PACIFIC RIDGE exploration ltd.

(An Exploration-Stage Company)

Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

Independent auditor's report

To the Shareholders of Pacific Ridge Exploration Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Pacific Ridge Exploration Ltd. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of resource properties *Refer to note 2 – Summary of significant accounting policies and note 5 – Resource properties, to the consolidated financial statements.* The carrying value of resource properties, comprised of exploration and evaluation assets, amounted to $602,788 as at December 31, 2022. Management applies judgment in reviewing for impairment indicators the carrying value of the resource properties on a quarterly basis, or whenever events or circumstances indicate that their carrying value may not be recovered. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of any impairment. Indicators of impairment may include (i) the period during which the Company has the right to explore in the specific area has expired during the year or will expire in the near future and is not expected to be renewed; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (iv) sufficient data exists to indicate that the carrying amount of the resource properties is unlikely to be recovered in full from successful development or by sale. No impairment indicators were identified by management as of December 31, 2022, except in respect of the Mariposa Property.	Our approach to address the matter included the following procedures, among others: • Evaluated the judgment made by management in assessing the impairment indicators for the resource properties, which included the following: – Obtained, for all existing claims, by reference to mining licences and permits and licence renewal applications, evidence to support (i) the right to explore the area and (ii) claim expiration dates. – Read the board of directors' minutes and obtained budget approvals to evidence continued and planned substantive expenditures on further exploration for and evaluation of mineral resources in specific areas and whether the rights to explore will not be renewed or whether the entity has decided to discontinue exploration and evaluation activities in the area. – Assessed whether the exploration for and evaluation of mineral resources in specific areas have not led to the discovery of commercially viable quantities of mineral resources, or whether sufficient data exists to indicate that the carrying value of resource properties is unlikely to be recovered in full, from successful development or by sale, based on evidence obtained in other areas of the audit.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the resource properties balance and (ii) the judgments made by management in its assessment of indicators of impairment related to its resource properties, which have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eric Talbot.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2023

PACIFIC RIDGE exploration ltd.

Consolidated
Statements of Financial Position

(Expressed in Canadian dollars)

	Note	**December 31, 2022**	December 31, 2021
Assets		**$**	$
Current			
Cash		**7,813,084**	549,391
Other receivables		**48,286**	31,012
Marketable securities	3	**44,833**	54,000
Prepaid		**42,719**	83,792
		7,948,922	718,195
Equipment and furniture	4	**8,686**	11,347
Resource Properties	5	**602,788**	558,068
Reclamation bonds		**64,642**	21,000
Right-of-use asset	11	**-**	27,652
		8,625,038	1,336,262
Liabilities			
Current			
Trade payable and accrued liabilities		**372,549**	222,795
Financial liability	5(c)(ii)	**385,341**	-
Lease liability - current portion	11	**-**	29,252
Flow-through premium liability	6(a)	**1,029,704**	-
		1,787,594	252,047
Shareholders' equity			
Share capital	5(c)(ii), 6	**58,086,829**	46,291,957
Contributed surplus	6 (b & c)	**5,340,343**	3,661,025
Accumulated other comprehensive loss	3	**(12,500)**	1,000
Deficit		**(56,577,228)**	(48,869,767)
		6,837,444	1,084,215
		8,625,038	1,336,262

Subsequent events 14

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, 2023

/s/ "Blaine Monaghan"
Director

/s/ "Bruce Youngman"
Director

PACIFIC RIDGE exploration ltd.

Consolidated
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Year ended December 31 2022	2021
Administration expenses		**$**	$
Amortization of right-of-use asset	11	**27,652**	38,273
Depreciation	4	**4,606**	2,833
Finance lease interest	11	**1,108**	4,643
Insurance		**26,559**	20,160
Professional and consulting		**67,152**	129,419
Management and administrative	8	**355,408**	330,275
Office operations and facilities		**154,363**	46,905
Shareholder communications		**572,642**	301,740
Share-based payments	6(c)	**805,613**	233,508
Transfer agent and regulatory fees		**59,107**	54,269
		2,074,210	1,162,025
Exploration-related expenses (income)			
Exploration and evaluation costs	5	**6,092,336**	2,336,557
Mining tax credit	7	**(267,372)**	(157,070)
Property option payments	5(b)(i)	**(575,000)**	(325,000)
Impairment of resource properties	5(a)(i)	**429,619**	-
		5,679,583	1,854,487
Other expenses (income)			
Interest received		**(49,809)**	(3,366)
Foreign exchange (gain) loss		**3,477**	4,451
Flow-through tax recovery	6(a)	**-**	(213,855)
		(46,332)	(212,770)
Net loss		**(7,707,461)**	(2,803,742)
Other comprehensive income (loss):			
Net change in fair value of marketable securities	3	**(13,500)**	11,300
Total comprehensive loss		**(7,720,961)**	(2,792,442)
Loss per share (basic and diluted)		**(0.10)**	(0.06)
Weighted average number of shares outstanding basic and diluted		**74,935,841**	47,832,999

