PACIFIC RIDGE
exploration ltd.

(An Exploration-Stage Company)

Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

The preparation and presentation of the accompanying consolidated financial statements are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

"*Gerald G Carlson*" *(signed)*
Gerald G. Carlson
President and Chief Executive Officer

"*Salvador Miranda*" *(signed)*
Salvador Miranda
Chief Financial Officer

April 24, 2020

INDEPENDENT AUDITORS' REPORT

PACIFIC RIDGE exploration ltd.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Note	December 31, 2019	December 31, 2018
Assets		**$**	$
Current			
Cash		**895,320**	1,213,872
Other receivables		**2,347**	5,196
Marketable securities and warrants	3	**16,700**	25,980
Prepaid		**6,028**	6,000
		920,395	1,251,048
Plant and equipment	4	**2,543**	-
Resource Properties	5	**429,619**	500,619
Reclamation bonds		**17,500**	24,345
Right-of-use asset	2(m)	**17,616**	-
		1,387,673	1,776,012
Liabilities			
Current			
Trade payable and accrued liabilities		**71,888**	26,449
Lease liability	2(m)	**15,417**	-
Provision for contingent liability	14	**-**	207,262
		87,305	233,711
Shareholders' equity			
Share capital	6	**43,596,559**	43,596,559
Contributed surplus	6(c)	**3,312,624**	3,268,185
Accumulated other comprehensive loss		**(36,300)**	(28,000)
Deficit		**(45,572,515)**	(45,294,443)
		1,300,368	1,542,301
		1,387,673	1,776,012

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The accompanying notes are an integral part of these consolidated financial statements

Approved and authorized for issue on behalf of the Board of Directors on April 24, 2020

/s/ "Gerald G. Carlson"
Director

/s/ "Blaine Monaghan"
Director

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Year ended December 31 2019	2018
Administration expenses		**$**	$
Amortization of right-of-use asset	2(m)	**26,425**	-
Depreciation	4	**267**	-
Finance lease interest	2(m)	**3,116**	-
Insurance		**5,386**	5,225
Professional and consulting		**51,015**	34,155
Management and administrative	8	**90,032**	88,830
Office operations and facilities		**22,487**	56,768
Shareholder communications		**13,282**	35,149
Share-based payments	6(c)	**44,439**	19,957
Transfer agent and regulatory fees		**18,316**	20,751
		274,765	260,835
Other expenses (income)			
Exploration and evaluation costs	5	**351,890**	358,939
Interest received		**(9,470)**	-
Government grant	7	**(8,979)**	(77,796)
Mining tax credit		**(37,135)**	-
Property option payments	5	**(160,000)**	(1,214,710)
Impairment of resource properties	5(d)	**71,000**	78,000
Unrealized loss in fair value of warrants	3	**980**	4,350
Reversal of allowance for contingency	14	**(207,262)**	207,262
Foreign exchange (gain) loss		**2,283**	(3,281)
		3,307	(647,236)
Net (loss) income		**(278,072)**	386,401
Other comprehensive loss:			
Net change in fair value of marketable securities	3	**(8,300)**	(22,500)
Total comprehensive (loss) income		**(286,372)**	363,901
(Loss) earnings per share (basic and diluted)		**(0.01)**	0.01
Weighted average number of shares outstanding			
basic		**31,729,009**	31,468,735
diluted		**31,729,009**	31,539,635

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Note	Share capital		Contributed surplus	Other comprehensive loss	Deficit	Total
		Amount	Value				
		#	$	$	$	$	$
Balance, December 31, 2017		31,329,009	43,575,559	3,248,228	(5,500)	(45,680,844)	1,137,443
Shares issued for property	5,6	400,000	21,000	-	-	-	21,000
Share based payments	6(c)	-	-	19,957	-	-	19,957
Unrealized loss in marketable securities	3	-	-	-	(22,500)	-	(22,500)
Net income for the year		-	-	-	-	386,401	386,401
Balance, December 31, 2018		31,729,009	43,596,559	3,268,185	(28,000)	(45,294,443)	1,542,301
Share-based payments	6(c)	-	-	44,439	-	-	44,439
Unrealized loss in marketable securities	3	-	-	-	(8,300)	-	(8,300)
Net loss for the year		-	-	-	-	(278,072)	(278,072)
Balance, December 31, 2019		**31,729,009**	**43,596,559**	**3,312,624**	**(36,300)**	**(45,572,515)**	**1,300,368**

