Pacific Ridge exploration ltd.

(An Exploration Stage Company)

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

(Form 51-102F1)

Year ended December 31, 2020

This Management's Discussion and Analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("Pacific Ridge" or the "Company"), dated **April 27, 2021**, provides an update on the Company's business activities, financial condition, financial performance and cash flows for the year ended December 31, 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, 2020 and 2019, available on the SEDAR website at 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 or 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, under *Risk Factors*.

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

## Highlights for the year 2020

## Summary of First Quarter Activities

During Q1 2020, the Company signed an earn-in agreement with Aurico Metals Inc., ("Aurico) a wholly owned subsidiary of Centerra Gold Inc. to acquire up to a 75% interest in the Kliyul and Redton copper-gold porphyry projects in British Columbia (News release dated January 17, 2020).

On March 17, 2020, the Company announced the appointment of Danette Schwab as Vice President Exploration of the Company.

## Summary of Second Quarter Activities

During Q2 2020, the Company renegotiated the earn-in agreement with Aurico such that all or part of the $500,000 exploration expenditure required for the Kliyul and Redton projects in 2020 could be deferred until 2021 (News release dated April 14, 2020).

The Company also renegotiated the payment schedule for its Fyre Lake project with BMC Minerals (No. 1) Ltd. (News release dated April 16, 2020).

The Company also announced the results of an evaluation of the historical geophysical data from the Kliyul property completed by Platform Geosciences of Toronto (News release dated June 18, 2020).

## Summary of Third Quarter Activities

Subsequent to the quarter, On July 3, 2020, the Company retained the investor relations firm Freeform Communications Inc. (News release dated July 3, 2020)

The Company completed the first tranche of a non-brokered, flow-through private placement issuing 2,569,999 units at a price of $0.075 per unit for gross proceeds of $192,750 (News release dated August 17, 2020).

Also during the quarter, the Company completed a surface exploration program at its Kliyul gold-copper porphyry project, BC. The program included geological mapping and re-logging of historical drill core, geochemical sampling and an induced polarization (IP) geophysical survey (News release dated September 22, 2020).

## Summary of Fourth Quarter Activities

The Company completed the second tranche of a non-brokered, flow-through private placement issuing 550,000 units at a price of $0.075 per unit for gross proceeds of $41,250 (News release dated October 5, 2020). Combined, the two tranches included 3,119,999 flow-through units at $0.075 per unit for total gross proceeds of $234,000.

On October 12, 2020, the Company announced that it had completed a one hole, 434 m drill program on its Redton Cu-Au porphyry project.

The Company negotiated the option of its Spius copper porphyry prospect to Arctic Fox Ventures Inc. (“Arctic Fox” – formerly Arctic Fox Interactive Ltd.). Arctic Fox can earn a 60% interest in the Property by making payments of $50,000, issuing 1,000,000 shares and spending $550,000 on exploration by December 31, 2022 (News release dated October 22, 2020).

The Company also entered into an Exploration Agreement with Takla Nation and Tsay Keh Dene First Nation with regard to its Kliyul copper-gold projects. The agreement establishes a mutually beneficial and cooperative relationship whereby communication and collaboration between Takla, TKD and Pacific Ridge are key factors, providing the parties certainty in their relationship throughout the advancement of the Kliyul project. The agreement also recognizes Takla's and TKD’s stewardship role in environmental and wildlife monitoring (News release dated November 20, 2020).

On December 2, 2020, the Company announced that the results of its 2020 geophysical survey demonstrated the potential to expand porphyry gold and copper mineralization at the Kliyul Main Zone, outlining two new adjacent targets, Kliyul East and Kliyul West.

On December 1, 2020, the Company announced that no significant copper or gold assays had been encountered in the single, 434 m hole drilled earlier in the quarter at the Redton North target of its Redton copper-gold target.