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

PACIFIC RIDGE exploration ltd.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Note	Share capital Amount	Share capital Value	Contributed surplus	Other comprehensive income (loss)	Deficit	Total
		#	$	$	$	$	$
Balance, December 31, 2020		34,849,008	43,784,464	3,367,186	(10,300)	(46,066,025)	1,075,325
Flow-through units issued for cash		8,000,000	1,136,000	-	-	-	1,136,000
Flow-through premium	6(a)	-	(296,000)	82,145	-	-	(213,855)
Non flow-through units issued for cash	6(a)	10,000,000	1,500,000	-	-	-	1,500,000
Shares issued for property	6(a)	200,000	52,000	-	-	-	52,000
Shares issued for services		100,000	22,000	-	-	-	22,000
Shares issued on exercise of warrants	6(a)	750,500	94,130	(4,070)	-	-	90,060
Shares issued on exercise of options		190,000	41,444	(17,744)	-	-	23,700
Share issuance costs		-	(42,081)	-	-	-	(42,081)
Share-based payments	6(c)	-	-	233,508	-	-	233,508
Unrealized loss in marketable securities	3	-	-	-	11,300	-	11,300
Net loss for the year		-	-	-	-	(2,803,742)	(2,803,742)
Balance, December 31, 2021		54,089,508	46,291,957	3,661,025	1,000	(48,869,767)	1,084,215
Flow-through units issued for cash	6(a)	37,900,000	12,281,200	-	-	-	12,281,200
Flow-through premium	6(a)	-	(1,406,250)	376,546	-	-	(1,029,704)
Non-flow-through units issued for cash	6(a)	8,391,304	1,930,000	-	-	-	1,930,000
Shares issued for properties	5(a)(ii), 6(a)	1,300,000	417,250	-	-	-	417,250
Shares issued on exercise of warrants	6(a)(b)	1,397,978	257,972	(3,215)	-	-	254,757
Shares issued on exercise of options	6(a)(c)	890,000	140,494	(60,594)	-	-	79,900
Share issuance costs	6(a)	-	(1,825,794)	560,968	-	-	(1,264,826)
Share-based payments	6(c)	-	-	805,613	-	-	805,613
Unrealized loss in marketable securities	3	-	-	-	(13,500)	-	(13,500)
Net loss for the year		-	-	-	-	(7,707,461)	(7,707,461)
Balance, December 31, 2022		**103,968,790**	**58,086,829**	**5,340,343**	**(12,500)**	**(56,577,228)**	**6,837,444**

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

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31	
	2022	2021
	$	$
Operating activities		
Loss for the year	**(7,707,461)**	(2,803,742)
Items not affecting cash:		
Right-of-use asset amortization	**27,652**	38,273
Depreciation of plant and equipment	**4,606**	2,833
Finance lease interest	**1,108**	4,643
Marketable securities received for property	**(4,333)**	-
Share-based payments	**805,613**	233,508
Shares issued for services	**-**	22,000
Impairment of resource properties	**429,619**	-
Unrealized foreign exchange	**3,760**	3,161
Property option recovery	**(575,000)**	(325,000)
Interest received	**(49,809)**	(3,366)
Flow-through tax recovery	**-**	(213,855)
	(7,064,245)	(3,041,545)
Changes in non-cash working capital items:		
Other receivables	**(17,274)**	(23,032)
Prepaid	**41,073**	(74,205)
Trade payable and accrued liabilities	**90,780**	118,890
Cash used in operating activities	**(6,949,666)**	(3,019,892)
Investing activities		
Resource property acquisition costs	**(182,089)**	(51,450)
Acquisition of plant and equipment	**(1,945)**	(11,282)
Proceeds from property option payments	**700,000**	325,000
Interest received	**49,809**	3,366
Reclamation bonds	**(43,642)**	12,500
Cash provided by investing activities	**522,133**	278,134
Financing activities		
Proceeds from flow-through private placement	**12,281,200**	1,136,000
Proceeds from non flow-through private placement	**1,930,000**	1,500,000
Proceeds from warrant exercises	**254,757**	90,060
Proceeds from exercise of stock options	**79,900**	23,700
Share issue costs	**(1,205,852)**	(42,081)
Advances received for exploration	**2,186,962**	-
Amount expensed from advances received	**(1,801,621)**	-
Finance lease -principal payments	**(29,252)**	(37,447)
Finance lease -interest payments	**(1,108)**	(4,643)
Cash provided by financing activities	**13,694,986**	2,665,589
Effect of foreign exchange translation on cash	**(3,760)**	(3,160)
Increase (decrease) in cash	**7,263,693**	(79,329)
Cash, beginning of the year	**549,391**	628,720
Cash, end of the year	**7,813,084**	549,391
Supplementary cash flow information:		
Non-cash investing activities:		
Shares issued for resource properties	**(417,250)**	(52,000)
Shares received for resource properties	**4,333**	-
Non-cash financing activities:		
Flow-through premium liability	**1,029,704**	(213,855)
Finders' fees paid through issuance of warrants	**(560,968)**	-
Share issuance costs incurred through trade payables and accrued liabilities	**(58,974)**	-

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.

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, 2023.

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

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.

2. Summary of significant accounting policies (continued)

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, including staking costs, 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	FVTOCI
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 fair 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) Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the arrangement and whether it has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative sand-alone prices.

As a lessee, the Company recognized a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received. The right-of use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, by the Company's incremental borrowing rate.

n) 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
Furniture	- 5 years
Field equipment	- 3 years

(Expressed in Canadian dollars)

2. Summary of significant accounting policies (continued)

o) 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.

Management applies judgment in reviewing for impairment indicators the carrying value of the resource properties on a quarterly basis, or whenever events or circumstances indicate that their carrying value may not be recovered. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of any impairment. Indicators of impairment may include (i) the period during which the Company has the right to explore in the specific area has expired during the year or will expire in the near future and is not expected to be renewed, (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned, (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (iv) sufficient data exists to indicate that the carrying amount of the resource properties is unlikely to be recovered in full from successful development or by sale. No impairment indicators were identified by management as of December 31, 2022, except, in respect of the Mariposa property.

3. Marketable securities

The Company owns a portfolio of marketable securities which have been received as part of option payments on properties owned or on option by the Company.

During the year ended December 31, 2022, the Company received 33,334 common shares of Arctic Fox Ventures as part of a renegotiation of its agreement related to the Spius property (note 5(d)(i).

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

	Four Nines Gold Common shares		Trifecta Gold Ltd. Common shares		Arctic Fox Common shares		Total
	Number	Fair value	Number	Fair value	Number	Fair value	Fair value
	#	$	#	$	#	$	$
Balance, December 31, 2020	60,000	26,700	200,000	16,000	-	-	42,700
Gain (loss) in fair value of securities	-	9,300	-	2,000	-	-	11,300
Balance, December 31, 2021	60,000	36,000	200,000	18,000	-	-	54,000
Acquired	-	-	-	-	33,334	4,333	4,333
Gain (loss)in fair value of securities	-	(3,000)	-	(8,000)	-	(2,500)	(13,500)
Balance, December 31, 2022	**60,000**	**33,000**	**200,000**	**10,000**	**33,334**	**1,833**	**44,833**

In consideration for an amendment dated September 27, 2022, which extended the final commitments of Arctic Fox with the underlying owners of Spius to December 31, 2024 (Note 5(d)(i), the Company received 33,334 common shares of Arctic Fox, valued at $4,333 on acquisition date.