The accompanying notes are an integral part of these consolidated financial statements

PACIFIC RIDGE exploration ltd.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31	
	2019	2018
	$	$
Operating activities		
(Loss) income for the year	**(278,072)**	386,401
Items not affecting cash:		
Right-of-use asset amortization	**26,425**	-
Finance lease interest	**3,116**	-
Depreciation of plant and equipment	**267**	-
Unrealized loss in fair value of warrants	**980**	4,350
Share-based payments	**44,439**	19,957
Impairment of resource properties	**71,000**	78,000
Unrealized foreign exchange	**2,023**	(3,301)
Property option recovery	**(160,000)**	(1,214,710)
Interest received	**(9,470)**	-
	(299,292)	(729,303)
Changes in non-cash working capital items:		
Other receivables	**2,849**	(2,862)
Prepaid	**(28)**	(478)
Trade payable and accrued liabilities	**45,439**	(10,256)
Reversal of provision for contingent liability	**(207,262)**	207,262
Cash used in operating activities	**(458,294)**	(535,637)
Investing activities		
Resource property acquisition costs	**-**	(50,000)
Acquisition of plant and equipment	**(2,810)**	-
Proceeds from property option payments	**160,000**	1,210,000
Interest received	**9,470**	-
Reclamation bond recovery (payment)	**6,652**	(12,500)
Cash provided by investing activities	**173,312**	1,147,500
Financing activities		
Finance lease -principal payments	**(28,624)**	-
Finance lease -interest payments	**(3,116)**	-
Cash used in financing activities	**(31,740)**	**-**
Effect of foreign exchange translation on cash	**(1,830)**	3,608
Increase (decrease) in cash	**(318,552)**	615,471
Cash, beginning of the year	**1,213,872**	598,401
Cash, end of the year	**895,320**	1,213,872
Supplementary cash flow information:		
Non-cash investing activities:		
Shares issued for resource properties	**-**	**(21,000)**
Shares received for resource properties	**-**	**16,000**

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of operations

Pacific Ridge Exploration Ltd. and its wholly owned subsidiary Pacific Ridge Exploration (US) Inc. (the "Company" or "Pacific Ridge") are in the business of acquiring and exploring resource properties in Canada and the United States. Pacific Ridge is incorporated and domiciled in Canada under the *Business Corporations Act* (British Columbia). The address of its registered office is 1710 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary capital to finance operations including contributions from future joint venture partners. The carrying value of the Company's mineral properties does not reflect current or future value.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statements of financial position. As of December 31, 2019, the Company had a working capital (current assets less current liabilities) of $833,090 (2018 - $1,017,337). The Company believes that based on its current working capital, it can sustain its operation and maintain its minimum obligations for the next year.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Except for available for sale investments, which are recorded at fair value, these consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, the Company's functional currency.

The consolidated financial statements were approved by the Board of Directors on April 24, 2020.

The summary of significant accounting policies used in the preparation of these consolidated financial statements is described below:

a) Consolidation

These co**nsolidate**d financial statements include the accounts of the Company and its wholly-owned subsidiary Pacific Ridge Exploration (US) Inc. Subsidiaries are entities over which the Company has control. The Company controls a subsidiary when it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The Company's subsidiary is:

Name of subsidiary	Jurisdiction of incorporation	Percent ownership	Principal activity
Pacific Ridge Exploration (US) Inc.	U.S.A.	100%	Mineral exploration

2. Summary of significant accounting policies (continued)

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short term highly liquid investments with original maturities of three months or less.

c) Foreign currency translation

The presentation currency and the functional currency of the Company is the Canadian dollar ("$"). The Company's foreign currency transactions are translated into the Canadian dollar at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results.

d) Resource property acquisition costs

Resource properties consist of payments to acquire exploration and mining claims and property option payments. Acquisition costs are capitalized and deferred until such a time as the property is put into production or the property is disposed of either through sale or abandonment, or the property becomes impaired. If a property is put into production the costs of the acquisition will be amortized over the life of the property on a unit-of-production basis based on the estimated proven and probable reserves. Proceeds received from the sale or option of an interest in a property will be credited against the carrying value of the property, with any difference recorded as a gain or loss on sale. Option payments received in excess of the carrying value of a property are recorded as property option payments in the statement of comprehensive income (loss). If a property is abandoned or has become impaired, the acquisition costs will be written off or written down to operations.

