



**(An Exploration Stage Company)**

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

**(Form 51-102F1)**

**Six months ended June 30, 2021**

This Management's Discussion and Analysis ("MD&A") of Pacific Ridge Exploration Ltd. ("Pacific Ridge" or the "Company"), dated **July 29, 2021**, provides an update on the Company's business activities, financial condition, financial performance and cash flows for the six months ended June 30, 2021. 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, the annual MD&A for the year ended December 31, 2020, and the condensed consolidated interim financial statements for the three and six months ended June 30, 2021 and 2020, 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 in the annual MD&A for the year ended December 31, 2020, under its *Risk Factors* section.

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 first quarter of 2021**

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 "Q1 Financing"). DELPHI Unternehmensberatung Aktiengesellschaft ("DELPHI") acquired all of the FT Units. Proceeds from this Q1 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 Q1 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 at a price of \$0.105 per share for a period of five years from this date. Options granted to directors vested 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.

### **Highlights for the Second quarter of 2021**

On May 4, 2021, the Company announced that it had entered into an agreement to acquire 100% of the RDP (for Roy-Day-Porcupine) copper-gold porphyry project in central British Columbia, approximately 40 km west of its flagship Kliyul copper-gold project.

On May 11, 2021, the Company announced the addition of Dr. Dan Core, Ph.D. to its Technical Committee. Dr. Core brings experience targeting within porphyry mineral system utilizing both geological and geophysical data sets, and he has previous experience with the Kliyul project.

On May 26, 2021, the Company announced the nomination of mining industry veteran Gary Baschuk to its Board of Directors. Gary was elected at the annual general meeting of shareholders that took place on June 24, 2021.

On June 1, 2021, the Company the Company raised \$1,500,000 on closing of a non-brokered private placement of 10,000,000 units issued at a price of \$0.15 per unit ("Unit") (the "Q2 Financing"). Crescat Capital LLC ("Crescat") acquired 7,000,000 of the Units. Each 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 common share at an exercise price of \$0.23 for a period until June 2, 2023. No finders' fees were paid. Proceeds from this Q2 Financing will be used for a 2,500-metre diamond drill program at Pacific Ridge's flagship Kliyul copper-gold project, located in British Columbia, for exploration on the Company's other projects, and for general working capital.

On June 7, 2021, the Company announced the commencement of drilling activities at its Spius porphyry copper gold project. Drilling will test below the high-grade surface showing area, where grab samples of mineralized porphyry from float and a small outcrop exposure range from 1.11% Cu to 2.53% Cu, and will also test for mineralization at depth near hole SP-19-03, which ended in porphyry-style copper mineralization at a depth of 276 metres.

On June 17, 2021, the Company announced the 2021 exploration plans for its Kliyul copper-gold porphyry project.

On June 24, 2021, at the Company had its annual general meeting of shareholders, directors Gerald Carlson, Blaine Monaghan, Bruce Youngman and Borden Putnam were re-elected, and Gary Baschuk was elected for the first time.

During Q2 2021, an aggregate of 643,333 warrants and 19,500 share purchase warrants with an exercise price of \$0.12 were exercised, adding \$79,540 to the Company's treasury.

### **Activities subsequent to June 30, 2021, and to the date of this MD&A**

On July 15, 2021, the Company announced that it had applied for trading on the OTC Venture Market ("OTCQB"), which will help the Company in growing its U.S. shareholder base. On the same date and press release, the Company also announced that it had entered into a consulting agreement with Westlake Capital, based in Switzerland, with the objective of increasing the Company's profile within the European investment Community. Finally, on the same day, the Company announced the granting of 1,100,000 stock options to directors, officers, employees and certain consultants. The options have an exercise price of \$0.25 and are valid for five years.

### **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 (Northwest Copper Corporation 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 Hogen Batholith within the prolific Quesnel Terrane.

In 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. At Redton, the Company completed a one-hole, 434 m drill program. 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.

Plans for 2021 include a 2,500 m drill program at Kliyul to test the main Kliyul Zone and adjacent targets. The Company is currently in the process of planning for this program. At Redton, the Company plans a surface prospecting and sampling program.

### ***RDP, British Columbia***

In May 2021, the Company acquired an option on the RDP copper-gold porphyry project in central British Columbia, approximately 40 km west of its flagship Kliyul copper-gold project. Pacific Ridge has the option to earn a 100% interest in RDP by making payments of \$125,000 (\$5,000 on signing), issuing 1,200,000 shares (100,000 shares on signing) and completing \$810,000 in exploration in stages by December 15, 2023. In addition, the Company will issue 300,000 shares to the vendor on completion of 3,000 m of drilling and an additional 500,000 shares upon defining a 1,000,000 ounces of gold equivalent resource in the inferred or greater category. The property is also subject to a 2% NSR payable to the vendor, half of which can be purchased at any time for \$1.5 million.