(Expressed in Canadian dollars)

4. Equipment

The Company has the following assets classified as computing equipment, furniture and field equipment:

	Computing equipment	Furniture	Field equipment	TOTAL
	$	$	$	$
Balance, December 31, 2020	2,898	-	-	2,898
Additions	5,843	5,439	-	11,282
Depreciation	(2,416)	(417)	-	(2,833)
Balance, December 31, 2021	6,325	5,022	-	11,347
Additions	-	-	1,945	1,945
Depreciation	(3,192)	(1,087)	(327)	(4,606)
Balance, December 31, 2022	**3,133**	**3,935**	**1,618**	**8,686**

As at December 31, 2022	$	$		$
Cost	10,380	5,439	1,945	17,764
Accumulated depreciation	(7,247)	(1,504)	(327)	(9,078)
Net book value	**3,133**	**3,935**	**1,618**	**8,686**

5. Resource properties

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

	Company-owned properties			On option from third parties				**Total**
	Mariposa YT	Onjo BC	Orbison BC	Kliyul BC	Redton BC	RDP BC	Chuchi BC	
	$	$	$	$	$	$	$	$
Balance, December 31, 2020	429,619	-	-	12,500	12,500	-	-	454,619
Option payments in cash	-	-	-	10,000	10,000	15,000	-	35,000
Option payments in shares	-	-	-	-	-	52,000	-	52,000
Staking costs	-	-	-	-	-	16,449	-	16,449
Balance, December 31, 2021	429,619	-	-	22,500	22,500	83,449	-	558,068
Option payments in cash	-	75,000	-	12,500	12,500	30,000	15,000	145,000
Other payments in cash	-	6,505	12,261	-	-	-	18,323	37,089
Option payments in shares	-	328,750	-	-	-	88,500	-	417,250
Option payments received	-	-	-	-	-	(125,000)	-	(125,000)
Impairment	(429,619)	-	-	-	-	-	-	(429,619)
Balance, December 31, 2022	**-**	**410,255**	**12,261**	**35,000**	**35,000**	**76,949**	**33,323**	**602,788**

(Expressed in Canadian dollars)

5. Resource properties (continued)

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

Property	Province / Territory	Year ended December 31 2022	2021
		$	$
Kliyul	BC	**5,193,650**	2,034,974
Chuchi	BC	**314,637**	-
Onjo	BC	**277,050**	-
Redton	BC	**112,816**	33,306
Mariposa	YT	**53,232**	3,797
RDP (portion spent by the Company)*	BC	**47,106**	135,074
RDP (project management fees charged by the Company)*	BC	**(49,215)**	-
Orbison	BC	**13,923**	-
Fyre Lake	YT	**-**	514
Spius **	BC	**(4,261)**	20,432
General exploration not allocated to a specific property		**133,398**	108,460
Total exploration expenses incurred by the Company:		**6,092,336**	2,336,557
* Additional exploration in RDP financed by Antofagasta:		**1,752,406**	-
Total exploration expenses		**7,844,742**	2,336,557

* Of the total amount spent at RDP, $47,106 was spent directly by the Company before the Antofagasta agreement came into effect, after which $1,752,406 was incurred of RDP exploration costs on behalf of Antofagasta. The Company charged a project management fee of $49,215 to Antofagasta (note 5(c)(ii)).

** The Spius amount reflects the receipt of 33,334 common shares of Arctic Fox Ventures valued at $4,333 (notes 3 and 5(d)(i)).

A description of the relevant projects follows:

a) Company-owned properties:

i) Mariposa property, Yukon

The Company acquired a 100% interest in the Mariposa property, Dawson Mining District, Yukon, in 2014. Between September 2016 and March 2019, the property was optioned to Four Nines Gold Inc. ("Four Nines"). The securities referred to in note 3 from Four Nines were received by the Company as part of the option payments. Upon termination of the option agreement, Four Nines paid $50,000 to the Company, which committed to carry out any possible reclamation work on behalf of Four Nines, of which $600 was carried out during 2021, and $46,701 during the year ended December 31, 2022. Unbilled amounts at December 31, 2022, related to this work and the remaining $2,699 are included in accrued liabilities, which were increased to $50,000 as at December 31, 2022, due to reclamation requirements imposed by the Yukon government. As the Company is not planning further immediate exploration on Mariposa, the carrying value of $429,619 was impaired as at December 31, 2022.

5. **Resource properties** (continued)

a) Company-owned properties (continued):

ii) Onjo property, British Columbia

On January 27, 2022, the Company entered into a property purchase agreement to acquire a 100% interest in the Onjo copper-gold porphyry project in north-central British Columbia. The Company paid $50,000 in cash and issued 750,000 common shares with a fair value of $0.35 per share or $262,500. The vendor of Onjo retains a 2% NSR, with the Company having an option to purchase one quarter of the NSR at any time for USD $1,500,000.

On February 22, 2022, the Company entered into a sale and purchase agreement to acquire a 100% interest in four internal claims at Onjo by paying $25,000 cash and issuing 250,000 common shares with a fair value of $0.265 per share or $66,250 to the vendor. With the acquisition of these claims, Pacific Ridge now owns 100% of the claims within the Project boundary.

iii) Orbison property, British Columbia

The Orbison project (also known as Gap project) is a reconnaissance porphyry Cu-Au exploration program in central British Columbia. The Company is evaluating known properties and showings as well as examining regional geological, geophysical and geochemical databases for evidence of potential porphyry Cu-Au mineralization.

b) Company-owned properties on option to third parties

i) Fyre Lake property, Yukon

The Company owned 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, on April 10, 2020, December 12, 2021, and on December 20, 2022, whereby BMC had the right to acquire a 100% interest in Fyre Lake by making payments totalling $3,375,000 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. During the year ended December 31, 2019, the Company received a further $150,000. A special payment of $250,000 was made pursuant to the April 10, 2020, amending agreement, followed by three separate $75,000 payments, two of which were received during 2020 and the last one of which was paid during June of 2021. In addition, pursuant to an amending agreement dated December 22, 2021, the Company received a payment of $250,000 during December of 2021. During the year ended December 31, 2022, the Company received $575,000 from BMC ($75,000 on June 30, 2022, and the rest on December 23, 2022).