Recorded costs of resource properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

e) Exploration and evaluation costs

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. Once rights to resource properties are obtained, all direct acquisition-related costs are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

f) Government grants and mining tax credits

Government grants and mining tax credits are assistance in cash based on eligible mineral exploration expenditures incurred. Government grants are recorded in profit and loss in the same period as the relevant exploration expenditures when reasonable assurance of their receipt has been obtained.

2. Summary of significant accounting policies (continued)

g) Flow-through shares

The Company finances a portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon qualifying expenditures being incurred, the premium liability is de-recognized to other income.

h) Share-based payments

The Company has a stock option plan that is described in note 6. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

i) Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets or liabilities are calculated using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized. Deferred tax assets are recognized only to the extent that it is probable that they will be realized.

j) Earnings/(loss) per common share

Basic earnings (loss) per share are computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and accordingly, basic and diluted loss per share are the same.

2. Summary of significant accounting policies (continued)

k) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company’s accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company’s financial assets:

Financial asset	Classification
Cash	Amortized cost
Other receivables	Amortized cost
Marketable securities (excluding warrants)	FVTOCI
Warrants	FVTPL
Trade payable and accrued liabilities	Amortized cost

The Company has elected to classify its marketable securities as FVTOCI as they are not considered to be held for trading, and this presentation will prevent the statement of income (loss) from being impacted by value changes of these non-operating assets.

2. Summary of significant accounting policies (continued)

l) Impairment

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

m) Critical accounting estimates and judgments

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 are 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.

n) Leases

On January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognized on January 1, 2019. The comparatives for the 2018 reporting period have not been restated and are accounted for under IAS 17, *Leases*, and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard. The transitional adjustments arising from the adoption are recognized in the opening balance sheet on January 1, 2019.

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to a sublease for office space which had previously been classified as "operating lease" under the principles of IAS 17 – *Leases* under which these lease payments were recorded as expenses as they were incurred. Under IFRS 16, these liabilities were measured at the present value of the remaining lease payments as at January 1, 2019, discounted using the Company's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 10%. The associated lease liability recognized as at January 1, 2019, was $44,041.

(Expressed in Canadian dollars)

2. Summary of significant accounting policies (continued)

n) Leases (continued)

An associated right-of-use asset for the lease was measured at the amount equal to the lease liability on January 1, 2019. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

The following table summarizes the difference between operating lease commitments disclosed immediately preceding the date of initial application, and lease liabilities recognized in the balance sheet at the date of initial application:

Lease liability	$
Operating lease commitments as at December 31, 2018	47,610
Discount using the incremental borrowing rate at January 1, 2019	(3,569)
Lease liability recognized as at January 1, 2019	44,041
Lease payments	(31,740)
Lease interest	3,116
Lease liability as at December 31, 2019	15,417
Current portion	15,417
Long-term portion	-
	15,417

Right-of-use asset	$
Value of right-of-use asset as at January 1, 2019	44,041
Amortization	(26,425)
Value of right-of-use asset as at December 31, 2019	17,616

o) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of loss during the period in which they are incurred. Depreciation is provided using the straight-line method at the following annual rates:

Computing equipment – 3 years

(Expressed in Canadian dollars)

3. Marketable securities

The fair value of the shares and warrants of third parties owned by the Company is as follows:

	Four Nines Gold Inc.				Trifecta Gold Ltd.		Total
	Common shares		Warrants		Common shares		
	Number	Fair value	Number	Fair value	Number	Fair value	Fair value
	#	$	#	$	#	$	$
Balance, December 31, 2017	60,000	31,500	30,000	5,330	-	-	36,830
Additions	-	-	-	-	200,000	16,000	16,000
Adjustments	-	(16,500)	-	(4,350)	-	(6,000)	(26,850)
Balance, December 31, 2018	60,000	15,000	30,000	980	200,000	10,000	25,980
Adjustments	-	(6,300)	-	(980)	-	(2,000)	(9,280)
Expiry of warrants	-	-	(30,000)	-	-	-	-
Balance, December 31, 2019	**60,000**	**8,700**	**-**	**-**	**200,000**	**8,000**	**16,700**

4. Plant and equipment

During the year ended December 31, 2019, the Company acquired the following:

Year ended December 31, 2019	Computing equipment
	$
Opening net book value	-
Additions	2,810
Depreciation	(267)
Closing net book value	**2,543**

