exploration expenses during this quarter relate to the Spius and Mariposa projects.
- The most prominent figure for Q2 and Q3 2019 relates, as explained above, to the exploration, preparation and drilling activities at the Spius 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.
- Lease amortization and interest were introduced on January 1, 2019, with the adoption of IFRS 16, and plant and equipment was purchased during Q3 2019 and Q1 2020, with depreciation during the ensuing quarters.
- Share-based payments are the results of fully vested stock options granted during Q1 2020, Q1 2019 and Q4 2018. Share-based payments can vary widely from quarter to quarter based on the timing, amount and tenure of stock option awards.
- During Q4 2019 the Company impaired the \$71,000 carrying value of its Spius property (Q4 2018: \$78,000 impairment of the TL Zinc and RC Gold properties).
- Property option payments from BMC took place during Q4 2019, Q2 2019 and Q4 2018, and from Trifecta in Q1 2019 and Q2 2018 (this one applied against carrying value of the Eureka Dome property and thus not affecting the statement of loss).

### **Allowance for contingent liability as shown on Q4 2018 and Q4 2019**

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 ("BCMETS") 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 or reassessment of \$366,730 as Canadian Development Expenses ("CDE"), which the CRA determined could not be renounced to investors, leaving only the remaining \$67,870 as CEE. The CRA based its conclusion taking the position that expenses on 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 had provided indemnity agreements to the investors that participated in the 2016 flow-through private placement, the Company would have been required to refund any personal tax reassessed to its investors. The Company estimated this amount to be equal to 50% of the amount denied, or \$183,365, a reassessment of the BCMETC of \$21,397 and \$2,500 in fines, adding up to the \$207,262 that the Company set up in Q4 2018 as a provision.

On December 6, 2019, the Company received a response from the Canada Revenue Agency, agreeing with the Company's position and reversing the proposed reassessment, and only requiring a reclassification of \$7,112 of its Canadian Exploration Expenses ("CEE") to be treated as regular expenses.

Therefore, the 2018 provision of \$207,262 was reversed in Q4 2019.

### Liquidity Working Capital and Capital Resources

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

	June 30, 2020	December 31, 2019
	\$	\$
Cash	968,435	895,320
Other receivable	7,143	2,347
Marketable securities	16,000	16,700
Liquidity:	991,578	914,367
Prepaid	5,782	6,028
Trade payables and accrued liabilities	(97,403)	(71,888)
Office lease liability - current portion	-	(15,417)
Working capital:	899,957	833,090

The Company is dependent on raising funds by the issuance of shares or disposition of interests in resource properties in order to finance further acquisitions, undertake exploration and meet general and administrative expenses. As at August 6, 2020, the Company has cash on hand of approximately \$984,000.

The Company believes it has sufficient cash to sustain its operations for 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 option/joint venture parties or disposition of property interests.

#### *Covid-19 Pandemic*

The COVID-19 pandemic has negatively impacted global financial markets, and may continue to do so. The economic viability of the Company's business plan is impacted by its ability to obtain financing, and global economic conditions impact the general availability of financing through public and private debt and equity markets, as well as through other avenues.

In addition, as the health and safety of the Company's employees, contractors, visitors, and stakeholders are the Company's top priority, the Company will monitor developments with respect to COVID-19, both globally and within its operating jurisdictions, and will implement any such changes to its business as may be deemed appropriate to mitigate any potential impacts to its business and the stakeholders. Such changes may include, but are not limited to, temporary closures of the Company's site exploration activities or offices and deviations from the timing and nature of exploration plans.

The Company is taking the necessary measures to renegotiate, if required, any contractual obligations with respect to exploration and other expenses. The Company will also examine the internal controls required for a secure operation of its computer and other electronic resources from a remote location.

### Transactions with related parties:

The following transactions with related parties took place:

	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Management fees paid to a company controlled by the CEO of the Company *	24,000	24,000	48,000	48,000
Management fees paid to a company controlled by the CFO of the Company	9,000	9,000	18,000	18,000
Stock-based compensation recorded for stock options granted to directors and officers of the Company (non-cash expense)	10,464	30,352	10,464	30,352
	<b>43,464</b>	<b>63,352</b>	<b>76,464</b>	<b>96,352</b>

\* 50% of the CEO's compensation is charged to exploration and evaluation costs

An amount of \$12,498 remained payable to related parties as at June 30, 2020 (December 31, 2019 – nil).

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 August 6, 2020, the Company has

- 31,729,009 common shares issued and outstanding; and
- 3,005,000 stock options outstanding and exercisable at a weighted average exercise price of \$0.06.

### Off-Balance Sheet Arrangements

None

### Proposed Transactions

See "Subsequent Events" section at the end of this MD&A.

### Changes in Accounting Policies

There are no changes in accounting policies during the six months ended June 30, 2020. For the current set of accounting policies, please refer to note 2 to the annual audited consolidated financial statements for the year ended December 31, 2019.

### **Disclosure Controls and Procedures**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the six months ended June 30, 2020, and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Financial Instruments**

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 June 30, 2020, 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 June 30, 2020, the Company had cash of \$968,435 (December 31, 2019 - \$895,320), trade payable and accrued liabilities of \$97,403 (December 31, 2019 - \$71,888), and a lease liability of \$nil (December 31, 2019 - \$15,417).

#### Currency risk

The Company keeps approximately 6% 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 \$3,000, 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 June 30, 2020, the Company held marketable securities with a fair value of \$16,000 (December 31, 2019 - \$16,700). 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 is 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**

Please refer to the Company's annual MD&A for the year ended December 31, 2019, and dated April 24, 2020, available on the SEDAR website at [www.sedar.com](http://www.sedar.com) for a full discussion of the risk factors affecting the Company's activities.

### **Legal Proceedings**

As at June 30, 2020, and at the date of this document, there were no legal proceedings against or by the Company.



### **Subsequent Events**

- (a) On July 1, 2020, the Company entered into an investor relations agreement with Freeform Communications Inc. ("Freeform") with duration of five months. The Company will pay Freeform a monthly fee of \$4,000 over the duration of the agreement. In addition, on July 21, 2020, the Company granted Freeform 200,000 incentive stock options exercisable for two years at an exercise price of \$0.05 per share. The Options will vest in stages over 12 months with 25% vesting each quarter. The consulting agreement is subject to TSX Venture Exchange acceptance.
- (b) On July 14, 2020, the Company announced its proposal to issue up to 4,000,000 units in a flow-through private placement at a price of \$0.075 per unit ("FT Unit") for gross proceeds of \$300,000. Each FT Unit will be comprised of one common share of the Company that qualifies as a "flow-through share" for the purposes of the Income Tax Act (Canada) (an "FT Unit Share") and one-half of one common share purchase warrant, with each whole warrant exercisable to purchase one additional non-flow-through common share at an exercise price of \$0.12 for a period of 18 months, subject to the following acceleration provision: if at any time after 4 months from the date of issue of the warrants the closing market price of the Company's common shares on the TSX Venture Exchange is greater than \$0.35 per share for 20 consecutive trading days (the "Triggering Event"), the Company may, within 5 days of the Triggering Event, accelerate the expiry date of the warrants by giving notice thereof to the holders of the warrants, by way of press release, in which event the warrants will expire on the 30th day after the date on which such notice is given.

Proceeds from the private placement will be used for carrying out surface exploration programs at its Kliyul and Redton Au-Cu porphyry prospects in central British Columbia.

The Company is proposing to pay finder's fees of 6% cash and 6% finder's warrants on a portion of the private placement. The private placement and payment of finder's fees are subject to regulatory approval.

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