



# Condensed Interim Financial Statements

March 31, 2016

(Unaudited – in Canadian dollars)

## Notice of no auditor review

The accompanying condensed interim financial statements of **Pacific Ridge Exploration Ltd.** for the three months ended March 31, 2016 were prepared by management and have not been reviewed by its independent auditor.

**Pacific Ridge Exploration Ltd.**  
**Condensed Interim Statements of Financial Position**  
**(Unaudited - in Canadian dollars)**

	Note	March 31, 2016	December 31, 2015
<b>Assets</b>		\$	\$
<b>Current assets</b>			
Cash		443,487	489,304
Other receivables		1,329	3,673
Marketable securities	3	44,853	114,105
Prepaid		4,650	4,650
		<b>494,319</b>	<b>611,732</b>
<b>Resource properties</b>	4	<b>517,429</b>	<b>517,429</b>
		<b>1,011,748</b>	<b>1,129,161</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payable and accrued liabilities		4,820	3,720
<b>Shareholders' Equity</b>			
<b>Share capital</b>		43,066,428	43,066,428
<b>Contributed surplus</b>		3,152,125	3,152,125
<b>Deficit</b>		<b>(45,211,625)</b>	<b>(45,093,112)</b>
		<b>1,006,928</b>	<b>1,125,441</b>
		<b>1,011,748</b>	<b>1,129,161</b>

The accompanying notes are an integral part of these condensed interim financial statements.

Approved and authorized for issue on behalf of the Board of Directors on May 17, 2016

*/s/ "Gerald G. Carlson"*

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Director

*/s/ "Douglas Proctor"*

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Director

**Pacific Ridge Exploration Ltd.**  
**Condensed Interim Statements of Loss and**  
**Comprehensive Loss**  
**(Unaudited - in Canadian dollars)**

	Note	Three months ended March 31,	
		2016	2015
<b>Administration expenses</b>		\$	\$
Professional and consulting fees		1,436	7,707
Management and administrative services		15,000	11,839
Office operations and facilities		12,505	15,093
Shareholder communications		3,442	2,788
Share-based payments		-	18,103
Transfer agent and regulatory fees		6,142	8,380
		<b>38,525</b>	<b>63,910</b>
<b>Other expenses (income)</b>			
Exploration and evaluation costs		10,736	9,300
Fair value on marketable securities		69,252	
		<b>79,988</b>	<b>9,300</b>
<b>Net loss for the period</b>		<b>(118,513)</b>	<b>(73,210)</b>
<b>Other comprehensive loss for the period</b>			
Items that may be reclassified to profit and loss			
Net change in fair value of available-for-sale financial asset		-	(3,065)
<b>Loss and comprehensive loss for the period</b>		<b>(118,513)</b>	<b>(76,275)</b>
<b>Basic loss and comprehensive loss per common share</b>		<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares outstanding</b>		<b>24,390,884</b>	<b>24,390,884</b>

The accompanying notes are an integral part of these condensed interim financial statements.

# Pacific Ridge Exploration Ltd.

## Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited - in Canadian dollars)

	Common Shares		Contributed Surplus	Other Comprehensive Loss	Deficit	Total Shareholders' Equity
	Shares	Amounts				
		\$	\$	\$	\$	\$
Balance at December 31, 2014	24,390,884	43,066,428	3,134,022	(17,985)	(45,346,298)	836,167
Share-based payments			18,103			18,103
Other comprehensive loss for the period				(3,065)		(3,065)
Net loss for the period					(73,210)	(73,210)
Balance at March 31, 2015	24,390,884	43,066,428	3,152,125	(21,050)	(45,419,508)	777,995
Realized loss on marketable securities				1,887		1,887
Reclassification of marketable securities				51,569		51,569
Other comprehensive loss for the period				(32,406)		(32,406)
Net income for the period					326,396	326,396
Balance at December 31, 2015	24,390,884	43,066,428	3,152,125	-	(45,093,112)	1,125,441
Net loss for the period					(118,513)	(118,513)
Balance at March 31, 2016	24,390,884	43,066,428	3,152,125	-	(45,211,625)	1,006,928

The accompanying notes are an integral part of these condensed interim financial statements.