On March 28, 2023, The Company received a $400,000 cash payment from BMC. This was BMC's final payment required to acquire a 100% interest in Fyre Lake. The Company will be paid a further $1,000,000 when BMC's Kudz Ze Kayah property has reached commercial stage for one year.

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

(Expressed in Canadian dollars)

5. **Resource properties** (continued)

c) Third party properties being optioned to the Company.

i) Kliyul and Redton properties, British Columbia

On January 17, 2020, the Company entered into an earn-in property agreement (the "Kliyul-Redton Agreement"), amended on April 7, 2020, and on July 22, 2020, with Aurico Metals Inc. ("Aurico"), with respect to the Kliyul and Redton properties located in British Columbia (jointly, "the Properties").

Under the terms of the Kliyul-Redton Agreement, the Company 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 of which $70,000 has been paid, 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	Exploration expenses to be incurred	Due date	Comment
$	#	$		
To earn 51%:				
10,000	-	-	Upon execution and regulatory approval	(Paid)
15,000	-	-	December 31, 2020	(Paid)
20,000	-	1,250,000	December 31, 2021	(Paid and incurred)
25,000	-	1,000,000	December 31, 2022	(Paid and incurred)
30,000	2,000,000	1,250,000	December 31, 2023	(Work incurred)
100,000	2,000,000	3,500,000		

In addition, the Company has the right to acquire 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	Exploration expenses to be incurred	Due date	Comment
$	#	$		
To increase to 75%:				
30,000	-	1,500,000	December 31, 2024	(Work incurred)
30,000	1,500,000	2,000,000	December 31, 2025	(Work incurred)
60,000	1,500,000	3,500,000		

At December 31, 2022, and since exploration activities started at Kliyul and Redton in 2020, the Company had incurred over $7,000,000 in exploration expenses at these projects.

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.

(Expressed in Canadian dollars)

5. Resource properties (continued)

c) Third party properties being optioned to the Company (continued)

ii) RDP Property, British Columbia

On May 3, 2021 (amended on January 14, 2022), the Company entered into an agreement to acquire 100% of the RDP copper-gold porphyry project in central British Columbia, approximately 40 km west of its flagship Kliyul copper-gold project.

Under the terms of the Agreement, the Company has the option to earn a 100% interest in RDP by making payments as follows:

Cash payments to be made	Shares to be issued	Exploration expenses to be incurred	Due date (on or before)	Status
$	#	$		
5,000	100,000	-	Upon execution and regulatory approval	Completed
10,000	100,000	60,000	November 30, 2021	Completed
30,000	300,000	250,000	December 15, 2022	Completed
80,000	700,000	550,000	December 15, 2023	
125,000	1,200,000	860,000		

In addition, Pacific Ridge will issue 300,000 shares to the vendor on completion of 5,000 m of drilling and an additional 500,000 shares upon defining a 1,000,000 ounces of gold equivalent resource in the inferred or greater category. The property is also subject to a 2% NSR payable to the vendor, half of which can be purchased at any time for $1.5 million.

In the year ended December 31, 2021, the Company issued an additional 100,000 common shares with a fair value of $0.22 per share ($22,000) to a consulting company that had certain data on the RDP property that the Company considered relevant for its project.

On February 10, 2022, the Company entered into an earn-in agreement on RDP (the "Agreement") with Antofagasta Minerals S.A. ("Antofagasta"), a wholly owned subsidiary of Antofagasta PLC. Antofagasta can earn a 75% interest in RDP by making cash payments in an aggregate amount of $1,350,000, plus a success payment of $800,000 upon exercise of the option, and spending $10,000,000 on exploration over eight years, with a firm commitment to spend $1,000,000 in year one, and delivering a NI 43-101 compliant preliminary economic assessment report. During the option period, Antofagasta will fund all exploration and Pacific Ridge will be the initial operator. Once Antofagasta has earned its 75% interest, Pacific Ridge and Antofagasta will form a 25:75 joint venture. If either party's interest in the joint venture falls below 10%, that party's interest will be converted to a 2% NSR, half of which can be purchased by the other party for $4,500,000.

(Expressed in Canadian dollars)

5. Resource properties (continued)

c) Third party properties being optioned to the Company (continued)

ii) RDP property, British Columbia (continued)

During the year ended December 31, 2022, the Company received from Antofagasta $125,000, of which $50,000 corresponded to the first earn-in option payment and $75,000 to the second earn-in option payment; these amounts were applied against the carrying value of RDP on the Company's consolidated statement of financial position at December 31, 2022. In addition, Antofagasta provided $2,000,000 in advances for exploration in RDP at the beginning of the project, and a further $186,962 towards the end of 2022. During the year ended December 31, 2022, $1,752,406 was incurred of RDP exploration costs on behalf of Antofagasta.

The Company charged a project management fee of $49,215, which was deducted from Antofagasta's cash pool. The amount of $385,341 remaining in Antofagasta's cash pool is expected to be spent during 2023, and remained as a financial liability in the Company's consolidated statement of financial position at December 31, 2022.