## Activities subsequent to December 31, 2020 and to the date of this MD&A

On January 4, 2021, the Company announced that it had appointed Blaine Monaghan as President and CEO. Gerald Carlson was appointed Executive Chairman.

On January 18, 2021, the Company announced that it had entered into a consulting agreement with G2 Consultants Corp. (“G2”), a financial public relations firm, to increase Pacific Ridge’s profile within the financial community.

On February 8, 2021, the Company announced it had appointed Borden Putnam III to the Company’s Board of Directors.

On March 3, 2021, the Company announced the appointment of Mr. James (Jim) M. Logan, P.Geo. to its newly formed Technical Advisory Committee (the "Committee"). In addition to Jim, the Committee includes Borden Putnam III (Committee Chair), an independent director, Dr. Craig Hart, a technical advisor, Dr. Gerald Carlson, Executive Chairman, and Danette Schwab, Vice President of Exploration.

On March 8, 2021, the Company closed a non-brokered flow-through private placement by issuing 8,000,000 units at a price of $0.142 per unit ("FT Unit") for gross proceeds of $1,136,000 (the "Financing"). DELPHI Unternehmensberatung Aktiengesellschaft ("DELPHI") acquired all of the FT Units. Proceeds from this Financing will be used to drill the Kliyul copper-gold project, located in British Columbia.

Each FT Unit is comprised of one common share of the Company 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 $0.15 for a period of 24 months. Securities issued in this private placement include a legend restricting trading of the securities until July 6, 2021. No finders' fees were payable in connection with the financing.

All proceeds will be used to incur eligible expenses ("Qualifying Expenses") that are "Canadian exploration expenses", within the meaning of subsection 66.1(6) of the Income Tax Act (Canada), which will also qualify as "flow-through mining expenditures", within the meaning of s. 127(9) of the Income Tax Act (Canada) and will be eligible for the BC 20% Flow-Through Share Tax Credit.

On March 9, 2021, the Company granted an aggregate of 850,000 stock options to two of its directors and to a consulting firm. Each option is exercisable into one common share of the Company for a period of five years from this date. Options granted to directors vest immediately, while the 200,000 options granted to the consultant will vest 25% each quarter over a 12-month period. The grant is subject to the terms of the Company's stock option plan and the policies of the TSX Venture Exchange.

## Mineral Properties

### *Kliyul and Redton, British Columbia*

In January 2020, the Company entered into an earn-in property agreement (the "Kliyul-Redton Agreement"), as 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 third quarter 2020, the Company completed a surface exploration program at Kliyul designed to extend the depth of investigation of the chargeability and resistivity response related to the Kliyul mineralization as well as to define vectors to mineralization for a major drill test of priority Au-Cu targets planned for 2021. The program included 9.1 line km of IP and ground magnetometer surveying over the Kliyul Main Zone, surface and drill core sampling to identify alteration and geochemical vectors and historical core re-logging to identify porphyry-style veining. Fifty-two surface samples were collected for spectral and trace element analyses from outcrop and felsenmeer over the Kliyul Zone. One-hundred and seventeen samples were collected from drill core for spectral analysis and trace element analysis. The geophysical survey demonstrated the potential to expand porphyry gold and copper mineralization at the Kliyul Main Zone, outlining two new adjacent targets, Kliyul East and Kliyul West.

The Company completed a one-hole, 434 m drill program at the Redton property. The drill hole tested the Redton North target, a 550 m by 250 m magnetic and IP chargeability anomaly with a coincident 500 m x 100 m copper-molybdenum soil anomaly, located 2.5 km north of Serengeti's Kwanika Central Zone deposit. No significant copper or gold assays were encountered in the hole.

### *Spius, British Columbia*

On April 27, 2018, as amended on December 12, 2019 and October 25, 2020, the Company acquired an option to earn a 100% interest in the Spius Cu-Mo porphyry property by making payments of $110,000 ($50,000 paid), issuing 1,400,000 shares (400,000 issued) and completing $825,000 in exploration by December 31, 2022. The property is road accessible and located 40 km southwest of Merritt, British Columbia.

