(An Exploration-Stage Company)

Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

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

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

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

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

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

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

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

April 23, 2019

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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of income and comprehensive income 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 a summary of significant accounting policies.

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.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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.

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

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 23, 2019

PACIFIC RIDGE exploration ltd.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Note	**December 31, 2018**	December 31, 2017
Assets		**$**	$
Current			
Cash		**1,213,872**	598,401
Other receivables		**5,196**	2,334
Marketable securities and warrants	4	**25,980**	36,830
Prepaid		**6,000**	5,522
		1,251,048	643,087
Resource Properties	5	**500,619**	518,909
Reclamation bonds		**24,345**	12,152
		1,776,012	1,174,148
Liabilities			
Current			
Trade payable and accrued liabilities		**26,449**	36,705
Provision for contingent liability	14	**207,262**	-
		233,711	36,705
Shareholders' equity			
Share capital	6	**43,596,559**	43,575,559
Contributed surplus		**3,268,185**	3,248,228
Accumulated other comprehensive loss		**(28,000)**	(5,500)
Deficit		**(45,294,443)**	(45,680,844)
		1,542,301	1,137,443
		1,776,012	1,174,148

	Note
Commitments	13
Subsequent events	15

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 23, 2019

/s/ "Gerald G. Carlson"
Director

/s/ "Blaine Monaghan"
Director

PACIFIC RIDGE exploration ltd.

Consolidated Statements of Income and Comprehensive Income

(Expressed in Canadian dollars)

	Note	2018	2017
		Years ended December 31	
Administration expenses		**$**	$
Insurance		**5,225**	7,500
Professional and consulting		**34,155**	37,809
Management and administrative		**88,830**	87,553
Office operations and facilities		**56,768**	56,983
Shareholder communications		**35,149**	16,877
Share-based payments	6(c)	**19,957**	19,294
Transfer agent and regulatory fees		**20,751**	19,560
		260,835	245,576
Other expenses (income)			
Exploration and evaluation costs	5	**358,939**	484,131
Government grant	7	**(77,796)**	(119,659)
Mining tax credit		**-**	(10,045)
Property option payments	5	**(1,214,710)**	(650,000)
Impairment of resource properties	5(c)	**78,000**	32,263
Unrealized loss in fair value of warrants	4	**4,350**	4,190
Allowance for contingency	14	**207,262**	-
Foreign exchange (gain) loss		**(3,281)**	3,159
		(647,236)	(255,961)
Net income for the year		**386,401**	10,385
Other comprehensive loss:			
Net change in fair value of marketable securities	4	**(22,500)**	(5,500)
Total comprehensive income for the year		**363,901**	4,885
Earnings per share (basic and diluted)		**0.01**	0.00
Weighted average number of shares outstanding			
basic		**31,468,735**	31,215,859
diluted		**31,539,635**	33,967,123

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		Contributed	Other comprehensive		
		Amount	Value	surplus	loss	Deficit	Total
		#	$	$	$	$	$
Balance, December 31, 2016		31,029,009	43,554,059	3,228,934	-	(45,691,229)	1,091,764
Shares issued for property		300,000	21,500	-	-	-	21,500
Share based payments		-	-	19,294	-	-	19,294
Unrealized loss in marketable securities		-	-	-	(5,500)	-	(5,500)
Net income for the year		-	-	-	-	10,385	10,385
Balance, December 31, 2017		31,329,009	43,575,559	3,248,228	(5,500)	(45,680,844)	1,137,443
Shares issued for property		400,000	21,000	-	-	-	21,000
Share-based payments	6	-	-	19,957	-	-	19,957
Unrealized loss in marketable securities	4	-	-	-	(22,500)	-	(22,500)
Net income for the year		-	-	-	-	386,401	386,401
Balance, December 31, 2018		**31,729,009**	**43,596,559**	**3,268,185**	**(28,000)**	**(45,294,443)**	**1,542,301**

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

PACIFIC RIDGE exploration ltd.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Years ended December 31	
	2018	2017
	$	$
Operating activities		
Income for the year	**386,401**	10,385
Items not affecting cash:		
Unrealized loss in fair value of warrants	**4,350**	4,190
Share-based payments	**19,957**	19,294
Impairment of resource properties	**78,000**	32,263
Unrealized foreign exchange	**(3,301)**	-
Property option recovery	**(1,214,710)**	(650,000)
	(729,303)	(583,868)
Changes in non-cash working capital items:		
Other receivables	**(2,862)**	10,081
Prepaid	**(478)**	(872)
Trade payable and accrued liabilities	**(10,256)**	(154,162)
Provision for contingent liability	**207,262**	-
Cash used in operating activities	**(535,637)**	(728,821)
Investing activities		
Resource property acquisition costs	**(50,000)**	(30,000)
Proceeds from property option payments	**1,210,000**	670,000
Reclamation bond	**(12,500)**	(7,152)
Cash provided by investing activities	**1,147,500**	632,848
Effect of foreign exchange translation on cash	**3,608**	-
Increase (decrease) in cash	**615,471**	(95,973)
Cash, beginning of the year	**598,401**	694,374
Cash, end of the year	**1,213,872**	598,401
Supplementary cash flow information:		
Non-cash investing activities:		
Shares issued for resource properties	**(21,000)**	**21,500**
Shares received for resource properties	**16,000**	**46,520**

