



(“the Company”)

FORM 51-102F1

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED AUGUST 31, 2023**

**Introduction**

This Management’s Discussion and Analysis (“**MD&A**”) of Prospect Ridge Resources Corp is the responsibility of management and covers the year ended August 31, 2023. The MD&A takes into account information available up to and including December 21, 2023, and should be read together with the audited financial statements for the year ended August 31, 2023. The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”).

Throughout this document the terms *we*, *us*, *our*, and *the Company* refer to Prospect Ridge Resources Corp. All financial information in this document is derived from the financial statements of the Company, which have been prepared in accordance with IFRS, except share and per share amounts, or unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

This document contains forward-looking statements. Please refer to “Note Regarding Forward-Looking Statements.” Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors, many of which are beyond our ability to control, that may cause our actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Please refer to “Risk Factors” below.

**Description of Business**

Prospect Ridge Resources Corp. was incorporated under the laws of the Province of British Columbia. The Company is principally engaged in the acquisition and exploration of resource properties in Canada. The Company’s head office is located at 700 West Georgia St, Suite 1500, Vancouver, BC V7Y 1C6, and its registered and records office is located at 625 Howe Street, Suite 1120, Vancouver, BC V6C 2T6.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The Company's primary focus is the Knauss Creek and Holy Grail properties (the "Properties") in Terrace, BC.

### Performance Summary and Subsequent Events

During the year ended August 31, 2023 and to the date of this MD&A, the Company:

- (a) Issued 700,000 common shares valued at \$133,000 and issued 50,000 Finder's shares valued at \$6,750 per Knauss Creek Property option agreement.
- (b) Issued 1,000,000 common shares valued at \$250,000 and issued an aggregate of 142,875 Finder's shares valued at \$65,714 pursuant to the Holy Grail Property option agreement.
- (c) Entered into a settlement agreement with Loan Wolf Exploration Ltd. ("Loan Wolf") to supersede the terms of the Holy Grail Property option agreement whereby the Company finalized its acquisition of 100% of the Holy Grail property, with no further payments or commitments. In connection, the Company also amended the existing net smelter returns ("NSR") royalties on the Holy Grail and Knauss Creek Properties, such that 1.5% is payable to Loan Wolf, of which 1% can be purchased for \$1,000,000, and 1.5% is payable to Knauss Creek Mines Ltd., of which 1% can be purchased for \$1,000,000. The NSR repurchase is available at any time prior to the date which is 180 days after commencement of commercial production.
- (d) Issued an aggregate of 124,419 common shares valued at \$16,797 to settle \$24,884 in accounts payable.
- (e) Granted an aggregate of 1,600,000 stock options exercisable at \$0.20 per share for a period of 5 years, cancelled an aggregate of 2,275,000 stock options exercisable at a weighted average exercise price of \$0.47 per share, and modified 1,600,000 stock options such that the exercise price was reduced from \$0.50 to \$0.20, and the term was extended for a period of 5 years from modification date.
- (f) Announced the passing of Dr. Allen Alper, a Director of the Company.
- (g) Announced the appointment of Mr. Michael Michaud and Mr. Yan Ducharme as Directors, the appointment of Simon Ridgway as Chairman of the Board, and also announced the resignation of Mr. Nick Luksha as a Director and Vice President of Corporate Development.

### Global Issues

Recent global issues, including the ongoing COVID-19 pandemic, the 2022 Russian invasion of Ukraine, and the 2023 Israel-Hamas conflict have adversely affected workplaces, economies, supply chains and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of these issues and their effects on the Company's business or results of operations at this time.

### Exploration Results

#### *2023 Highlights*

In January 2023, the Company released 2021 prospecting results from the Knauss Creek property which highlighted the followings:

- Grab sample C363284 returned 69.3 g/t Au, 331 g/t Ag and 5.78% Cu on the Copper Ridge showing;
- Grab sample C363279 returned 38.4 g/t Au, 51.8 g/t Ag and 3.19% Cu on the Copper Ridge showing;

- Grab sample C363283 returned 7.9 g/t Au, 198 g/t Ag and 10.42% Cu on the Copper Ridge showing;
- Grab sample C363277 returned 2.8 g/t Au, 974 g/t Ag, 33.3% Pb and 4.1% Zn on the Hugin showing; and
- Grab sample C363144 returned 4.4 g/t Au, 627 g/t Ag and 0.58% of Pb on the Kandy showing.