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 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).

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 Spius.

On October 20, 2020, the Company entered into an Option Agreement with Arctic Fox Ventures Inc. ("Arctic Fox" – formerly Arctic Fox Interactive Ltd.) whereby the Company granted Arctic Fox an option to acquire a 60% interest in the Company's Spius Option by making payments to the Company of $50,000, issuing 1,000,000 shares and spending $550,000 on exploration by December 31, 2022. With this agreement, Arctic Fox effectively assumes all of the Company's obligations under the original agreement with the underlying owners of Spius, including its amendments.

### *Mariposa, Yukon*

The Company's 100% owned 295 km$^2$ 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 Newmont'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 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 km2 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.

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

### *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.

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

### *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 Ltd. ("BMC" – formerly BMC Minerals (No. 1) Ltd.), 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 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 received on December 31, 2020. In 2019 the Company received payments of $150,000 and in 2020 the Company received $400,000.

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.

***Summary of exploration expenses:***

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

| Property | Province / Territory | Year ended December 31 2020 | 2019 |
|---|---|---|---|
| | | **$** | $ |
| Kliyul | BC | **381,180** | 5,367 |
| Redton | BC | **182,157** | 5,366 |
| Spius | BC | **27,520** | 255,555 |
| Mariposa | YT | **526** | 28,023 |
| TL Zinc | BC | **-** | 14,613 |
| General exploration not allocated to a specific property | | **13,438** | 42,966 |
| | | **604,821** | 351,890 |

## Selected annual information

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| | $ | $ | $ |
| Total income | - | - | - |
| Net income (loss) income for the year | (493,510) | (278,072) | 386,401 |
| Basic and diluted income (loss) income per share | (0.02) | (0.01) | 0.01 |
| Total assets | 1,227,771 | 1,387,673 | 1,776,012 |
| Long-term financial liabilities | - | - | - |
| Cash dividends declared | - | - | - |

During 2020 the Company received $400,000 from BMC for the Company's Fyre Lake property, and is reported as *Property option payments* on the Company's consolidated statement of loss and comprehensive loss, and summarized in the next section. Also during 2020, the Company completed a flow-through private placement raising $234,000, and significantly increased exploration activities, focused on its recently-acquired Kliyul and Redton properties in British Columbia.

During 2019, while administration expenses and exploration and evaluation costs remained at consistent levels with those of 2018, the Company received smaller property option payments and smaller government grants, resulting in a net loss.

The net income in 2018 was due to option payments received from BMC for the Company's Fyre Lake Property, of $1,214,710, as compared to only $150,000 received during 2019, as well as larger government grants received.  This was also reflected in the increase in total assets.