As at December 31, 2019	$
Cost	2,810
Accumulated depreciation	(267)
Net book value	**2,543**

(Expressed in Canadian dollars)

5. Resource properties

The Company has interests in mineral properties in British Columbia and Yukon in Canada and, in the past, in Nevada in the United States. A summary of capitalized acquisition costs is as follows:

	Company-owned properties		On option from third parties				Total
	Mariposa	Eureka Dome	TL Zinc	RC Property	Bee Property	Spius	
	YT	YT	BC	YT	YT	BC	
	$	$	$	$	$	$	$
Balance, December 31, 2017	429,619	11,290	45,000	28,000	5,000	-	518,909
Option payments in cash	-	(10,000)	-	-	-	50,000	40,000
Option payments in marketable securities	-	(1,290)	-	-	-	21,000	19,710
Impairment	-	-	(45,000)	(28,000)	(5,000)	-	(78,000)
Balance, December 31, 2018	429,619	-	-	-	-	71,000	500,619
Impairment	-	-	-	-	-	(71,000)	(71,000)
Balance, December 31, 2019	**429,619**	**-**	**-**	**-**	**-**	**-**	**429,619**

In addition to capitalized acquisition costs, the Company has incurred the following exploration and evaluation expenses:

Property	Province / Territory	Year ended December 31 2019	2018
		$	$
Mariposa	YT	**28,023**	594
Eureka Dome	YT	**-**	8,375
TL Zinc	BC	**14,613**	37,293
RC and Bee	YT	**-**	79,408
Spius	BC	**255,555**	94,965
Gold Cap	YT	**-**	73,021
Fyre Lake	YT	**-**	5,810
Kliyul (Note 15)	BC	**5,367**	-
Redton (Note 15)	BC	**5,366**	-
General exploration not allocated to a specific property		**42,966**	59,473
		351,890	358,939

5. Resource properties (continued)

a) Company-owned properties:

i) Mariposa property, Yukon

The Company acquired a 100% interest in the Mariposa property, Dawson Mining District, Yukon, in 2014. In September 2016, the Company optioned its Mariposa property to Four Nines. Pursuant to the terms of the agreement, amended in February 2017, in May 2017, in July 2017, and in January 2018, Four Nines could earn a stake in the property by issuing a certain number of Four Nines shares, making certain cash payments and performing a certain amount of work. Four Nines complied with the amounts required by December 31, 2017 by issuing to the Company 60,000 shares, 30,000 warrants (of which 20,000 expired unexercised) (Note 3), a payment of $300,000 in cash, and completed approximately $304,000 of exploration work in the property.

However, no further payments, either in securities or in cash were received from Four Nines, and the minimum exploration targets were not met. On March 8, 2019, the Company terminated the Four Nines option agreement.

The Company is continuing exploration activities on Mariposa.

ii) Eureka Dome property, Yukon

On April 24, 2018, the Company entered into an option agreement with Trifecta, amended on December 19, 2018, whereby the Company granted Trifecta an option to acquire a 70% interest in its Eureka Dome property in the Dawson Mining District, Yukon.

Under the terms of the agreements, Trifecta had agreed to pay the Company an aggregate of $200,000 in cash (of which $10,000 was received during 2017 and an additional $10,000 during 2019), issue 1,000,000 Trifecta common shares in favour of the Company (of which 200,000 were received), and incur exploration expenses of not less than $2,500,000. However, on April 22, 2019, the option agreement with Trifecta was terminated because Trifecta was unable to fulfill its option requirements.

b) Company-owned properties on option to third parties

i) Fyre Lake property, Yukon

The Company owns a 100% interest in the Fyre Lake property, located in the Watson Lake Mining District, Yukon. On January 18, 2017, the Company closed an option agreement with BMC Minerals (No. 1) Ltd. ("BMC"), amended on December 19, 2018 and on April 10, 2020 (note 15(d)), whereby BMC has the right to acquire a 100% interest in Fyre Lake by making payments totalling $3,125,000 as follows:

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 received in December 2017, and a third option payment of $1,200,000 received on December 28, 2018. A fourth payment of $250,000 will be made during the second quarter of 2020. In order to exercise the option, BMC must make a final $1,000,000 payment. This payment is due upon BMC obtaining production financing for its Kudz Ze Kayah project, but in any event no later than December 31, 2020. BMC will also pay $75,000 to Pacific Ridge every six months, commencing June 30, 2019 ($150,000 received during the year ended December 31, 2019), until the final tranche has been paid.