In addition to exploration amounts funded by Antofagasta, the Company had directly incurred $47,107 in exploration of RDP before the Antofagasta agreement came into place.

iii) Chuchi property, British Columbia

On May 6, 2022, the Company entered into a property earn-in agreement (the "Earn-In Agreement) with Aurico Metals Inc. ("AuRico"), a wholly owned subsidiary of Centerra Gold Inc. ("Centerra") for the acquisition of up to a 75% interest in the Chuchi porphyry copper-gold project located in north-central British Columbia ("Chuchi"). The terms of the option agreement in order to acquire a 51% interest in Chuchi are as follows:

Cash payments to be made	Shares to be issued	Cumulative exploration expenses to be incurred	Due date (on or before)	Status
$	#	$		
10,000	-	-	Upon Exchange approval	Paid
-	-	150,000	May 06, 2023	Work incurred
-	-	750,000	May 06, 2024	
-	-	1,500,000	May 06, 2025	
50,000	2,000,000	2,600,000	May 06, 2026	
60,000	2,000,000	5,000,000		

(Expressed in Canadian dollars)

5. **Resource properties** (continued)

c) Third party properties being optioned to the Company (continued)

iii) Chuchi property, British Columbia (continued)

The Company then has the right to increase its interest in Chuchi to 75% by making additional payments as follows:

Cash payments to be made	Shares to be issued	Cumulative exploration expenses to be incurred	Due date (on or before)	Status
$	#	$		
50,000	-	1,500,000	May 06, 2027	
50,000	1,500,000	3,500,000	May 06, 2028	
100,000	1,500,000	5,000,000		

Various claims are subject to up to 6% in net smelter royalties, which can be bought down to 2.1%. An annual royalty advance of $20,000 will be paid during the fourth quarter of each year until production is reached.

The Company will also pay a finder's fee of $15,000 on signing of an agreement and $5,000 every six months thereafter plus 2% on exploration expenditures after certain other property payments have been made.

d) Other properties

i) Spius property, 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	Exploration expenses to be incurred	Due date	Comment
$	#	$		
10,000	200,000	-	Upon execution and regulatory approval	Completed
40,000	200,000	50,000	December 15, 2018	Completed
-	-	250,000	December 15, 2019	Completed
-	-	25,000	December 15, 2020	Completed
15,000	200,000	-	May 31, 2021	See below
15,000	200,000	-	December 15, 2021	See below
30,000	600,000	500,000	December 15, 2022	See below
110,000	1,400,000	825,000		

5. Resource properties (continued)

d) Other properties (continued)

i) Spius property, British Columbia (continued)

During the year ended December 31, 2022, the Company's expenses for Spius amounted to only $72 ($20,432 for the year ended December 31, 2021).

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.

On October 20, 2020, the Company entered into an Option Agreement with Arctic Fox Ventures Inc. ("Arctic Fox") and with the underlying owner of Spius, amended on June 8, 2022, and September 27, 2022, whereby the Company granted Arctic Fox an option to acquire a 60% interest in the Spius Option by making payments of $60,000, issuing 1,000,000 shares and spending $550,000 on exploration by December 31, 2024. With this agreement, as amended, Arctic Fox assumes the Company's obligations pursuant to the Spius option.

In consideration for an amendment dated September 27, 2022, which extended the final commitments of Arctic Fox with the underlying owners of Spius to December 31, 2024, the Company received 33,334 common shares of Arctic Fox, valued at $4,333 on that date.

6. Share capital

a) Common Shares

The Company is authorized to issue an unlimited authorized number of common shares without par value. The following share issuances are presented in reverse chronological order:

i) On December 19, 2022, the Company closed a bought deal private placement of 18,750,000 flow-through units of the Company at a price of $0.32 per unit. Each unit is comprised of a "flow-through share" within the meaning of the Income Tax Act (Canada) (each, a "FT Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one non-flow-through common share of the Company (each, a "Warrant Share") at a price of C$0.40 at any time on or before December 19, 2024. The FT Shares, Warrants and Warrant Shares will be subject to a hold period ending on April 20, 2023.

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components. The fair value of the common shares was determined by using the trading price of the Company's shares at the date of issuance. The excess of the unit price over the fair value of the common shares was used to determine the residual value. The residual value was allocated between warrants and the flow-through liability by using their relative fair values as determined by the Black-Scholes option pricing model and the approximate expected tax benefit received by the investor, respectively. The flow-through liability was calculated at $1,029,704 using the Black-Scholes option pricing model with the following parameters: expected volatility: 114.33%, risk-free interest rate: 3.75%, dividend yield: 0%, and expected life of two years.

The Company paid an underwriters' commission of $360,000 and issued them 1,125,000 compensation warrants entitling its holders to purchase one common share of the Company at a price of $0.32 at any time on or before December 19, 2024. The fair value of the agents' compensation warrants was calculated at $144,678 using the Black-Scholes option pricing model with the following parameters: expected volatility 114.33%, risk-free interest rate: 3.75%, dividend yield 0% and expected life of two years.

Other share issuance costs incurred in connection with this private placement amounted to $203,226 of which $58,974 remained as accounts payable as at December 31, 2022, and paid subsequently.

ii) On September 22, 2022, the Company raised gross cash proceeds of $780,000 on closing of a non-brokered private placement. The Company issued 3,391,304 units at a price of $0.23 per unit. Each unit consisted of one common share and one half of a share purchase warrant. Each whole share purchase warrant entitles its owner to purchase one common share of the Company at a price of $0.35 per share for two years from the date of issuance. Share issuance costs in connection with this placement amounted to $6,586.

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components (shares and warrants). Using this approach, the Company attributed no fair value to the warrant portion of the units issued to investors.

6. **Share capital** (continued)

a) Common Shares (continued)

iii) On April 22, 2022, the Company closed a "best efforts" brokered private placement (the "Financing") with M Partners Inc. and Red Cloud Securities Inc., co-lead agents and joint book runners ("Agents"), and raised total gross cash proceeds of $7,431,200 through the issuance of 19,150,000 charity flow-through units ("CFT Units") at a price of $0.328 per CFT Unit and 5,000,000 common share units ("CS Units") at a price of $0.23 per CS Unit, including exercise in full of the Agent's 15% over-allotment option.

The CFT Units issued in connection with the Financing consist of one flow-through common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). The CS Units issued in connection with the Financing consist of one non-flow-through common share of Pacific Ridge and one-half of one Warrant. Each Warrant is exercisable to purchase one additional non-flow-through common share at an exercise price of $0.35 for a period of 24 months.