**Pacific Ridge Exploration Ltd.**  
**Condensed Interim Statements of Cash Flows**  
**(Unaudited - in Canadian dollars)**

	Three months ended March 31,	
	2016	2015
<b>Operating activities</b>	<b>\$</b>	<b>\$</b>
Income (loss) for the period	(118,513)	(73,210)
Items not affecting cash		
Fair value on marketable securities	69,252	-
Share-based payments	-	18,103
	(49,261)	(55,107)
Changes in non-cash working capital items		
Other receivables	2,344	8,130
Trade payable and accrued liabilities	1,100	(7,260)
	3,444	870
Cash used in operating activities	(45,817)	(54,237)
<b>Investing activities</b>		
Cash provided by investing activities	-	-
<b>Financing activities</b>		
Cash provided by financing activities	-	-
<b>Decrease in cash</b>	<b>(45,817)</b>	<b>(54,237)</b>
<b>Cash - beginning of period</b>	<b>489,304</b>	<b>127,897</b>
<b>Cash - end of period</b>	<b>443,487</b>	<b>73,660</b>

The accompanying notes are an integral part of these condensed interim financial statements.

# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### March 31, 2016

(Unaudited - in Canadian dollars)

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#### 1. Nature of operations

Pacific Ridge Exploration Ltd. (the "Company" or "Pacific Ridge") is in the business of acquiring and exploring resource properties in Canada. 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 interim 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 maybe materially less than the amounts on the statements of financial position. During the three months ended March 31, 2016, the Company recorded a loss of \$118,513 (2015 - \$73,210) with a working capital of \$489,499 as of March 31, 2016. The Company believes that based on its current working capital, it could sustain its operation and maintain its minimum obligations for the next 12 months.

#### 2. Basis of presentation

These interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("*IAS 34*") under International Financial Reporting Standards ("*IFRS*"). The principal accounting policies applied in the preparation of these interim financial statements are set out in Note 2 of the audited financial statements for the year ended December 31, 2015 and have been applied consistently to all the periods presented, unless otherwise stated.

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015.

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

The interim financial statements were approved by the Board of Directors on May 17, 2016.

# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### March 31, 2016

(Unaudited - in Canadian dollars)

#### 3. Marketable securities

As at March 31, 2016, the Company owned 5,636,525 shares of MinQuest Limited (“**MinQuest**”), a publicly listed company in Australia, in relation to the Company’s Fyre Lake property option agreement entered into in July 2014.

Due to a prolonged decline in the fair market value, the Company impaired these shares and recognized \$51,569 in net loss from accumulative comprehensive loss in the year end 2015. During the three months ended March 31, 2016, the Company recorded \$69,253 loss on fair value adjustment for these shares:

	No. of shares	Fair Value (\$)
December 31, 2014	1,608,338	32,015
Additions	4,328,187	125,000
Disposals	(300,000)	(7,439)
Revaluation	-	(35,471)
December 31, 2015	5,636,525	114,105
Revaluation	-	(69,253)
March 31, 2016	5,636,525	44,852

#### 4. Resource properties

The Company has interests in mineral properties in Yukon, Canada. A summary of capitalized acquisition costs is as follows:

	Mariposa	Gold Cap	Eureka Dome	Fyre Lake	Sophie Property	Total
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2014	567,139	10,300	41,790	40,000	23,735	682,964
Option payment received				(40,000)		(40,000)
Sale of mineral royalties	(61,000)	(10,300)	(30,500)		(1)	(101,801)
Impairment					(23,734)	(23,734)
Balance, December 31, 2015	506,139	-	11,290	-	-	517,429
Balance, March 31, 2016	506,139	-	11,290	-	-	517,429

##### a) Mariposa property, Yukon

In October 2009, the Company entered into an option agreement to acquire a 100% interest in 203 claims, located in Dawson Mining District, Yukon, known as the Mariposa property. The principal terms of the option agreement require the Company to pay \$120,000 (paid) in cash, issue 800,000 (400,000 issued) common shares and incur \$600,000 (incurred \$6.8 million) exploration expenditures over five years.