5. Resource properties (continued)

b) Company-owned properties on option to third parties (continued)

i) Fyre Lake property, Yukon (continued)

In addition, if it exercises the option, 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.

As there is no carrying value for Fyre Lake on the Company's statement of financial position, these option payments are recorded as property option payments on the statement of loss and comprehensive loss.

c) Third party properties being optioned to the Company

i) Kliyul and Redton properties: see note 15, *Subsequent events.*

d) Impaired properties

i) RC and Bee properties, Yukon

On June 9, 2017, the Company entered into two option agreements to acquire a 100% interest in contiguous groups of mineral claims situated in the Dawson and Mayo Mining Districts, Yukon, known as the RC and Bee properties. Pursuant to the agreements, the Company paid $20,000 and issued 200,000 common shares to the optionor during 2017. Due to inconclusive exploration results, the Company decided to abandon this option; no further option payments will be made, and the carrying amount of $33,000 was impaired in the year ended December 31, 2018.

ii) TL Zinc property, British Columbia

On August 11, 2016, the Company entered into an option agreement, amended on May 16, 2017 and on August 7, 2018, to acquire a 100% interest in the TL Zinc property, Vernon Mining Division, British Columbia.

During 2016, the Company had paid $20,000 in cash and issued 250,000 common shares valued at $25,000.

The proposed 2017 drill program at the TL Zinc property was suspended. Allegations of third party interests in the 16 TL Zinc claims under option to Pacific Ridge were made. As there is uncertainty as to the outcome of any legal process to resolve the issue, the Company decided to abandon this project and impair its $45,000 carrying value at December 31, 2018.

On February 9, 2019, the Company received a default notice by the optionor of the TL Zinc property.

(Expressed in Canadian dollars)

5. Resource properties (continued)

d) Impaired properties

iii) Spius, British Columbia

On April 27, 2018, the Company entered into an option agreement to acquire a 100% interest in the Spius property, Nicola and New Westminster Mining Divisions, British Columbia. The terms of the option agreement as amended on December 10, 2019 are as follows:

Cash payments to be made	Shares to be issued	Cumulative exploration expenses to be incurred	Due date	Comment
$	#	$		
10,000	200,000	-	Upon execution and regulatory approval	(paid and issued)
40,000	200,000	50,000	December 15, 2018	(paid, issued and exceeded)
-	-	300,000	December 15, 2019	(Exploration expenses exceeded) *
50,000	300,000	325,000	December 15, 2021	
110,000	300,000	825,000	December 15, 2022	
210,000	1,000,000	825,000		

* During the year ended December 31, 2019, exploration expenses incurred in Spius amounted to $255,555, (2018 - $94,965), thus already exceeding the $300,000 cumulative commitment for 2019.

The agreement is subject to a 1% NSR to the property vendor, half of which can be purchased for $1,500,000, as well as an underlying 2% NSR, of which the Company has the right to buy down half for $1,500,000. In addition, bonus payments are payable upon certain advanced development mileposts. One of the underlying vendors of the Spius property is a company where a director of the Company owns a 25% interest. During the year ended December 31, 2018, the Company posted a bond for $12,500 for future reclamation costs with the Government of British Columbia, which was still outstanding as at December 31, 2019.

Due to weak geological results during 2019, well below the requirements for economic concentrations, the Company decided to impair its $71,000 carrying value while it carries out further assessment during 2020.

(Expressed in Canadian dollars)

6. Share capital

a) Common Shares

The Company is authorized to issue an unlimited authorized number of common shares without par value.

No common shares were issued during the year ended December 31, 2019.

During the year ended December 31, 2018, the Company issued 200,000 common shares at a fair value of $0.055 and 200,000 common shares at a fair value of $0.05 per share (for an aggregate value of $21,000) as part of the acquisition agreement for the Spius property (Note 5(c)(i)).

b) Share Purchase Warrants

A summary of the warrants outstanding is as follows:

	December 31, 2019		December 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	#	$	#	$
Balance, beginning of year	-	-	2,815,250	0.14
Expired	-	-	(2,815,250)	0.14
Balance, end of year	-	-	-	-

c) Stock Options

The Company has a stock option plan in place authorizing the granting of stock options to qualified optionees to purchase a total of up to 10% of the then issued and outstanding common shares of the Company. Stock options generally are granted for a maximum term of five years and expire 90 days following the termination of the optionee's agreement. The exercise price for the options is set at the closing market price of the common shares on the grant date. The vesting periods of options vary with terms determined by the board of directors.