All samples reported above are from the 2021 prospection campaign. Data reverification of all samples collected before calendar 2022 on the Knauss Creek and Holy Grail properties was undertaken following an internal review of certain questions. After thorough verification, it was established that the values for samples W501711 and W501715 reported in the November 30, 2021, news release were from the coarse fraction of metallic screening gold results. The published gold results for W501711 and W501715 should have been 11.2 g/t and 9.67 g/t respectively.

In June 2023, the Company released additional 2021 prospection campaign results from the Holy Grail property which highlighted the following:

- Erratic block sample C362354 returned 28.0 g/t Au, 56.9 g/t Ag and 2.03% Cu on the 4 Shore showing;
- Erratic block sample C362357 returned 13.7 g/t Au, 39.9 g/t Ag and 1.33% Cu on the 4 Shore showing;
- Erratic block sample C363353 returned 0.37 g/t Au, 58.7 g/t Ag and 3.43% Cu on the Maroon Creek showing; and
- Grab sample C363092 returned 6.70 g/t Au, 21.1 g/t Ag and 0.12% Pb on the Iceberg showing.

In September 2023, the Company released results from the 2023 prospection campaign on the Knauss Creek property, which highlighted the following:

- Outcrop samples from the Dorreen Mine returned 21.70 g/t Au (W384759), 22.80 g/t Au (W384760), 12.00 g/t Au (W384814) and 11.55 g/t Au (W386163);
- Outcrop sample from a quartz vein collected 50m southwest and 75m higher than the Dorreen Mine returned 7.12 g/t Au (W384720);
- Outcrop samples collected 100m southwest and 100m higher than the Dorreen Mine returned 36.20 g/t Au (W386156) and 19.35 g/t Au (W384675);
- On the Leon's Legacy showing, outcrop samples on quartz veins, located approximately 900m west-southwest and 630m above (higher in elevation) the Dorreen mine returned:
  - 14.15 g/t Au, 24.5 g/t Ag and 0.12% Cu (W384811),
  - 19.90 g/t Au, 180.0 g/t Ag and 3.39% Cu (W384813),
  - 20.60 g/t Au, 175.0 g/t Ag and 0.54% Cu (W386150), and
  - 0.86 g/t Au, 138.0 g/t Ag and 8.00% Cu (W386154);
- Outcrop samples on quartz veins, located further west-southwest at a distance of 1,500m and 875m above the Dorreen mine returned:

- 0.07 g/t Au, 36.0 g/t Ag and 8.21% Cu (W386133), and
- 0.49 g/t Au, 32.9 g/t Ag and 4.31% Cu (W386135);

In November 2023, the Company released additional 2023 prospecting results from the Knauss Creek property on the Copper Ridge showing which highlighted the following:

- 78.90 g/t Au, 457 g/t Ag and 13.45 % Cu (W386303),
- 8.46 g/t Au, 1085 g/t Ag and 17.75 % Cu (W384736),
- 23.80 g/t Au, 738 g/t Ag and 5.42 % Cu (W386304),
- 15.20 g/t Au, 1970 g/t Ag and 0.39 % Cu (W489416),
- 5.68 g/t Au, 2050 g/t Ag and 5.26 % Cu (W385923, erratic block sample),
- 13.80 g/t Au, 746 g/t Ag and 1.32 % Cu (W500637),
- 3.21 g/t Au, 1260 g/t Ag and 2.20 % Cu (W489414), and
- 2.26 g/t Au, 166 g/t Ag and 11.40 % Cu (W500642).