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components (shares, flow-through premium liability, and warrants). Using this approach, the Company attributed no fair value to the flow-through premium liability and warrant portions of the units issued to investors.

In connection with the Financing, the Company paid the Agents an aggregate cash commission of $358,446 and issued the Agents an aggregate of 1,299,999 compensation warrants. Each compensation warrant is exercisable to purchase one common share of the Company at a price of $0.23 for a period of 24 months. All securities issued in connection with the Financing carry a legend restricting trading of the securities until August 22, 2022.

The fair value of the 1,299,999 compensation warrants was calculated at $416,289 using the Black-Sholes option pricing model with the following parameters: expected volatility: 126.9%, risk-free interest rate 2.5% and expected life of two years.

In addition, the Company reimbursed the Agents for legal fees and expenses amounting to $61,500. Other share issue costs incurred in connection with the preparation of agreements, transfer agent fees, filing fees, etc., amounted to $207,324.

iv) During the year ended December 31, 2022, the Company issued 1,000,000 common shares with a fair value of $328,750 for the acquisition of the Onjo property (note 5(a)(ii)).

v) During the year ended December 31, 2022, the Company issued 300,000 common shares with a fair value of $88,500 as part of the acquisition agreement for the RDP property (note 5(c)(ii)).

vi) During the year ended December 31, 2022, the Company issued 1,397,978 common shares upon exercise of a similar number of share purchase warrants (including 4,500 agent warrants) for cash proceeds of $254,757 (note 6(b)).

vii) During the year ended December 31, 2022, the Company issued 890,000 common shares upon exercise of a similar number of stock options for cash proceeds of $79,900 (note 6(c)).

viii) Total share issuance costs for the year ended December 31, 2022, amounted to $1,824,365 of which $1,205,852 was paid in cash (included amounts mentioned in note 6(a)(i) and 6(a)(ii)), with $58,974 remaining payable at December 31, 2022, and $560,968 attributed to the fair value of the Agent's warrants, which was charged to contributed surplus.

6. **Share capital** (continued)

a) Common Shares (continued)

ix) Private placement closed on June 1, 2021:

On June 1, 2021, the Company closed a non-brokered private placement, raising gross cash proceeds of $1,500,000 through the issuance of 10,000,000 units at a price of $0.15 per unit ("Unit"). Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant exercisable to purchase one additional common share at an exercise price of $0.23 for a period of 24 months expiring on June 3, 2023. No finders' fees were paid in connection to the private placement, and share issuance costs amounted to $30,283.

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components (shares and warrants). Using this approach, the Company attributed no fair value to the warrant portion of the units issued to investors.

x) Flow-through private placement closed on March 8, 2021.

On March 8, 2021, the Company raised gross proceeds of $1,136,000 on closing of a non-brokered flow-through private placement, issuing 8,000,000 units at a price of $0.142 per unit ("2021 FT Unit"). Each 2021 FT Unit was comprised of one common share of the Company that qualifies as a "flow-through share" for the purposes of the Income Tax Act (Canada) (an "2021 FT Unit Share") and one-half of one common share purchase warrant, with each whole warrant exercisable to purchase one additional non-flow-through common share at an exercise price of $0.15 for a period of two years. No finder's fees were paid. Share issuance costs in connection with legal advice, filing fees and transfer agent fees amounted to $10,178. Final TSX Venture Exchange approval was received on March 9, 2021.

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components. The fair value of the common shares was determined by using the trading price of the Company's shares at the date of issuance. The excess of the unit price over the fair value of the common shares was used to determine the residual value. The residual value was allocated between warrants and the flow-through liability by using their relative fair values as determined by the Black-Scholes option pricing model and the approximate expected tax benefit received by the investor, respectively. The parameters used in the Black Scholes calculations were as follows: expected volatility: 117.2%, risk-free interest rate: 0.24%, dividend yield: 0%, and expected life of two years.

The residual value of the unit offering after deducting the fair value of the common shares was $296,000 or $0.037 per share, of which $82,145 and $213,855 was allocated to the corresponding investors' warrants and flow-through premium liability, respectively. This flow-through premium liability was derecognized as deferred flow-through tax recovery in the Company's consolidated statement of loss and comprehensive for the year ended December 31, 2021, as the Company had incurred the $1,136,000 raised through the 2021 FT units in qualifying expenses.

(Expressed in Canadian dollars)

6. **Share capital** (continued)

a) Common Shares (continued)

xi) Other shares issued during 2021.

On December 2, 2021, the Company issued 100,000 common shares with a fair value of $0.21 per share as part of the option agreement for the acquisition of the RDP project.

On July 7, 2021, the Company issued a further 100,000 common shares at a fair value of $0.22 per share to acquire some geological data relevant to the RDP project; the related $22,000 was expensed as exploration cost.

On May 5, 2021, the Company issued 100,000 common shares with a fair value of $0.31 per share as part of the option agreement for the acquisition of the RDP project.

During the year ended December 31, 2021, the Company issued an aggregate of 750,500 common shares on exercise of share purchase warrants and agent's warrants with an exercise price of $0.12 per share, for cash proceeds of $90,060.

During the year ended December 31, 2021, an aggregate of 190,000 stock options were exercised for gross proceeds of $23,700.