Stock option transactions and the number of stock options outstanding and exercisable are summarized below:

As at:	December 31, 2019		December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	#	$	#	$
Balance, beginning of year	2,010,000	0.06	2,826,500	0.06
Granted	1,050,000	0.06	400,000	0.06
Expired	-	-	(1,216,500)	0.05
Balance, end of year	3,060,000	0.06	2,010,000	0.06
Exercisable, end of year	3,060,000	0.06	2,010,000	0.06

(Expressed in Canadian dollars)

6. **Share capital** (continued)

c) Stock Options (continued)

On January 12, 2018, the Company granted 200,000 fully-vested stock options to two officers of the Company. These options are exercisable into one common share of the Company at an exercise price of $0.06 per share until January 12, 2023. The fair value of these options, recorded in net loss as share-based compensation expense, was calculated at $10,028.

On November 1, 2018, the Company granted 200,000 fully-vested stock options to a consultant. These options are exercisable into one common share of the Company at an exercise price of $0.065 per share until November 1, 2023. The fair value of these options, recorded in net loss as share-based compensation expense, was calculated at $9,929.

On January 4, 2019, the Company granted an aggregate of 1,050,000 fully-vested stock options to certain directors, officers and a consultant pursuant to the Company's stock option plan. Each stock option is exercisable into one common share of the Company at an exercise price of $0.05 per common share for a period of five years. The fair value of these options, recorded in the net loss as share-based compensation, was calculated at $44,439 and charged to contributed surplus.

The Company applies the fair value method of accounting for stock options. Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The fair value of options granted was estimated at the grant date based on the *Black-Scholes* option-pricing model, using the following assumptions:

	Options granted on:		
	January 4, 2019	November 1, 2018	January 12, 2018
Risk-free interest rate	1.91%	2.40%	2.00%
Expected share price volatility	125.35%	102.68%	121.95%
Expected option life in years	5	5	5
Expected dividend yield	Nil	Nil	Nil

Stock options outstanding and exercisable are as follows:

Expiry date		Weighted average exercise price	December 31, 2019	December 31, 2018
		$	$	$
February 2, 2020	*	0.050	730,000	730,000
July 21, 2021		0.080	150,000	150,000
August 12, 2021		0.080	40,000	40,000
November 30, 2021		0.080	325,000	325,000
June 16, 2022		0.060	365,000	365,000
January 12, 2023		0.060	200,000	200,000
November 1, 2023		0.065	200,000	200,000
January 4, 2024		0.050	1,050,000	-
		0.058	3,060,000	2,010,000

* The 730,000 stock options with an expiry date of February 2, 2020 expired unexercised.

(Expressed in Canadian dollars)

7. Government grants and tax credits

During the year ended December 31, 2019, the Company received $8,979 (2018 - $77,796) from the Yukon Government for expenditures made on its OGI, RC and Eureka Dome properties in Yukon, Canada. During the year ended December 31, 2019, the Company received $37,135 (2018 - $nil) as part of the British Columbia Mining Exploration Tax Credit ("BCMETC") for expenditures made on its Spius project.

8. Related parties

Related parties include the board of directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company has no compensation arrangements with its board of directors other than non-cash stock option grants. The Company has no termination benefits, post-employment benefits and other long-term benefits in place. Key management includes the board of directors and executive officers.

Compensation awarded to key management is listed below:

	Year ended December 31	
	2019	2018
	$	$
Management fees paid to a company controlled by the CEO of the Company *	**96,000**	96,000
Management fees paid to a company controlled by the CFO of the Company	**36,000**	30,700
Stock-based compensation recorded for stock options granted to directors and officers of the Company (non-cash expense)	**33,859**	10,028
	165,859	136,728

No amounts were payable to related parties as at December 31, 2019 or 2018.

In addition, during 2018 the Company entered into an option agreement for the purchase of the Spius property (Note 5(d)(iii)). The underlying vendors of this property include a company where a director of the Company owns a 25% interest.

9. Capital management

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore the various properties for the benefits of its shareholders. The Company's operations have been and will continue to be funded by the sale of equity to investors.