RDP is a 3,800 hectares project lying within the Stikine Terrane, which is host to numerous significant porphyry deposits in northern British Columbia, including Kemess, Red Chris, Kerr- Sulphurets and Galore Creek. Exploration at RDP since the early 1970's has included prospecting and mapping, various geochemical surveys, ground and airborne geophysical surveys, trenching and a limited amount of drilling. This work has identified three porphyry centres. Mineralization at Roy showing consists of a quartz-magnetite-chalcopyrite stringer stockwork within a monzonite intrusive. Trenching in 1991 encountered 0.121% Cu and 0.55 g/t Au over 62 m within an 80 m trench. Only a single hole has been documented at Roy, in 2011, and it encountered 0.11% Cu and 0.64 gpt Au over 122.95 m. At the Day showing, mineralization includes pyrite, magnetite, chalcopyrite, minor molybdenite, and traces of bornite as disseminations and fracture fillings in diorite and adjacent altered volcanoclastic rocks. Historical drill highlights include 0.67% Cu and 0.93 gpt Au over 58.8 m in hole D-74-13 and 0.54% Cu and 0.75 gpt Au over 57 m in hole C-92-13. The Porcupine target was initially explored as a stratabound massive sulphide target, but recent interpretation of the alteration and soil geochemistry suggests the potential for porphyry style mineralization.

Plans for the 2021 exploration season involve compilation of historical data, and property-wide mapping and sampling to fully define the nature and extent of porphyry alteration and mineralization centres within the property.

### ***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.

Due to the weak results from a four-hole drill program 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<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 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.

Since 2010, The Company has spent over \$6 million exploring the Mariposa property, including geological mapping, soil geochemical surveys, geophysical surveys, trenching and drilling. Results are summarized on the Company's web site.

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.

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.

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.



In 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 \$1.0 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, 2021, payment received. In 2019 the Company received payments of \$150,000, \$400,000 in 2020 and \$75,000 in Q2 2021.

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	Six months ended June 30	
		2021	2020
		\$	\$
Kliyul	BC	168,015	101,438
Redton	BC	14,976	36,645
Spilus	BC	9,115	2,207
RDP	BC	6,265	-
Mariposa	YT	1,697	-
General exploration not allocated to a specific property		34,486	4,410
		<b>234,554</b>	<b>144,700</b>

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**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)
	2021	2020	
<b>Administration expenses</b>	\$	\$	\$
Amortization of right-of-use asset	17,534	13,212	4,322
Depreciation	944	616	328
Finance lease interest	2,573	453	2,120
Insurance	20,160	5,850	14,310
Professional and consulting	59,613	13,718	45,895
Management and administrative	133,364	50,221	83,143
Office operations and facilities	17,007	13,061	3,946
Shareholder communications	126,353	14,901	111,452
Share-based payments	55,277	17,439	37,838
Transfer agent and regulatory fees	26,273	13,356	12,917
	<b>459,098</b>	<b>142,827</b>	<b>316,271</b>
<b>Exploration-related expenses (income)</b>			
Exploration and evaluation costs	234,554	144,700	89,854
Mining tax credit	(76,269)	(347)	(75,922)
Property option payments	(75,000)	(325,000)	250,000
	<b>83,285</b>	<b>(180,647)</b>	<b>263,932</b>
<b>Other expenses (income)</b>			
Interest received	(1,892)	(2,548)	656
Foreign exchange (gain) loss	2,048	(2,735)	4,783
	<b>156</b>	<b>(5,283)</b>	<b>5,439</b>
<b>Net income (loss)</b>	<b>(542,539)</b>	<b>43,103</b>	<b>(585,642)</b>
<b>Other comprehensive income (loss):</b>			
Net change in fair value of marketable securities	12,700	(700)	13,400
<b>Total comprehensive income (loss)</b>	<b>(529,839)</b>	<b>42,403</b>	<b>(572,242)</b>
<b>Loss per share (basic and diluted)</b>	<b>(0.01)</b>	<b>0.00</b>	
<b>Weighted average number of shares outstanding</b>			
basic and diluted	41,698,594	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 significant increase in Insurance is due to two factors: the first one being the Company purchasing directors and officers' insurance (which did not have during the prior year's comparative period), and a general increase in the premium paid for the Company's liability insurance.

Professional and consulting fees also increased during the current period due to the flow-through private placement closed on March 8, 2021, and the non-flow through private placement closed on June 1, 2021.

Management and administrative expenses also increased with the incorporation of a new chief executive officer, and a general increase in compensation after the closing of the March 2021 private placement.

