

**MANAGEMENT DISCUSSION FOR RIDGESTONE MINING INC.  
FOR THE YEAR ENDED DECEMBER 31, 2018  
PREPARED AS OF APRIL 11, 2019**

**Contact Information**

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**Background**

*This discussion and analysis of financial position and results of operations is prepared as at December 31, 2018 and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018, of Ridgestone Mining Inc. (“Ridgestone” or the “Company”). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Except as otherwise disclosed, all dollar figures included therein and the following management discussion and analysis (“MD&A”) are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

**Cautionary Statement On Forward Looking Information**

This Management’s Discussion and Analysis may include forward-looking statements with respect to business plans, activities, prospects, opportunities and events anticipated or being pursued by the Company and the Company’s future results. Although the Company believes the assumptions underlying such statements to be reasonable, any of the assumptions may prove to be incorrect. The anticipated results or events upon which current expectations are based may differ materially from actual results or events. Therefore, undue reliance should not be placed on such forward-looking information. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions in North America and internationally, (2) the uncertainty as to property development and exploration milestones, (3) the uncertainty as to the regulatory approval of the Company’s properties, (4) the risk that the Company does not execute its business plan, (5) inability to retain key employees, (6) inability to finance exploration and growth, and (7) other factors beyond the Company's control.

Forward-looking statements speak only as of the date of this MD&A and actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based may not occur. The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements set out in this MD&A and, subject to applicable securities laws, does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

## **Overview**

The Company is engaged in the business of mineral exploration in the United States and Mexico and its objective is to locate and, if warranted, develop economic mineral properties. The Company holds an option to acquire a 100% interest in the Cimarron Gold Property located approximately 32 kilometres north of Tonopah in the San Antonio Mountains in Nye County, Nevada, USA and is comprised of thirteen (13) unpatented mining claims totaling approximately 74.41 hectares. The Company also holds an option to acquire a 100% interest in the Rebeico Property located in Sonora, Mexico.

On February 16, 2018, the Company's common shares became listed and commenced trading on the TSX Venture Exchange under the symbol "RMI".

On May 9, 2018, the Company received final acceptance from the TSX Venture Exchange for the option agreement (the "Option Agreement") with YQ Gold de Mexico, S. de R.L. de C.V. ("YQ Gold"), pursuant to which Ridgestone has been granted an option to acquire a 100% interest in the gold-copper Rebeico Property located in Sonora, Mexico. The Company has issued an aggregate of 845,347 common shares ("Option Shares") and a cash sum of US\$50,000 to satisfy the initial payment obligation under the Option Agreement.

On May 14, 2018, the Company proceeded with its forward stock split on a two-for-one basis.

In July 2018, the Company completed an Induced Polarization (IP) geophysical survey (the "Survey") on its Rebeico Gold-Copper project, Sonora, Mexico. The Survey, conducted by Zonge International of Tucson, Arizona, was undertaken to better define targets for a planned drill program. It was comprised of nine lines of IP each 2.0 kilometers long for a total of 18 line kilometers spaced 200 meters apart, covering an area of 1.6 by 2.0 kilometers.

During the quarter ended September 30, 2018, the Company commenced drilling at its Rebeico Gold-Copper project. The program is designed to test for gold and copper mineralization below historical workings along the "Alaska" vein which has a strike length of over one kilometer and is open at depth. Diamond drilling will comprise 12 HQ-diameter holes totaling approximately 1,400 meters, and is being conducted by Layne Drilling of Mexico, under the supervision of YQ Gold de Mexico, the project operator.

On September 21, 2018, the Company incorporated a wholly-owned subsidiary, Cerro de Oro Minerales, S.A. de C.V., in Mexico City, Mexico.

## **Overall Performance**

Following incorporation on March 30, 2017, the Company capitalized itself through the issuance of securities on a private placement basis prior to the Offering. The Company holds options to acquire a 100% interest in the Cimarron Gold Property and the Rebeico Property, exploration stage properties, and has not generated revenues to date. Management anticipates that it will incur considerably more expenses. These funds will include increased professional fees necessary to comply with applicable securities rules and increased exploration costs as the Company carries out expenditures on the Cimarron Gold Property and Rebeico Property.

## Summary of Annual Financial Information

The following table sets forth selected financial information of the Company for the last fiscal periods. This financial information is derived from the audited financial statements of the Company:

	<b>For the year ended December 31, 2018 \$</b>	<b>Period from March 30, 2017 (date of incorporation) to December 31, 2017 \$</b>
Total Revenue	–	–
Total Expenses	2,318,658	269,222
Net Loss	(2,311,836)	(269,222)
Net Loss Per Share	(0.11)	(0.02)
Total Assets	1,133,492	1,651,768
Total Long Term Financial Liabilities	–	–
Cash Dividends Declared per Share	–	–

Net loss was \$269,222 for the period from incorporation on March 30, 2017, to December 31, 2017, which mainly consists of general and administrative fees of \$62,648, mineral exploration costs of \$126,365 and professional fees of \$80,209.