The Company's capital includes the components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests and associated administration expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals.

The Company monitors actual expenses relative to the approved budget on all exploration projects and overheads to manage costs, commitments and exploration activities. There were no changes in the Company's approach to capital management during the year ended December 31, 2019.

10. Financial instruments

Fair values

As at December 31, 2019, 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 fair value on a recurring basis. These financial instruments are grouped into Level 1 to 3 based on the degree to which the significant inputs used to determine the fair value are observable. Marketable securities are classified within level 1 of the fair value hierarchy as their fair value measurement is derived from quoted prices in active markets for identical assets. Warrants are classified within level 2 of the fair value hierarchy as their fair value measurement is derived from inputs other than quoted prices included within level 1, that are observable either directly or indirectly. No financial instruments were considered level 3, which are fair value measurements derived from valuation techniques that include significant inputs that are not based on observable market data.

Interest rate risk

The Company's cash held in financial institutions earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a material impact on the expected cash flows.

Credit risk

The Company has its cash deposited with large, federally insured, commercial financial institutions, and therefore exposed to minimal credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. At December 31, 2019, the Company had cash of $895,320 (2018- $1,213,872), trade payable and accrued liabilities of $71,888 (2018 - $26,449), a lease liability of $15,417 (2018 - $nil) (note 2n), and a provision for a contingent liability of $nil (2018 – $207,262) (note 14).

Currency risk

The Company keeps approximately 5% of its cash in US dollars. A change in the value of the US dollar by 10% relative to the Canadian dollar would affect the Company's working capital by approximately $4,000.

Price risk

The Company is exposed to price risk on its marketable securities and warrants due to fluctuations in the current market prices and fluctuations in trading volumes of those securities. At December 31, 2019, the Company held marketable securities with a fair value of $16,700 (2018 - $25,980). These investments are subject to market price fluctuations that can be significant.

(Expressed in Canadian dollars)

11. Income taxes

Reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax (recovery) expense for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
	$	$
Income (loss) for the year	(278,072)	386,401
Statutory tax rate	27%	27%
Expected income tax expense	(75,079)	104,328
Change in statutory rate	-	8,964
Non-deductible expenses	12,537	7,001
Change in unrecognized deferred income tax benefits	62,542	(120,293)
Income tax expense	-	-

A potential deferred income tax asset of approximately $7,088,966 arises from the following:

	2019	2018
	$	$
Non-capital loss carryforwards	742,298	724,897
Capital loss carryforwards	5,740	5,740
Mineral property	6,340,140	6,268,652
Deferred financing costs	788	1,448
Total unrecognized deferred income tax assets	7,088,966	7,000,737

The Company has not recorded potential deferred income tax assets as it is more likely than not that some or all of the deferred tax assets will not be recognized.

At December 31, 2019, included in the computation of the deferred tax assets noted above, the Company had approximately $2,749,253 of losses available for carry-forward from $25,949,917 of resource pools.

The loss carry-forward can be offset against income for Canadian income tax purposes in future years and will expire between 2030 and 2039 as below:

2029	$	153,737
2030		239,449
2031		183,166
2032		76,150
2033		100,133
2034		785,069
2035		227,119
2036		251,004
2037		233,502
2038		241,016
2039		258,908
	$	2,749,253

(Expressed in Canadian dollars)

12. Segmented information

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions. As at December 31, 2019, all of the Company's non-current assets were held in Canada; the same was true for 2018 except for a reclamation bond of $6,845 held in the United States, and fully refunded to the Company during 2019.

13. Commitments

On July 10, 2018, the Company entered into a sublease agreement with respect to office space covering the period from September 1, 2018 to August 31, 2020. The monthly commitment for the Company is $2,645 plus applicable taxes. A deposit of two months was provided to the sublessor, which will be applied to the last two months of office rent. The commitments for the subsequent year, including principal and interest, are as follows:

	$
2020	15,870
	15,870

14. Contingent Liability

On October 23, 2018, the Canada Revenue Agency ("CRA") notified the Company that it would conduct an audit of the BC Mining Exploration Tax Credit ("BCMETC") with respect to the flow-through financing conducted during 2016, affecting the taxation years 2016 and 2017. For that 2016 flow-through financing, an amount of $434,600 was raised and the Company committed to renounce the same amount to the investors through Canadian Exploration Expenses ("CEE") to be incurred before the end of 2017.