Shareholder communications had the greatest increase over the comparative period of the prior year due to activities related to raising the Company's profile with potential investors.

Share-based payments relate to the fair value of the stock options granted during the periods. This is a non-cash expense reflected in the contributed surplus line of the Company's statement of financial position.

The remaining administration expenses are comparable to those of the equivalent period of the prior year.

#### *Exploration-related expenses*

The Company has now started its 2021 exploration season, which will be mainly involving its Kliyul and Redton exploration projects; with new financing now in place, these activities have started to increase.

The Company also received an amount of \$76,269 corresponding to the British Columbia Mining and Exploration tax credit (BCMETS) for exploration activities conducted in the province during 2019. The income for such tax credit is recognized during the year when it is received, and not during the year when it was incurred, due to the uncertainty and the possibility of government audits that may significantly change the actual amount. The Company also received \$75,000 from BMC with respect to its Fyre Lake property; during the prior year's comparative period BMC had made an extra payment of \$250,000 in order to push by one year the payment of the final amounts, now due in December of 2021.

#### *Other expenses:*

These expenses relate to interest received on cash balances in deposit with the Company's bank, and some foreign exchange timing adjustments on payments denominated in currencies other than the Canadian dollar.

Most recent quarter:

	Three months ended June 30		Increase (decrease)
	2021	2020	
<b>Administration expenses</b>	\$	\$	\$
Amortization of right-of-use asset	10,369	6,606	3,763
Depreciation	572	383	189
Finance lease interest	1,416	131	1,285
Insurance	7,700	150	7,550
Professional and consulting	28,040	2,469	25,571
Management and administrative	76,109	24,706	51,403
Office operations and facilities	10,976	7,330	3,646
Shareholder communications	45,212	5,209	40,003
Transfer agent and regulatory fees	17,147	4,193	12,954
	<b>197,541</b>	<b>51,177</b>	<b>146,364</b>
<b>Exploration-related expenses (income)</b>			
Exploration and evaluation costs	143,205	119,229	23,976
Property option payments	(75,000)	(325,000)	250,000
	<b>68,205</b>	<b>(205,771)</b>	<b>273,976</b>
<b>Other expenses (income)</b>			
Interest received	(1,316)	(823)	(493)
Foreign exchange (gain) loss	1,077	1,331	(254)
	<b>(239)</b>	<b>508</b>	<b>(747)</b>
<b>Net income (loss)</b>	<b>(265,507)</b>	<b>154,086</b>	<b>(419,593)</b>
<b>Other comprehensive income (loss):</b>			
Net change in fair value of marketable securities	12,980	5,000	7,980
<b>Total comprehensive income (loss)</b>	<b>(252,527)</b>	<b>159,086</b>	<b>(411,613)</b>
<b>Loss per share (basic and diluted)</b>	<b>(0.01)</b>	<b>0.00</b>	
<b>Weighted average number of shares outstanding</b>			
basic and diluted	<b>46,450,933</b>	<b>31,729,009</b>	

Comparing Q2 of 2021 with Q2 of 2020 reflects the effects of substantial financing efforts, greater activities to increase market awareness, greater exploration expenses and, consequently, an increase in administration expenses.

**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 2021 (Q2)	31-Mar 2021 (Q1)	31-Dec 2020 (Q4)	30-Sep 2020 (Q3)
Revenues	-	-	-	-
General and administration	(186,261)	(198,557)	(72,243)	(53,851)
Lease amortization and interest	(11,785)	(8,322)	(7,834)	(7,053)
Depreciation of plant and equipment	(572)	(372)	(367)	(387)
Share-based payments	-	(55,277)	(24,956)	(4,521)
Exploration and evaluation costs	(143,205)	(91,349)	(243,282)	(216,839)
Interest received	1,316	576	372	664
Mining tax credit and government grants	-	76,269	-	-
Property option payments	75,000	-	75,000	-
Net income (loss) for the period	(265,507)	(277,032)	(273,310)	(281,987)
Basic income (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	3,476,562	2,120,290	1,227,771	1,435,598
Total liabilities	382,742	354,751	152,446	138,402
Shareholders' equity	3,093,820	1,765,539	1,075,325	1,297,196
Cash dividends declared	Nil	Nil	Nil	Nil

  

	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 mineral properties	-	-	(71,000)	-
Mining tax credit and government grants	-	347	46,114	-
Property option payment	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' deficiency	1,360,210	1,201,124	1,300,368	1,129,579
Cash dividends declared	Nil	Nil	Nil	Nil

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### **Quarterly Information Trends**