And :

- 15.90 g/t Au, 987 g/t Ag, 0.29 % Cu, 17.55 % Pb and 6.99 % Zn (W489424),
- 0.55 g/t Au, 2900 g/t Ag, 2.24 % Cu, 4.24 % Pb and 0.24 % Zn (W500261),
- 1.95 g/t Au, 1870g/t Ag and 5.93 % Cu (W489429),
- 1.97 g/t Au, 1775 g/t Ag and 3.20 % Cu (W500259),
- 1.67 g/t Au, 201 g/t Ag and 9.71 % Cu (W500257), and
- 0.73 g/t Au, 1105 g/t Ag, 1.67 % Cu, 0.65 % Pb and 0.28 % Zn (D791529).

These outcrop samples results continue to extend the area of mineralization and now stretches over an east-west length of 1,250 metres and a north-south length of 500 metres. The elevation differentiation is approximately 250 metres.

### Exploration Projects

The Properties lie south of the “Golden Triangle” area of northwestern British Columbia where extensively occurring precious and base-metal mineralization have historically been discovered and several mine or projects with resources are currently ongoing.

The Properties are in the Omineca and Skeena Mining Division in British Columbia. They are underlain by a sequence of stratified argillites, sandstones, and conglomerates of Bowser Lake Group sedimentary rocks and Hazelton Group volcano-sedimentary rocks. These are intruded by granodioritic units.

### Knauss Creek Property Overview

#### *Property Description and Ownership*

The southern portion of the Knauss Creek Property is approximately 35 km northeast of the Town of Terrace (see Figure 1). It covers 2,944 hectares in mineral claims and is fully owned by the Company. It is easily accessible by highway 16 and a bridge over the Skeena River that leads to a network of logging roads.

#### *Highlights*

The Knauss Creek Property is being explored for polymetallic veins. Placer deposits were mined in creeks adjacent, west and east, to the Property during the early part of the 20<sup>th</sup> century. The Property hosts the historical Dorreen mine. Many showings such as the Jay Veins, Hugin, Kandy and Copper Ridge are gold, silver, copper, lead and zinc bearing. More historical showing needs to be investigated.

### Holy Grail Property Overview

#### Property Description and Ownership

The Holy Grail Property starts 10 kilometers north of Terrace, forming a horseshoe, with the eastern part surrounding the Knauss Creek property (Figure 1). The Property is easy-accessible, bounded by two highways with CN rail, high tension power crossing the Property and a network of logging roads which make for very cost-effective exploration. Some of the key areas are located below the tree line and can be worked nearly year-round. The Property covers 70,100 hectares and is fully owned by the Company.