## Results of Operations

Year-to-date

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

| | Year ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | Increase (decrease) |
| **Administration expenses** | **$** | $ | $ |
| Amortization of right-of-use asset | **27,168** | 26,425 | 743 |
| Depreciation | **1,370** | 267 | 1,103 |
| Finance lease interest | **2,254** | 3,116 | (862) |
| Insurance | **8,132** | 5,386 | 2,746 |
| Professional and consulting | **33,552** | 51,015 | (17,463) |
| Management and administrative | **97,828** | 90,032 | 7,796 |
| Office operations and facilities | **30,852** | 22,487 | 8,365 |
| Shareholder communications | **47,255** | 13,282 | 33,973 |
| Share-based payments | **46,916** | 44,439 | 2,477 |
| Transfer agent and regulatory fees | **17,820** | 18,316 | (496) |
| | **313,147** | 274,765 | 38,382 |
| **Exploration-related expenses (income)** | | | |
| Exploration and evaluation costs | **604,821** | 351,890 | 252,931 |
| Government grant | **-** | (8,979) | 8,979 |
| Mining tax credit | **(347)** | (37,135) | 36,788 |
| Property option payments | **(400,000)** | (160,000) | (240,000) |
| Impairment of resource properties | **-** | 71,000 | (71,000) |
| | **204,474** | 216,776 | (12,302) |
| **Other expenses (income)** | | | |
| Interest received | **(3,584)** | (9,470) | 5,886 |
| Unrealized loss in fair value of warrants | **-** | 980 | (980) |
| Reversal of allowance for contingency | **-** | (207,262) | 207,262 |
| Foreign exchange (gain) loss | **(973)** | 2,283 | (3,256) |
| Flow-through tax recovery | **(19,554)** | - | (19,554) |
| | **(24,111)** | (213,469) | 189,358 |
| **Net loss** | **(493,510)** | (278,072) | (215,438) |
| **Other comprehensive income (loss):** | | | |
| Net change in fair value of marketable securities | **26,000** | (8,300) | 34,300 |
| **Total comprehensive loss** | **(467,510)** | (286,372) | (181,138) |
| **Loss per share (basic and diluted)** | **(0.02)** | (0.01) | |
| **Weighted average number of shares outstanding basic and diluted** | **32,864,364** | 31,729,009 | |

**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 amortization of right-of-use asset, depreciation and finance lease interest lines relate to the office lease, which was renewed on September 1, 2020, for a term of two years; the terms and monthly amounts of the new lease are identical to those of the prior lease, which expired on August 31, 2020.

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, and the investor relations agreement entered into with Freeform Communications. In addition, with the new Kliyul and Redton projects, more information was issued in press releases, updates to website, etc.

The non-cash share-based payments relate to the grants of options that took place during the year.

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

*Exploration and evaluation expenses*:

Exploration and evaluation costs are significantly higher than during the same period of the prior year, with this year's largest amounts corresponding to exploration in Kliyul and Redton (as shown on page 6), whereas last year the focus was on Spius. During the comparative period in 2019, the Company also incurred legal fees related to the termination of the TL Zinc project, and permitting fees and exploration contracts for Spius. This year's costs also include the consulting fees paid to a vice-president of exploration, which the Company did not have during 2019.

The Company also received $400,000 from BMC in payments related to its Fyre Lake property as compared to $160,000 received during the equivalent period in 2019 (of which $150,000 were from BMC for the TL Zinc property, and $10,000 from Trifecta for the Eureka Dome property).

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 December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | Increase (decrease) |
| **Administration expenses** | **$** | $ | $ |
| Amortization of right-of-use asset | **7,344** | 6,606 | 738 |
| Depreciation | **367** | 236 | 131 |
| Finance lease interest | **1,360** | 510 | 850 |
| Insurance | **2,282** | - | 2,282 |
| Professional and consulting | **19,260** | 20,005 | (745) |
| Management and administrative | **28,703** | 21,300 | 7,403 |
| Office operations and facilities | **4,872** | 8,903 | (4,031) |
| Shareholder communications | **14,316** | 3,286 | 11,030 |
| Share-based payments | **24,956** | 4,602 | 20,354 |
| Transfer agent and regulatory fees | **1,616** | 1,185 | 431 |
| | **105,076** | 66,633 | 38,443 |
| **Exploration-related expenses (income)** | | | |
| Exploration and evaluation costs | **243,282** | 28,780 | 214,502 |
| Government grant | **-** | (8,979) | 8,979 |
| Mining tax credit | **-** | (37,135) | 37,135 |
| Property option payments | **(75,000)** | (75,000) | - |
| Impairment of resource properties | **-** | 71,000 | (71,000) |
| | **168,282** | (21,334) | 189,616 |
| **Other expenses (income)** | | | |
| Interest received | **(372)** | (2,289) | 1,917 |
| Reversal of allowance for contingency | **-** | (207,262) | 207,262 |
| Foreign exchange (gain) loss | **1,194** | (235) | 1,429 |
| Flow-through tax recovery | **(19,554)** | - | |
| | **(18,732)** | (209,786) | 210,608 |
| **Net loss** | **(254,626)** | 164,487 | (438,667) |
| **Other comprehensive income (loss):** | | | |
| Net change in fair value of marketable securities | **9,500** | 1,700 | 7,800 |
| **Total comprehensive loss** | **(245,126)** | 166,187 | (430,867) |
| **Loss per share (basic and diluted)** | (0.01) | 0.01 | |
| **Weighted average number of shares outstanding basic and diluted** | **33,987,378** | 31,729,009 | |