- During Q2, 2021, the company raised an additional \$1,500,000 through a non-broker and non-flow-through private placement of units, as described in the initial section of this MD&A. This results in a substantial increase in the total assets of the Company.
- During Q1 2021 the company raised \$1,136,000 through a non-brokered flow-through private placement described in the initial section of this MD&A; hence the increase in total assets from Q4 2020. Also, as discussed in the section immediately above, administration expenses were increased with the addition of a new chief executive officer and some adjustment to compensation of other officers of the Company, as well as the increase in insurance expenses, as previously discussed. Also during this quarter, the Company received the BCMETC amount for 2019, also contributing to the increase in assets of the Company. A grant of stock options also took place during the quarter, after the closing of the aforementioned financing. The quarter's net loss, however, is consistent with that of Q4 2020.
- During Q4 2020 the Company concluded the year's exploration programs 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 a non-brokered private placement of FT Units raising \$234,000.
- 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 (for more information please relate to the annual MD&A for 2020). 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. However, during this quarter the Company decided to impair the carrying value of its Spius project.
- 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 computing equipment was purchased during Q3 2019 and Q1 2020, with depreciation during the ensuing quarters.

### Liquidity Working Capital and Capital Resources

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

	June 30, 2021	December 31, 2020
	\$	\$
Cash	2,786,462	628,720
Other receivable	7,874	7,980
Marketable securities	55,400	42,700
Liquidity:	2,849,736	679,400
Prepaid	39,867	9,587
Trade payables and accrued liabilities	(118,935)	(103,905)
Office lease liability - current portion	(42,105)	(27,920)
Working capital:	2,728,563	557,162

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 July 29, 2021, the Company has cash on hand of approximately \$2,320,000 and working capital of approximately \$2,660,000.

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 June 30		Six months ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management fees paid to a company controlled by the Executive Chairman of the Company *	24,000	24,000	48,000	48,000
Salary paid to the CEO of the Company	24,000	-	62,125	-
Management fees paid to a company controlled by the CFO of the Company	11,000	9,000	26,000	18,000
Share-based payments recorded for stock options granted to directors and officers of the Company (non-cash expense)	54,270	10,464	54,270	10,464
	<b>113,270</b>	<b>43,464</b>	<b>190,395</b>	<b>76,464</b>

\* A percentage of the Executive Chairman's compensation is charged to exploration and evaluation costs

No amounts were due to related parties at June 30, 2021 or 2020.

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**

	Date of this	June 30, 2021	December 31, 2020
	MD&A		
Common shares issued and outstanding	53,851,841	53,611,841	34,849,008
Share purchase warrants outstanding <sup>(1)</sup>	9,916,669	9,916,669	1,560,000
Finders' warrants outstanding <sup>(2)</sup>	37,500	37,500	57,000
Stock options outstanding <sup>(3)</sup>	5,165,000	4,205,000	3,355,000
<b>Fully diluted capital:</b>	<b>68,971,010</b>	<b>67,771,010</b>	<b>39,821,008</b>

As at the date of this MD&A:

- (1) Of the total amount of warrants outstanding, 716,667 warrants with an exercise price of \$0.12 expire on February 14, 2022; 200,000 warrants with an exercise price of \$0.12 expire on March 31, 2022, 4,000,000 warrants with an exercise price of \$0.15 expire on March 8, 2023, and 5,000,002 warrants with an exercise price of \$0.23 expire on June 3, 2023.

- (2) Of the total amount of agent's warrants outstanding with an exercise price of \$0.12 per share, 13,500 expire on February 14, 2022; and 24,000 on March 31, 2022.
- (3) Of the total amount of stock options outstanding, 4,865,000 are exercisable as at the date of this MD&A. The weighted average exercise price of the outstanding options is \$0.11.

### **Off-Balance Sheet Arrangements**

None

### **Proposed Transactions**

See "Activities subsequent to June 30, 2021" section on page 3 of this MD&A.

### **Changes in Accounting Policies**

There were 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, 2020.

### **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 consolidated interim financial statements for the three and six months ended June 30, 2021, 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, 2021, 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, 2021, the Company had cash of \$2,786,462 (December 31, 2020 - \$628,720), trade payable and accrued liabilities of \$118,935 (December 31, 2020 - \$103,905), and a lease liability of \$49,952 (December 31, 2020 - \$48,541).

#### Currency risk

The Company keeps approximately less than 1% of its cash in US dollars. A change in the value of the US dollar by 10% relative to the Canadian dollar would have minimal effect on the Company's working capital.

#### 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, 2021, the Company held marketable securities with a fair value of \$55,400 (December 31, 2020 - \$42,700). 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, 2020, and filed on the SEDAR website ([www.sedar.com](http://www.sedar.com)) on April 27, 2021.

### **Legal Proceedings**

As at June 30, 2021, and at the date of this document, there were no legal proceedings against or by the Company.

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