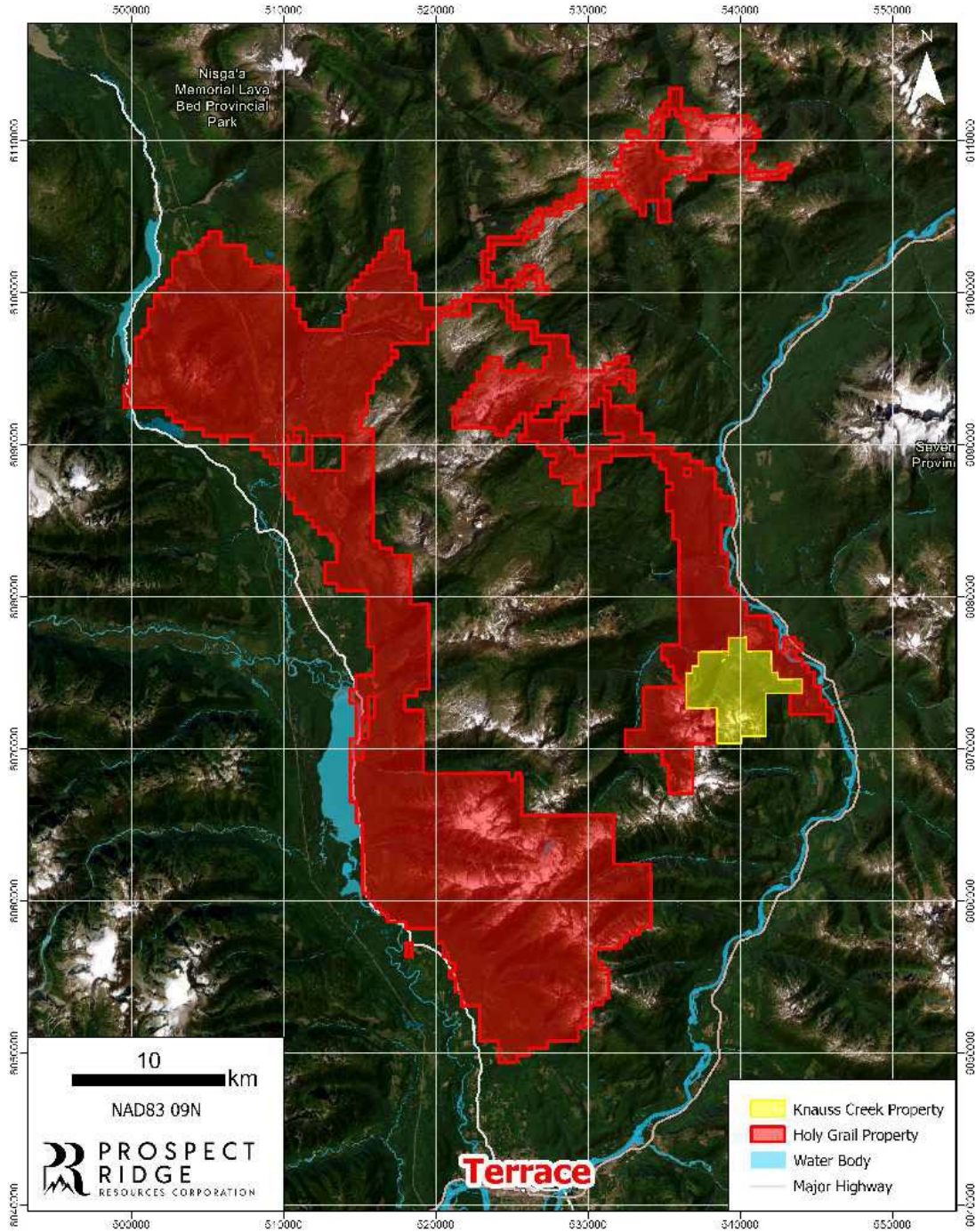


Figure 1: Knauss Creek Holy Grail properties



*Highlights*

The Holy Grail property has been very locally explored historically. The property is being explored for gold, silver, copper, lead and zinc. The best showings are Shock & Awe and Fore Shore. The prospection work done by the Company allowed to identify areas with high potential.

**Quality Assurance and Control**

Sample analysis and assaying have been conducted by ALS Global Laboratories (Geochemistry Division) in Vancouver, Canada (an ISO/IEC 17025:2017 accredited facility). A secure chain of custody is maintained in transporting and storing of all samples. Certified assay standards, duplicate samples and blanks are routinely inserted into the sample stream to ensure integrity of the assay process. Rock samples are crushed to 70% less than 2 millimeters, and a 250-gram sample is split with a riffle splitter. The split is pulverized to 85 per cent less than 75 microns and 50-gram charges prepared. Gold was assayed using a fire assay with atomic emission spectrometry and gravimetric finish when required (+10 g/t Au). Analysis by four acid digestions with 48 element ICP-MS analysis was conducted on all samples with silver and base metal over-limits being re-analyzed by atomic absorption or emission spectrometry. The Company cautions that rock chip samples from outcrop/bedrock are selective by nature and may not be representative of the mineralization hosted on the Property.

All scientific or technical information included in this MD&A has been reviewed, verified and approved by Yan Ducharme, P.Geol., President of the Company and a qualified person as defined by National Instrument 43-101.

**Resource Property Interests – Exploration and Evaluation Expenditures**

Activities of the Company for the year ended August 31, 2023, focused on the continuing exploration work on its properties as indicated in the Exploration Program and Results described above.