On March 1, 2019, the CRA concluded its audit and issued a letter to the Company proposing a reclassification or reassessment of $366,730 as Canadian Development Expenses ("CDE"), which the CRA determined could not be renounced to investors, leaving only the remaining $67,870 as CEE. The CRA based its conclusion taking the position that expenses on mineral properties held under option agreements cannot be treated as CEE, and should be treated as CDE instead.

After obtaining advice from a law firm specializing in taxation issues, the Company submitted a response to the CRA outlining arguments by which the Company challenges the position taken by the CRA and requesting that the ruling be reconsidered.

As the Company had provided indemnity agreements to the investors that participated in the 2016 flow-through private placement, the Company would have been required to refund any personal tax reassessed to its investors. The Company estimated this amount to be equal to 50% of the amount denied, or $183,365, a reassessment of the BCMETC of $21,397 and $2,500 in fines, adding up to the $207,262 that the Company has set up set up in 2018 as a provision.

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

Therefore, the 2018 provision of $207,262 was reversed in the year ended December 31, 2019.

(Expressed in Canadian dollars)

15. Subsequent events

a) Kliyul and Redton properties

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

Under the terms of the Kliyul-Redton Agreement, the Company, at its sole option, can earn a 51% undivided right, title and interest, other than underlying royalties, in the Properties by a payment to Aurico of $100,000 in cash, the issuance of 2,000,000 common shares, and incurring expenditures in the aggregate amount of no less than $3,500,000, as follows:

Cash payments to be made	Shares to be issued	Cumulative exploration expenses to be incurred	Due date	Comment
$	#	$		
To earn 51%:				
10,000	-	-	Upon execution and regulatory approval	(paid subsequent to December 31, 2019)
15,000	-	-	December 31, 2020	
20,000	-	1,250,000	December 31, 2021	
25,000	-	2,250,000	December 31, 2022	
30,000	2,000,000	3,500,000	December 31, 2023	
100,000	2,000,000	3,500,000		

In addition, the Company has the right to acquire, after the exercise of the 51% earn-in right, a 75% earned interest (an additional 24% undivided interest, other than underlying royalties) in the Properties by paying Aurico an additional $60,000 in cash, issuing an additional 1,500,000 common shares and incurring additional expenditures of no less than $3,500,000, as follows:

Cash payments to be made	Shares to be issued	Cumulative exploration expenses to be incurred	Due date	Comment
$	#	$		
To increase to 75%:				
30,000	-	1,500,000	December 31, 2024	
30,000	1,500,000	3,500,000	December 31, 2025	
60,000	1,500,000	3,500,000		

The Kliyul property is subject to 2% net smelter return royalties. The Redton property is subject to (i) a 2.5% net smelter return royalty, with the right of reducing it to 1% for $2,000,000, and (ii) a 2% royalty.

15. Subsequent events (continued)

b) Stock options grant

On March 16, 2020, the Company granted an aggregate of 750,000 incentive stock options to certain of its directors and to a consultant. Each stock option entitles its holder to purchase one common share of the Company at an exercise price of $0.05 for a period of five years expiring on March 16, 2025. The options vest immediately, and are subject to the terms and conditions of the Company's stock option plan, and subject to the acceptance for filing by the TSX Venture Exchange.

c) Covid-19 Pandemic

The COVID-19 pandemic has negatively impacted global financial markets, and may continue to do so. The economic viability of the Company's business plan could be 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 previous exploration plans.

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

d) Fyre Lake property option renegotiation

On April 16, 2020, the Company announced that it had agreed to amended payment terms to its agreement with BMC Minerals (No. 1) Ltd. ("BMC") for the option to purchase Pacific Ridge's Fyre Lake property, Yukon, as originally announced by the Company on December 28, 2016. Previously, the final payment to Pacific Ridge of $1.22 million was 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 will pay $250,000 to Pacific Ridge within 20 business days and will pay $1.2 million within thirty days of BMC receiving the Type A Water License for the development of its proposed ABM Mine, but in any event no later than December 31, 2021. BMC will continue to pay $75,000 to Pacific Ridge every six months until the final tranche has been paid, with the next payment being due June 30, 2020. All other terms and conditions of the agreement remain the same, including the bonus payment of $1,000,000 that is due if and when BMC's Kudz Ze Kayah property has reached commercial production for one year.

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