Net loss was \$2,311,836 for the year ended December 31, 2018, which mainly consists of consulting fees of \$454,075, general and administrative expenses of \$271,250, mineral exploration costs of \$912,539, professional fees of \$199,972, and share-based compensation of \$480,822.

## Summary of Quarterly Results

The following is selected financial information from the Company's most recently completed fiscal quarters from inception:

	<b>4<sup>th</sup> Qtr Ended 12-31-18</b>	<b>3<sup>rd</sup> Qtr Ended 9-30-18</b>	<b>2<sup>nd</sup> Qtr Ended 6-30-18</b>	<b>1<sup>st</sup> Qtr Ended 3-31-18</b>
Total Revenues	Nil	Nil	Nil	Nil
Operating Income (Loss)	(1,069,009)	(\$705,775)	(\$415,246)	(\$128,628)
Operating Income (Loss) Per Share	(0.05)	(\$0.03)	(\$0.02)	(\$0.01)
Total Net Income (Loss)	(1,070,925)	(\$704,196)	(\$408,087)	(\$128,628)
Total Net Income (Loss) Per Share	(0.05)	(\$0.03)	(\$0.02)	(\$0.01)

	<b>4<sup>th</sup> Qtr Ended 12-31-17</b>	<b>3<sup>rd</sup> Qtr Ended 9-30-17</b>	<b>2<sup>nd</sup> Qtr Ended 6-30-17</b>	<b>1<sup>st</sup> Qtr Ended 3-31-17</b>
Total Revenues	Nil	Nil	Nil	Nil
Operating Income (Loss)	(\$102,954)	(\$115,395)	(\$50,264)	(\$609)
Operating Income (Loss) Per Share	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)
Total Net Income (Loss)	(\$102,954)	(\$115,395)	(\$50,264)	(\$609)
Total Net Income (Loss) Per Share	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.00)

Factors causing significant variations in quarterly results are as follows:

The increase in total loss for the quarters ended September 30, 2017, and December 31, 2017, were mainly comprised of increases in professional fees related to the Company's listing on the TSX Venture Exchange and mineral exploration costs incurred on the Cimarron Gold Property.

During the three months ended March 31, 2018, the Company recorded an operating and net loss of \$128,628. The loss was mainly comprised of consulting fees of \$35,222, professional fees of \$53,448, general and administrative expenses of \$21,813 and mineral exploration costs of \$18,145.

During the three months ended June 30, 2018, the Company recorded an operating loss of \$415,246 and net loss of \$408,087. The loss was mainly comprised of consulting fees of \$157,006, professional fees of \$69,933, general and administrative expenses of \$78,207 and mineral exploration costs of \$110,100.

During the three months ended September 30, 2018, the Company recorded an operating loss of \$705,775 and net loss of \$704,196. The loss was mainly comprised of consulting fees of \$135,762, professional fees of \$30,212, general and administrative expenses of \$84,066 and mineral exploration costs of \$455,735.

During the three months ended December 31, 2018, the Company recorded an operating loss of \$1,069,009 and net loss of \$1,070,925. The loss was mainly comprised of consulting fees of \$126,085, professional fees of \$46,379, general and administrative expenses of \$87,164, mineral exploration costs of \$328,559 and share-based compensation of \$480,822.

## **Liquidity**

As at December 31, 2018, the Company had current assets of \$220,124 and current liabilities of \$67,474, resulting in a working capital of \$152,650. Total shareholders' equity was \$1,066,018 at December 31, 2018.

As the Company will not generate funds from operations for the foreseeable future, the Company is primarily reliant upon the sale of equity securities in order to fund operations. Since inception, the Company has funded limited operations through the issuance of equity securities on a private placement basis. This has permitted the Company to carry out limited exploration on its Cimarron Gold Property and Rebeico Property. The Company anticipates that its cash on hand of \$84,788 which may not be sufficient to cover expected administrative expenses for the next twelve month period and additional funding may be required.

## **Capital Resources**

The Company anticipates spending US\$50,000 for option payments and \$300,000 to carry out the next phase exploration program on the Rebeico Property, The Company also anticipates spending US\$25,000 for option payments on the Cimarron Property, \$150,000 to cover anticipated general and administrative costs and legal, audit and office overhead expenses, and \$300,000 for consulting fees for the next 12 month period. At December 31, 2018, the Company had working capital of \$152,650 which is insufficient to cover expected operations and administrative expenses for twelve months. The Company cannot offer any assurance that expenses will not exceed management's expectations. The Company may require additional funds and will be dependent upon its ability to secure equity and/or debt financing, the availability of which cannot be assured.