Exploration and evaluation expenditures for the year ended August 31, 2023, is detailed below:

|                          | Holy Grail        | Knauss Creek      | Project Evaluation | Total               |
|--------------------------|-------------------|-------------------|--------------------|---------------------|
| Claims                   | \$ 6,370          | \$ 3,770          | \$ -               | \$ 10,140           |
| Geology                  | 83,968            | 53,105            | -                  | 137,073             |
| Prospection/Geochemistry | 618,359           | 278,131           | 1,838              | 898,328             |
| Drilling                 | 24,039            | 446,887           | -                  | 470,926             |
| Stripping                | 4,189             | -                 | -                  | 4,189               |
|                          | <u>\$ 736,925</u> | <u>\$ 781,893</u> | <u>\$ 1,838</u>    | <u>\$ 1,520,656</u> |

**Selected Annual Information**

|                                       | Year ended August 31, 2023 | Year ended August 31, 2022 | Year ended August 31, 2021 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| General and administrative expenses   | \$ 743,914                 | \$ 2,295,931               | \$ 1,320,774               |
| Exploration expenses                  | 1,520,656                  | 1,707,104                  | 332,852                    |
| Comprehensive loss for the year       | 2,230,027                  | 4,108,035                  | 1,653,626                  |
| Loss per share – basic and diluted    | 0.04                       | 0.09                       | 0.22                       |
| Total assets                          | 7,013,286                  | 8,661,054                  | 1,484,465                  |
| Total long-term financial liabilities | 222,499                    | 189,798                    | -                          |

**Results of Operations for the Three Months Ended August 31, 2023**

During the three months ended August 31, 2023, the Company incurred a net loss of \$669,064 as compared to \$1,032,249 for the three months ended August 31, 2022. Significant items making up the loss include:

- Depreciation expense of \$40,648 (2022 - \$50,393) decreased primarily as the Company disposed of equipment with a net book value of 203,666 during the current period.
- Exploration and evaluation expenditures of \$532,416 (2022 - \$978,961) as the Company continues to ramp-up exploration work following initial success on its projects; the field exploration programs commenced earlier in fiscal 2023, resulting in lower costs incurred in the fourth quarter.
- Investor relation expense of \$23,992 (2022 - \$242,328). In the prior year, the Company increased its investor relations following the completion of the Company's IPO and listing on the CSE on May 27, 2022.
- Management and consulting fees of \$69,800 (2022 - \$85,540) as the Company incurred third-party consulting fees in addition to fees paid or accrued to the Company's management. Activity is comparable to the prior period.
- Professional fees of \$10,000 (2022 - \$78,360) related to audit, accounting fees and legal fees.
- Share-based payments of \$93,185 (2022 - \$nil) in relation to the vesting and modification of stock options granted in the current and prior periods.
- Transfer agent and filing fees of \$4,435 (2022 - \$3,797) related to transfer agent, regulatory, and filing fees.

**Results of Operations for the Year ended August 31, 2023**

During the year ended August 31, 2023, the Company incurred a net loss of \$2,230,027 as compared to \$4,108,035 for the year ended August 31, 2022. Significant items making up the loss include:

- Depreciation expense of \$129,152 (2022 - \$92,200) as the Company purchased additional equipment during the year.
- Exploration and evaluation expenditures of \$1,520,656 (2022 - \$1,707,104) incurred in relation to the Company's 2023 exploration work on its properties.
- Investor relation expense of \$191,569 (2022 - \$1,198,404) as the Company decreased its investor relations expense for the period.
- Management and consulting fees of \$306,668 (2022 - \$357,273) as the Company incurred third-party consulting fees in addition to fees paid or accrued to the Company's management. Activity is comparable to the prior period.
- Professional fees of \$107,321 (2022 - \$150,063) related to audit, accounting fees and legal fees.
- Share-based payments of \$203,732 (2022 - \$889,125) in relation to the vesting and modification of stock options granted in the current and prior periods.