The Company acquired a 100% interest in the property in 2014.

# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### March 31, 2016

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#### b) Fyre lake massive sulphide property, Yukon

The Company owns a 100% interest in the Fyre Lake property which was acquired by claim staking.

In July 2014, the Company entered into an option agreement, amended on July 13, 2015, with MinQuest for the Fyre Lake property. Pursuant to the terms of the agreement, MinQuest can earn an initial 51% interest in the property by paying \$650,000 (\$150,000 paid), issuing shares with a value of \$675,000 to the Company (\$175,000 issued), and completing a minimum of \$3,500,000 in exploration over three years. Upon earning a 51% interest in the property, MinQuest will then have the option to increase its interest to 70% by completing an additional \$3,000,000 in exploration expenditures by January 10, 2018. Should MinQuest earn a 70% interest, the Company will have the option of retaining a 30% participating joint venture interest or reducing to a 20% interest, carried through to a feasibility study.

The Company incurred minimum exploration expenditures in the three months ended March 31, 2016 and 2015.

#### 5. Share capital

##### a) Common share

Authorized - unlimited common shares without par value.

##### b) Share purchase warrants

As of March 31, 2016 and December 31, 2015, the Company has 3,063,750 warrants exercisable at \$0.075 per share of which 2,000,000 expire on November 18, 2016 and 1,063,750 on December 23, 2016. These warrants are related to a non-brokered private placement closed in the end of 2014.

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

	March 31, 2016		December 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	2,281,500	\$ 0.20	1,653,500	\$ 0.39
Granted	-	\$ -	868,000	\$ 0.05
Expired	(60,000)	\$ (1.50)	(222,000)	\$ (1.00)
Forfeited	-	\$ -	(18,000)	\$ (1.00)
Balance, end of period	2,221,500	\$ 0.16	2,281,500	\$ 0.20



# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### March 31, 2016

(Unaudited - in Canadian dollars)

As of March 31, 2016, the weighted average remaining life for stock option outstanding and exercisable was 2.95 years (December 31, 2015 – 3 years).

Stock options with various expiry dates and exercise prices are list below:

Expiry date	Exercise price (\$)	March 31, 2016	December 31, 2015
January 6, 2016	1.50	-	60,000
May 12, 2016	1.50	6,000	6,000
July 29, 2016	3.05	40,000	40,000
May 24, 2017	0.50	166,000	166,000
December 5, 2017	0.50	100,000	100,000
December 24, 2018	0.05	1,041,500	1,041,500
February 2, 2020	0.05	868,000	868,000
		2,221,500	2,281,500

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 for 2015 grant: 138% annual volatility, 1.07% risk-free interest rate, 5 years life and 0% dividend yield. Stock options granted in 2015 vested immediately. There were no options granted in the three months ended March 31, 2016.

#### 6. 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:

	Three months ended March 31,	
	2016	2015
	\$	\$
Salary	25,500	18,500
Share-based payments, non-cash	-	18,103
	25,500	36,603

# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### March 31, 2016

(Unaudited - in Canadian dollars)

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#### **7. Capital management and financial instruments**

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

There were no changes in the Company's approach to capital management during the three months ended March 31, 2016.

The Company's activities expose it to a variety of risks arising from financial instruments. The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of these risks.

The Company has classified cash and other receivables as loans and receivables; accounts payable are classified as other financial liabilities.

As at March 31, 2016, the recorded amounts for cash and other receivables approximate their fair values due to their short-term nature. Accordingly, the fair value of accounts payable and accrued liabilities may be lower than the amounts recorded in the financial statements.

The fair value of the Company's marketable securities are determined by reference to the closing share price on active markets at the reporting date and thus is a level 1 fair value measurement.

#### **8. Segmented information**

The Company has one business segment, the exploration of mineral properties. All of the Company's assets and operations are located in Canada.