Although the Company currently has limited capital resources, and the Company anticipates that additional funding will come from equity financing from the sale of the Company's shares. The Company may also seek loans, although no such arrangement has been made. It may also receive proceeds from the exercise of outstanding share purchase warrants and stock options.

### **Off Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

### **Management and Related Party Transactions**

The Company's Board of Directors consists of Hsin-Chen (Ted) Liu, Erwin Wong, and Brian Goss. Mr. Ted Liu acts as President and Chief Executive Officer and Mr. Erwin Wong acts as Chief Financial Officer.

- (a) During the year ended December 31, 2018, the Company incurred \$49,000 (period from incorporation on March 30, 2017, to December 31, 2017- \$nil) in consulting fees to the President of the Company. As at December 31, 2018, the Company owed \$9,611 (December 31, 2017 - \$nil) to the President of the Company. The balance is unsecured, non-interest bearing and due on demand
- (b) During the year ended December 31, 2018, the Company incurred \$49,000 (period from incorporation on March 30, 2017, to December 31, 2017- \$nil) in consulting fees to the Chief Financial Officer ("CFO") of the Company. As at December 31, 2018, the Company owed \$9,348 (December 31, 2017 - \$nil) to the CFO of the Company. The balance is unsecured, non-interest bearing and due on demand
- (c) During the years ended December 31, 2018, the Company incurred \$15,000 (2017 - \$nil) of geological and geophysics expenses to a private company controlled by a director of the Company.
- (d) During the year ended December 31, 2018, the Company incurred \$97,985 (US\$75,000) (period from incorporation on March 30, 2017, to December 31, 2017- \$nil) of consulting fees to a private company controlled by a director of the Company.
- (e) During the year ended December 31, 2018, the Company incurred \$20,000 (period from incorporation on March 30, 2017, to December 31, 2017- \$nil) of consulting fees to a Director of the Company.
- (f) During the year ended December 31, 2018, the Company entered into an Assignment Agreement with 1082223 B.C. Ltd. (the "Assignor"), a private company controlled by a member of the Board of Directors of the Company, and YQ Gold, to acquire the Assignor's interest in an Option Agreement between the Assignor and YQ Gold, in respect of certain mineral claims, known as the Rebeico property, located in Sonora, Mexico. The Company paid cash of \$55,000 to the Assignor in consideration for the assignment.

### **Critical Accounting Estimates**

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. As at December 31, 2018, the Company has not generated any revenue and has accumulated losses of \$2,581,058 since inception. There is no guarantee that the Company will be able to complete any of the above objectives. These factors indicate the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Significant areas requiring the use of estimates include fair value of share-based payments, recoverability of exploration and evaluation assets, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

#### *Rehabilitation Provisions*

No rehabilitation provisions have been created based on the Company's activity to date. Based upon the prevailing economic environment, assumptions will be made which management believes are reasonable upon which to estimate the future liability. These estimates will take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

The areas in which the Company has exercised critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below.

#### *Exploration and Evaluation Expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure has been capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to the profit or loss in the period the new information becomes available.

#### *Title to Mineral Property Interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### **Recently Adopted Accounting Standards**

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts payable	Amortized cost	Amortized cost
Due to related party	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

### **Future Changes in Accounting Standards**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after January 1, 2019 or later periods.

The following new IFRSs that have not been early adopted in the consolidated financial statements will not have a material effect on the Company's future results and financial position:

#### *IFRS 16, "Leases"*

The Company has not early adopted these revised standards and based upon the Company's preliminary assessment, the adoption of this standard will not have a material impact on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements

### **Financial Instruments and Other Instruments**

Financial instruments of the Company consist of cash, accounts payable and due to related parties. Unless otherwise noted, management believes that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying amounts of cash, accounts payable and due to a related parties approximate their fair values due to the short-term nature of these instruments.

### **Disclosure of Outstanding Security Data**

#### *Common Shares*

As at the date of this MD&A, the Company had 24,125,943 common shares issued and outstanding.

#### *Escrow Shares*

As at the date of this MD&A, the Company has 6,300,000 common shares held in escrow.

#### *Stock Options*

As at the date of this MD&A, the Company had 2,300,000 stock options issued and outstanding.

#### *Share Purchase Warrants*

As at the date of this MD&A, the Company has 5,000,000 common share purchase warrants outstanding.

### **Additional Disclosure for Venture Issuers without Significant Revenue**

During the year ended December 31, 2018, the Company recorded general and administrative expenses of \$271,250, which was mainly comprised of office expenses of \$65,206, rent of \$37,539 and travel expenses of \$131,309.

Additional disclosure concerning Ridgestone's exploration and evaluation assets and expenditures are provided in its consolidated financial statements for the year ended December 31, 2018, available under the Company's profile on [www.sedar.com](http://www.sedar.com).

**Additional Information**

Additional information relating to Ridgestone Mining Inc. is located at [www.sedar.com](http://www.sedar.com).