### Summary of Quarterly Results

The following table summarizes the last quarter of the Company:

| In dollars (\$)    | August 31,<br>2023 | May 31,<br>2023 | February 28,<br>2023 | November 30,<br>2022 |
|--------------------|--------------------|-----------------|----------------------|----------------------|
| Total assets       | 7,013,286          | 7,337,848       | 7,600,804            | 7,893,404            |
| Working capital    | 1,572,942          | 2,225,033       | 2,595,695            | 2,886,733            |
| Deficit            | (7,818,371)        | (7,359,344)     | (6,907,220)          | (6,574,003)          |
| Net loss           | (669,064)          | (452,124)       | (333,217)            | (775,622)            |
| Net loss per share | (0.00)             | (0.00)          | (0.00)               | (0.02)               |
| In dollars (\$)    | August 31,<br>2022 | May 31,<br>2022 | February 28,<br>2022 | November 30,<br>2021 |
| Total assets       | 8,661,054          | 9,228,390       | 9,864,515            | 9,522,217            |
| Working capital    | 3,609,153          | 4,659,953       | 5,580,707            | 5,290,183            |
| Deficit            | (5,798,381)        | (4,766,132)     | (3,706,618)          | (2,897,212)          |
| Net loss           | (1,032,249)        | (1,059,514)     | (809,406)            | (1,206,866)          |
| Net loss per share | (0.09)             | (0.02)          | (0.02)               | (0.02)               |

### Liquidity

The Company's historical capital needs have been met by issuance of shares. As at August 31, 2023, the Company had a working capital of \$1,572,942 (2022 - \$3,609,153). The Company proposes to meet any additional financing requirements through equity financing. The Company's cash position as at August 31, 2023 was \$1,394,027 (2022 - \$3,168,488).

*Operating activities:* The Company does not generate cash from operating activities. Net cash used in the Company for operating activities, which includes exploration activities, for the year ended August 31, 2023, was \$1,574,124 (2022 - \$3,971,125), including net changes in non-cash working capital of \$760,231 (2022 - \$954,594).

*Investing activities:* Net cash used by the Company for investing activities for the year ended August 31, 2023, was \$132,509 (2022 - \$642,470), reflecting the Company's acquisitions of mineral property and equipment totaling \$191,509 (2022 - \$582,970), offset by proceeds on sale of equipment of \$59,000 (2022 - \$nil).

*Financing activities:* Net cash used in financing activities for the year ended August 31, 2023, was \$67,828 (2022 - \$7,017,724 cash generated), comprised entirely of lease payments completed in the period (2022 - \$37,156 lease payments completed). During the year ended August 31, 2022, the Company also received proceeds from share issuances of \$7,263,000 and proceeds from the exercise of warrants of \$11,320, offset by \$219,440 in share issuance costs.

The Company does not have operations that generate positive cash flows, and it is unlikely that it will generate cash flows from operations in the foreseeable future. Cash requirements will depend primarily on the extent of future exploration programs. Subsequent phases will depend, both on cost and duration, and on results from previous phases, and it is therefore extremely difficult to predict future cash requirements.

### Related Party Transactions

Related parties and related party transactions impacting the financial statements are summarized below and include transactions with the following individuals or entities:

#### Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, Corporate Secretary, and President.



The following entities are classified as related parties due to the following:

|  | August 31, 2023 | August 31, 2022 |
|--|-----------------|-----------------|
| Directors' fees                                    | \$ 40,000       | \$ 33,000       |
| Consulting and management fees                     | 225,000         | 312,500         |
| Exploration related and geological consulting fees | 210,000         | 52,500          |
| Professional fees                                  | 60,000          | 37,944          |
| Share-based payments                               | 170,352         | 795,183         |
|  | \$ 705,352      | \$ 1,231,127    |

As at August 31, 2023, \$70,966 (2022 - \$89,617) was included in accounts payables and accrued liabilities for fees owed to related parties.