Administration expenses for the last quarter of 2020 were higher than during the comparative 2019 period, mostly due to costs associated with the flow-through financing, and the increase in shareholder communications with the engagement of Freeform Communications.

Exploration expenses were also higher as the Kliyul and Redton exploration programs started during the summer and concluded during the fourth quarter, including the costs of the Company's vice-president of exploration.

## Summary of Quarterly Results

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

| | Quarter ended (three-month figures) ($) | | | |
|---|---|---|---|---|
| | **31-Dec 2020 (Q4)** | 30-Sep 2020 (Q3) | 30-Jun 2020 (Q2) | 31-Mar 2020 (Q1) |
| Revenues | **-** | - | - | - |
| General and administration | **(72,243)** | (53,851) | (45,388) | (62,984) |
| Lease amortization and interest | **(8,704)** | (7,053) | (6,737) | (6,928) |
| Depreciation of plant and equipment | **(367)** | (387) | (383) | (233) |
| Share-based payments | **(24,956)** | (4,521) | - | (17,439) |
| Exploration and evaluation costs | **(243,282)** | (216,839) | (119,229) | (25,471) |
| Interest received | **372** | 664 | 823 | 1,725 |
| Mining tax credit and government grants | **-** | - | - | 347 |
| Property option payments | **75,000** | - | 325,000 | - |
| Flow-through tax recovery | **19,554** | - | - | - |
| Net income (loss) for the period | **(254,626)** | (281,987) | 154,086 | (110,983) |
| Basic income (loss) per share | **(0.01)** | (0.01) | 0.00 | (0.00) |
| Total assets | **1,227,771** | 1,435,598 | 1,457,613 | 1,300,590 |
| Total liabilities | **152,446** | 138,402 | 97,403 | 99,466 |
| Shareholders' equity | **1,075,325** | 1,297,196 | 1,360,210 | 1,201,124 |
| Cash dividends declared | **Nil** | Nil | Nil | Nil |

| | Quarter ended (three-month figures) ($) | | | |
|---|---|---|---|---|
| | 31-Dec 2019 (Q4) | 30-Sep 2019 (Q3) | 30-Jun 2019 (Q2) | 31-Mar 2019 (Q1) |
| Revenues | - | - | - | - |
| General and administration | (54,444) | (35,735) | (58,788) | (53,834) |
| Lease amortization and interest | (7,116) | (7,299) | (7,476) | (7,650) |
| Depreciation of plant and equipment | (236) | (31) | - | - |
| Share-based payments | (4,602) | - | - | (39,837) |
| Exploration and evaluation costs | (28,780) | (57,692) | (235,117) | (30,301) |
| Interest received | 2,289 | 1,949 | 2,637 | 2,595 |
| Unrealized gain (loss) in fair value of warrants | - | - | (110) | (870) |
| Impairment of mineral properties | (71,000) | - | - | - |
| Mining tax credit and government grants | 46,114 | - | - | - |
| Property option payment | 75,000 | - | 75,000 | 10,000 |
| Allowance for contingency | 207,262 | - | - | - |
| Net income (loss) for the period | 164,487 | (98,808) | (223,854) | (119,897) |
| Basic income (loss) per share | 0.01 | (0.00) | (0.01) | (0.00) |
| Total assets | 1,387,673 | 1,392,073 | 1,686,032 | 1,726,894 |
| Total liabilities | 87,305 | 262,494 | 452,645 | 262,653 |
| Shareholders' deficiency | 1,300,368 | 1,129,579 | 1,233,387 | 1,464,241 |
| Cash dividends declared | Nil | Nil | Nil | Nil |