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

1. Nature of operations

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

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

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets maybe materially less than the amounts on the statements of financial position. As of December 31, 2018, the Company had a working capital of $1,017,337 (2017 - $606,382). The Company believes that based on its current working capital, it could sustain its operation and maintain its minimum obligations for the next year.

2. Summary of significant accounting policies

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

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

The consolidated financial statements were approved by the Board of Directors on April 23, 2019.

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

a) Consolidation

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

The Company's subsidiary is:

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

2. Summary of significant accounting policies (continued)

b) 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.

c) Resource property acquisition costs

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

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

d) 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.

e) Government grants

Government grants 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.

f) 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.

2. Summary of significant accounting policies (continued)

g) 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.

h) 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.

i) 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.

j) Financial instruments

Beginning on January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9") which replaces IAS 39, *Financial Instruments: Recognition and Measurement* and related amendments to IFRS 7, *Financial Instruments: Disclosures* and provides detailed guidance on classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. There was no material impact to the Company's consolidated financial statements with regards to the changes in IFRS on the classification and measurement of financial assets and liabilities. The Company has no hedging accounting.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

2. Summary of significant accounting policies (continued)

j) Financial instruments (continued)

The following is the new accounting policy for financial assets under IFRS 9:

Financial assets

The Company now 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 under IFRS 9 replacing IAS 39:

Financial asset	IFRS 9 Classification	IAS 39 Classification
Cash	Amortized cost	Loans and receivables
Other receivables	Amortized cost	Loans and receivables
Marketable securities (excluding warrants)	FVTOCI	Available for sale
Warrants	FVTPL	FVTPL
Trade payable and accrued liabilities	Amortized cost	Other financial liabilities

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

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there is no impact on the Company's financial statements and no restating of prior periods was required.

2. Summary of significant accounting policies (continued)

k) 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.

l) Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the areas of estimate and judgment applied by management that most significantly affects the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Resource properties: The carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that their carrying amounts may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

3. New accounting policies not yet adopted

IFRS 16, *Leases*

This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company's only lease as at December 31, 2018, relates to a sublease agreement for office space covering the period from September 1, 2018 to August 31, 2020, and the treatment of this sublease will change for financial periods beginning on January 1, 2019. The Company has made an assessment of the impact of IFRS 16, which will imply setting up the fair value of the lease liability as at January 1, 2019 with a corresponding right-of-use asset that will be amortized over the remaining life of the sublease.

4. Marketable securities

During the year ended December 31, 2017, the Company entered into an agreement with Four Nines Gold Inc. ("**Four Nines**"), then a private British Columbia company, to option its Mariposa property (note 5a). On October 22, 2018, Four Nines consolidated its shares on a five (5) to one (1) basis, and all security numbers below are expressed on a post-consolidation basis. As part of this agreement, during 2017 the Company received 60,000 common shares and 30,000 share purchase warrants of Four Nines.

Of the 30,000 share purchase warrants received, 20,000 of them are exercisable each warrant into one common share of Four Nines at an exercise price of $1.50 per share until August 24, 2019. The remaining 10,000 share purchase warrants are each warrant exercisable into one common share of Four Nines at an exercise price of $1.50 per share until December 31, 2019.

As at December 31, 2018, the fair value of the 60,000 Four Nines common shares was $15,000 (2017 - $31,500), with a fair value loss of $16,500 (2017 - $5,500) recorded to other comprehensive income for the year ended December 31, 2018. The fair value of the 30,000 Four Nines share purchase warrants was $980 (2017 - $5,330) with a fair value loss of $4,350 (2017 - $4,190) recorded to net loss for the year ended December 31, 2018.

On April 24, 2018, the Company entered into an agreement with Trifecta Gold Ltd. ("Trifecta"), whereby Trifecta obtained the right to acquire an undivided seventy percent interest on the Company's Eureka Dome property (Note 5(a)). During the year ended December 31, 2018, the Company received 200,000 common shares of Trifecta with a fair value of $16,000 on their date of issuance, and a fair value of $10,000 on December 31, 2018, with a fair value loss of $6,000 recorded to other comprehensive income for the year ended December 31, 2018.