Share issuance costs in connection with the above issuances, in addition to those incurred in the two aforementioned private placements, amounted to $1,621.

b) Share Purchase Warrants

A summary of the warrants outstanding is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	#	$	#	$
Starting balance	9,866,502	0.19	1,617,000	0.12
Issued to investors	23,145,650	0.37	9,000,002	0.19
Issued to agents	2,424,000	0.27	-	-
Exercised by investors	(1,393,478)	0.18	(710,000)	0.12
Exercised by agents	(4,500)	0.12	(40,500)	0.12
Expired unexercised	(212,000)	0.12	-	-
Ending balance	33,826,174	0.32	9,866,502	0.19

(Expressed in Canadian dollars)

6. **Share capital** (continued)

b) Share Purchase Warrants (continued)

As at December 31, 2022, the summary of warrants outstanding and exercisable are as follows:

Issue date	Type of warrants	Expiry date	Exercise price	Warrants outstanding
			$	#
March 8, 2021	Investor warrants	March 8, 2023	0.15	4,000,000
June 1, 2021	Investor warrants	June 3, 2023	0.23	4,300,002
April 22, 2022	Investor warrants	April 21, 2024	0.35	12,031,520
April 22, 2022	Agents' warrants	April 21, 2024	0.23	1,299,000
September 22, 2022	Investor warrants	September 22, 2024	0.35	1,695,652
December 19, 2022	Investor warrants	December 19, 2024	0.40	9,375,000
December 19, 2022	Agents' warrants	December 19, 2024	0.32	1,125,000
			0.32	33,826,174

Please refer to notes 6(a)(i), 6(a)(ii), 6(a)(vii) and 6(a)(viii) for a discussion of the fair value assigned to the warrants issued to investors and to agents.

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. The following options were granted pursuant to the Company’s stock option plan:

- On June 14, 2022, the Company granted 300,000 fully vested incentive stock options to an employee, to purchase 300,000 common shares at an exercise price of $0.36 exercisable over a period of five years, and subject to the Company’s stock option plan and TSX Venture Exchange policies.
- On May 12, 2022, the Company granted incentive stock options to various officers, directors, employees and consultants to purchase 2,550,000 common shares of the Company at an exercise price of 0.36 per share, exercisable for a period of five years. The options granted to various directors, officers, and employees vest immediately. The 100,000 stock options granted to two investor relations consultants will vest 25% each quarter over a 12-month period. The stock options are subject to the terms and conditions of Pacific Ridge’s stock option plan and the policies of the TSX Venture Exchange.

(Expressed in Canadian dollars)

6. **Share capital** (continued)

c) Stock Options (continued)

- On July 15, 2021, the Company granted an aggregate of 1,100,000 stock options to directors, officers, employees and certain consultants, pursuant to the Company's stock option plan and the policies of the TSX Venture Exchange. Each option is exercisable into one common share of the Company at a price of $0.25 per share for a period of five years from this date. An aggregate of 200,000 of those stock options will vest 25% each quarter during a 12-month period, while the remaining options were granted fully vested.
- On March 9, 2021, the Company granted 850,000 stock options to two directors and to an investor relations consultant, exercisable into one common share of the Company at a price of $0.105 per share for a period of five years. Of the total amount, 650,000 were granted to two directors fully vested; the remaining 200,000 options granted to the investor relations consultant will vest 25% every quarter over a period of one year.

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:

Period of grant	Year ended December 30, 2022	Year ended December 31, 2021
Number of options granted	2,850,000	1,950,000
Weighed average risk-free interest rate	2.87%	0.85%
Weighted average expected volatility	109.81%	109.34%
Weighted average expected option life in years	5	5
Value vested during period	$805,613	$233,508
Expected dividend yield	Nil	Nil

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

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	#	$	#	$
Balance, beginning of year	4,840,000	0.11	3,355,000	0.06
Granted	2,850,000	0.36	1,950,000	0.19
Exercised	(890,000)	0.08	(190,000)	0.08
Expired unexercised	-	-	(275,000)	0.08
Outstanding, end of year	6,800,000	0.22	4,840,000	0.11
* Exercisable, end of year	6,700,000	0.21	4,640,000	0.10

* As at December 31, 2022, an aggregate of 100,000 stock options had not yet vested and were not exercisable.

(Expressed in Canadian dollars)

6. **Share capital** (continued)

c) Stock Options (continued)

Stock options exercisable are as follows:

Expiry date	Exercise price	December 31, 2022	December 31, 2021
	$	#	#
June 16, 2022	0.060	-	340,000
July 21, 2022	0.050	-	200,000
January 12, 2023	0.060	-	200,000
November 1, 2023	0.065	200,000	200,000
January 4, 2024	0.050	900,000	900,000
March 16, 2025	0.050	750,000	750,000
October 22, 2025	0.075	350,000	350,000
March 9, 2026	0.105	850,000	800,000
July 15, 2026	0.250	900,000	900,000
May 12, 2027	0.360	2,450,000	-
June 14, 2027	0.360	300,000	-
	0.213	6,700,000	4,640,000

7. **Government grants and tax credits**

During the year ended December 31, 2022, the Company received $267,372 corresponding to the British Columbia Mining Exploration Tax Credit ("BCMETC") filed for year 2021 (2021 - $157,070, of which $76,269 corresponding to exploration expenses incurred during fiscal year 2019, and $80,801 corresponding to exploration expenses incurred during fiscal year 2020).

No government grants were received by the Company in the year ended December 31, 2022, or 2021.

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. In the case of senior officers of the Company, which include the Executive Chairman, the President & CEO, and the CFO, the Company provides certain compensation for termination without cause and for a change of control of the Company.

Key management includes the board of directors and executive officers.

(Expressed in Canadian dollars)

8. Related parties (continued)

Compensation awarded to key management is listed below:

	Year ended December 31	
	2022	2021
	$	$
Management fees paid to a Company controlled by the Executive Chairman of the Company, and salary paid to him *	**102,400**	108,000
Salary paid to the CEO of the Company	**205,840**	181,725
Management fees paid to a company controlled by the CFO of the Company	**68,000**	63,500
Share-based payments recorded for stock options granted to directors and officers of the Company (non-cash expense)	**493,323**	154,402
	869,563	507,627

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

In addition, with respect to the option agreement for the purchase of the Spius property (Note 5(d)(i)). 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, 2022.

10. Financial instruments

Fair values

As at December 31, 2022, 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 are measured at fair value on a recurring basis. These financial instruments are grouped into Level 1 to 3 based on the degree to which the significant inputs used to determine the fair value are observable. Marketable securities are classified within level 1 of the fair value hierarchy as their fair value measurement is derived from quoted prices in active markets for identical assets. Warrants are classified within level 2 of the fair value hierarchy as their fair value measurement is derived from inputs other than quoted prices included within level 1, that are observable either directly or indirectly. No financial instruments were considered level 3, which are fair value measurements derived from valuation techniques that include significant inputs that are not based on observable market data.