## Quarterly Information Trends

- During Q4 2020 the Company concluded the year's exploration cycle in Kliyul and Redton, at which time many of the related costs were incurred. A grant of stock options also took place during this quarter, resulting in the stated share-base payments figure. During the quarter the Company received an additional $75,000 from BMC related to the Fyre Lake property. Also during Q4 2020 the Company incurred all of the amounts raised in the flow-through private placement in qualifying exploration expenses, and thus it de-recognized a flow-through premium liability of $19,554 as flow-through tax recovery.
- During Q3 2020, the Company was fully engaged in summer exploration at Kliyul and Redton, with these being the most significant expenses of this quarter. Also during this quarter, the Company announced and completed its non-brokered private placement of FT Units, as indicated at the beginning of this MD&A under Summary of Third Quarter Activities.
- 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 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 ("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 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:

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| Cash | **628,720** | 895,320 |
| Other receivable | **7,980** | 2,347 |
| Marketable securities | **42,700** | 16,700 |
| Liquidity: | **679,400** | 914,367 |
| Prepaid | **9,587** | 6,028 |
| Trade payables and accrued liabilities | **(103,905)** | (71,888) |
| Office lease liability - current portion | **(27,920)** | (15,417) |
| Working capital: | **557,162** | 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 April 27, 2021, the Company has cash on hand of approximately $1,468,500 and working capital of approximately $1,439,000.

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 had an initial negative impact on global financial markets, followed by a recovery, but significant volatility could still be expected. 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 is also examining the internal controls required for a secure operation of its computer and other electronic resources from a remote location, and has contracted a service to provide more frequent and secure backups of the Company's information.

## Transactions with related parties:

The following transactions with related parties took place:

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **$** | $ | **$** | $ |
| Management fees paid to a company controlled by the CEO of the Company * | **24,000** | 24,000 | **96,000** | 96,000 |
| Management fees paid to a company controlled by the CFO of the Company | **12,000** | 9,000 | **39,000** | 36,000 |
| Share-based payments recorded for stock options granted to directors and officers of the Company (non-cash expense) | **6,021** | - | **16,484** | 33,859 |
| | **42,021** | 33,000 | **151,484** | 165,859 |

* A percentage of the CEO's compensation is charged to exploration and evaluation costs

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 the date of this MD&A, the Company has the following securities outstanding:

a) 42,849,008 common shares issued and outstanding;

b) 1,560,000 share purchase warrants (investors) with an exercise price of $0.12 valid for 18 months from their date of issuance.

c) 4,000,000 share purchase warrants (investors) with an exercise price of $0.15 valid for 24 months from their date of issuance.

d) 57,000 agent's warrants with an exercise price of $0.12 valid for 18 months from their date of issuance.

e) 4,205,000 stock options outstanding, of which 3,905,000 are exercisable, with a weighted average exercise price of $0.08.

The fully diluted capital of the Company is, therefore, equivalent to 52,671,008 common shares. Please refer to *Subsequent Events* at the end of this MD&A.

## 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 year ended December 31, 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 year ended December 31, 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.

## 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 December 31, 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 December 31, 2020, the Company had cash of $628,720 (2019- $895,320), trade payable and accrued liabilities of $103,905 (2019 - $71,888), and a lease liability of $48,541 (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 December 31, 2020, the Company held marketable securities with a fair value of $42,700 (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

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 marketplace. 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 prices of those commodities may fluctuate widely and are 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, 2020, and at the date of this document, there were no legal proceedings against or by the Company.

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