During the year ended August 31, 2023, the Company issued 42,000 common shares valued at \$5,670 to settle debt of \$8,400 owing to a related party.

### Outstanding Share Data

As at the date of this report, the Company had 52,169,905 common shares issued and outstanding.

As at the date of this report, incentive stock options were outstanding as follows:

| Number        | Exercise price | Expiry date    |
|---------------|----------------|----------------|
| Stock Options |                |                |
| 2,225,000     | \$ 0.20        | March 1, 2028  |
| 700,000       | \$ 0.20        | March 3, 2028  |
| 75,000        | \$ 0.20        | March 16, 2028 |
| 3,000,000     |                |                |

### Off-Balance Sheet Arrangements

As at August 31, 2023 and to the date of this MD&A, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

### Proposed Transactions

Except as elsewhere disclosed in this document, there are no other proposed transactions under consideration.

### Capital Risk Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns and/or benefits for shareholders.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the administration of its corporate affairs and to provide funds for the development of its business. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company has no revenue-generating operations and as such is dependent upon external financings to fund activities. In order to develop its business and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the size of the Company.

There were no changes in the Company's approach to capital management during the year ended August 31, 2023. The Company is not subject to externally imposed capital requirements.

### **Financial Instruments**

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's receivables consist mainly of goods and services tax receivables due from the Government of Canada. As at August 31, 2023, the Company's exposure to credit risk is minimal.

#### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2023, the Company had a cash balance of \$1,394,027 to settle current liabilities of \$349,482. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. Management intends to meet its liabilities by actively pursuing investors.

#### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) **Interest rate risk**

As at August 31, 2023, the Company was not subject to or exposed to any interest rate risk as it had no variable interest debt or investments.

b) **Foreign currency risk**

As at August 31, 2023, the Company is not exposed to foreign currency risk.

c) **Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. As at August 31, 2023, the Company was not exposed to any equity or commodity price risks.

### Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires management to make estimates about, and apply assumptions or judgment to, future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's financial statements are prepared.

The Company's significant accounting judgements, estimates and assumptions are disclosed in Note 3 of the financial statements for the year ended August 31, 2023.

### Risks and Uncertainties

In conducting its business, the Company, like all exploration-stage mineral exploration companies, faces a variety of risks uncertainties. While unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible.

*Exploration and Development* - Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, but not limited to, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them and employs experienced consultants to assist in its risk management and to make timely adequate decisions.

*Title Risks* - Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties.

*Permitting Risks* - The development of mineral resources in British Columbia is subject to a comprehensive review, approval and permitting process involving various provincial and regional agencies, in addition to the various First Nations groups that have jurisdiction in the Company's area of claims. There can be no assurance given for the required approvals and permits for a mining project, even if technically and economically warranted, can be obtained in a timely or cost-effective manner.

*Fluctuating Metal Prices* - Factors beyond the control of the Company have a direct effect on global metal prices, which have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company's exploration projects and the Company's ability to finance the development of its projects cannot be accurately predicted and may be adversely affected by fluctuations in metal prices.

*Environmental Regulations Permits and Licenses* - Environmental laws and regulations could also impact the viability of a project. The Company has ensured that it has complied with these regulations, but there could be changes in legislation outside the Company's control that could also add a risk factor to a project.

*Competition* - The mineral exploration industry is intensely competitive in all its phases, and the Company competes with some companies that have greater financial and technical resources. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

*Future Financings* - The Company's continued operation will be dependent in part upon its ability procure additional financing. To date, the Company has done so through a combination of: (i) equity financing; and (ii) cash payments received as property option payments from third parties. The current state of global equity markets has had a direct effect on the ability of exploration companies, including the Company, to finance project acquisition and development through the equity markets. There can be no assurance that forms of financing can be obtained at a future date. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in some or all of the properties or joint ventures, or reduce or terminate some or all of the operations.

*Price Volatility of Publicly Traded Securities* - During recent months, global securities markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

### **Information regarding forward looking statements**

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the prices of gold and other metals, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompleteness of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of gold and other metals. While the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.