Interest rate risk

The Company's cash held in financial institutions earns interest at variable interest rates. During 2022, interest rates have been on the rise and the Company has received higher interest on its deposits than in 2021. However, 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 at one of Canada's largest banks with an AA rating, federally insured, 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, 2022, the Company had cash of $7,813,084 (December 31, 2021- $549,391), trade payable and accrued liabilities of $372,549 (December 31, 2021 - $222,795), a financial liability of $385,341 (2021 – nil) corresponding to cash provided by Antofagasta Minerals for exploration at the RDP property (note 5(c)(ii)), and a nil lease liability (December 31, 2021 - $29,252) (note 11).

Currency risk

As at December 31, 2022, the Company kept less than 1% of its cash in US dollars. A change in the value of the US dollar by 10% relative to the Canadian dollar would affect the Company's working capital by an immaterial amount (December 31, 2021 - $1,000).

Price risk

The Company is exposed to price risk on its marketable securities due to fluctuations in the current market prices and fluctuations in trading volumes of those securities. At December 31, 2022, the Company held marketable securities with a fair value of $44,833 (December 31, 2021 - $54,000). These investments are subject to market price fluctuations that can be significant.

11. Right-of-use asset and lease liability

The Company recognizes lease liabilities in relation to a sublease agreement for office space. These liabilities are measured at the present value of the remaining lease payments starting on September 1, 2020, by using the Company's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on September 1, 2020, was 10%. The associated lease liability recognized as at September 1, 2020, was $52,967, and at December 31, 2020, the lease liability was valued at $48,541.

An associated right-of-use asset for the lease was measured at the amount equal to the lease liability on September 1, 2020. 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.

On April 1, 2021, an additional office unit was incorporated into the September 1, 2020, sublease agreement and was valued at that date at $18,158.

The sublease expired on August 31, 2022, and no new sublease agreement had been entered into at December 31, 2022 (see note 13, *Subsequent events*). After August 31, 2022, the Company was paying its office rent on a month-to-month basis. As a result, no lease liabilities or commitments existed at December 31, 2022.

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

(Expressed in Canadian dollars)

11. Right-of-use asset and lease liability (continued)

Lease liability		$
Lease liability as at December 31, 2020		48,541
Setup of new lease agreement on April 1, 2021	19,550	
Lease interest	(1,392)	
Value of lease as at April 1, 2021	18,158	**18,158**
Lease payments		(42,090)
Lease interest		4,643
Lease liability as at December 31, 2021		29,252
Lease payments		(30,360)
Lease interest		1,108
Lease liability as at December 31, 2022		**-**
Current portion		-
Long-term portion		-
		-

Right-of-use asset	$
Value of right-of-use asset on December 31, 2020	47,767
Setup of new right-of-use asset on April 1, 2021	18,158
Amortization	(38,273)
Amortization	-
Value of right-of-use asset as at December 31, 2021	27,652
Amortization	(27,652)
Value of right-of-use asset as at December 31, 2022	**-**

12. Segmented information

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions. As at December 31, 2022 and 2021, all of the Company's non-current assets were held in Canada.

(Expressed in Canadian dollars)

13. 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, 2022 and 2021 is as follows:

	2022	2021
	$	$
Loss for the year	(7,707,461)	(2,803,742)
Statutory tax rate	27%	27%
Expected income tax expense	(2,081,014)	(757,010)
Change in statutory rate	-	-
Non-deductible expenses	229,809	74,734
Change in unrecognized deferred income tax benefits	1,851,205	682,276
Income tax expense	-	-

A potential deferred income tax asset of approximately $8,187,845 arises from the following:

	2022	2021
	$	$
Non-capital loss carryforwards	1,477,122	1,054,886
Capital loss carryforwards	5,740	5,740
Mineral property	6,301,592	6,326,696
Deferred financing costs	403,391	12,393
Total unrecognized deferred income tax assets	8,187,845	7,399,715

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

At December 31, 2022, included in the computation of the deferred tax assets noted above, the Company had approximately $5,470,822 of losses available for carry-forward from $30,346,612 of resource pools.

The loss carry-forward can be offset against income for Canadian income tax purposes in future years and will expire between 2029 and 2042 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		224,646
2040		237,734
2041		954,260
2042		1,563,837
	$	5,470,822

14. Subsequent events

a) Grant of stock options

On February 1, 2023, the Company granted an aggregate of 2,575,000 stock options to various directors, officers, employees and consultants of the Company. Each option entitles its holder to purchase one common share of the Company at an exercise price of $0.30 per share for a period of five years.

The options granted to various directors, officers and employees vested immediately. 300,000 options that were granted to investor relations consultants will vest 25% each quarter over a 12-month period.

b) Office lease

On January 30, 2023, the Company entered into a sublease agreement with Adamera Minerals Corp. as sublandlord for office space. The Company will pay the sublandlord a monthly fee of $5,520 and will have a two-month deposit in place. The lease will expire on August 31, 2024.

c) Exercise of warrants

On February 22, 2023, the Company received cash proceeds of $600,000 on exercise of 4,000,000 warrants with an exercise price of $0.15.

d) Option agreement on the Chuchi South property

On March 3, 2023, the Company entered into an Amended and Restated Mineral Property Option Agreement (the "Chuchi South Agreement").

The Company can acquire a 51% interest in Chuchi South by making $250,000 in cash payments and completing $4,000,000 in exploration expenditures by December 31, 2027 (the "First Option"). The Company then has the right to increase its interest to 75% by issuing shares valued at $250,000 by January 30, 2028, by making cash payments of $150,000, and completing an additional $4,000,000 in exploration by December 31, 2029.

e) Final payment related to Fyre Lake option

On March 28, 2023, the Company received a $400,000 cash payment from BCM Minerals. This was BMC's final payment to acquire a 100% interest in Fyre Lake. The Company will be paid a further $1,000,000 when BMC's Kudz Ze Kayah property has reached commercial production for one year.

* * * * *