The fair value of the shares and warrants is as follows:

	Four Nines Gold Inc.				Trifecta Gold Ltd.		Total
	Common shares		Warrants		Common shares		
	Number	Fair value	Number	Fair value	Number	Fair value	Fair value
	#	$	#	$	#	$	$
Balance, December 31, 2016	-	-	-	-	-	-	-
Additions	60,000	37,000	30,000	9,520	-	-	46,520
Adjustments	-	(5,500)	-	(4,190)	-	-	(9,690)
Balance, December 31, 2017	60,000	31,500	30,000	5,330	-	-	36,830
Additions	-	-	-	-	200,000	16,000	16,000
Adjustments	-	(16,500)	-	(4,350)		(6,000)	(26,850)
Balance, December 31, 2018	60,000	15,000	30,000	980	200,000	10,000	25,980

5. Resource properties

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

	Optioned to third parties		On option from third parties				Other properties		Total
	Mariposa YT	Eureka Dome YT	TL Zinc BC	RC Property YT	Bee Property YT	Spius BC	Poker Brown NV (USA)	OGI Zinc YT	
	$	$	$	$	$	$	$	$	$
Balance, December 31, 2016	496,139	11,290	45,000	-	-	-	13,763	-	566,192
Option payments in cash	(20,000)	-	-	-	-	-	-	-	(20,000)
Acquisition through cash	-	-	-	15,000	5,000	-	-	10,000	30,000
Option payments in marketable securities	(46,520)	-	-	13,000	-	-	-	8,500	(25,020)
Impairment	-	-	-	-	-	-	(13,763)	(18,500)	(32,263)
Balance, December 31, 2017	429,619	11,290	45,000	28,000	5,000	-	-	-	518,909
Option payments in cash	-	(10,000)	-	-	-	50,000	-	-	40,000
Option payments in marketable securities	-	(1,290)	-	-	-	21,000	-	-	19,710
Impairment	-	-	(45,000)	(28,000)	(5,000)	-	-	-	(78,000)
Balance, December 31, 2018	**429,619**	**-**	**-**	**-**	**-**	**71,000**	**-**	**-**	**500,619**

5. Resource properties (continued)

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

Property	Province / Territory	Years ended December 31 2018	2017
		$	$
Mariposa	YT	594	5,655
Eureka Dome	YT	8,375	76,260
TL Zinc	BC	37,293	32,114
RC and Bee	YT	79,408	112,718
Spius	BC	94,965	-
Gold Cap	YT	73,021	-
Fyre Lake	YT	5,810	-
Poker Brown	NV (USA)	-	124,364
OGI Zinc	YT	-	73,940
General exploration not allocated to a specific property		59,473	59,080
		358,939	484,131

a) Company-owned properties on option to third parties:

i) Mariposa property, Yukon

The Company acquired a 100% interest in the Mariposa property, Dawson Mining District, Yukon, in 2014.

In September 2016, the Company optioned its Mariposa property to Four Nines. Pursuant to the terms of the agreement, amended in February 2017, in May 2017, in July 2017, and in January 2018, Four Nines could earn a stake in the property by issuing certain number of Four Nines shares, making certain cash payments and performing certain amount of work. Four Nines complied with the amounts required by December 31, 2017 by issuing to the Company 60,000 shares, 30,000 warrants (Note 4), a payment of $300,000 in cash, and completed approximately $304,000 of exploration work in the property.

However, at December 31, 2018 no further payments, either in securities or in cash were received from Four Nines, and the minimum exploration targets were not met. On March 8, 2019, the Company informed Four Nines of the termination of the option agreement (Note 15).

ii) Eureka Dome property, Yukon

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

Under the terms of the agreements, Trifecta had agreed to pay the Company an aggregate of $200,000 in cash (of which $10,000 has been received), issue 1,000,000 Trifecta common shares in favour of the Company (of which 200,000 have been received), and incur exploration expenses of not less than $2,500,000. However, subsequent to the end of the year ended December 31, 2018, the option agreement with Trifecta was terminated.

5. Resource properties (continued)

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

iii) Fyre Lake property, Yukon

The Company owns a 100% interest in the Fyre Lake property, located in the Watson Lake Mining District, Yukon.

On January 18, 2017, the Company closed an option agreement with BMC Minerals (No. 1) Ltd. ("**BMC**"), amended on December 19, 2018 whereby BMC has the right to acquire a 100% interest in Fyre Lake by making payments totalling $3,095,000 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 (received). In order to exercise the option, BMC must make a final $1,220,000 payment. This payment is due upon BMC obtaining production financing for its Kudz Ze Kayah project, but in any event no later than December 31, 2020. BMC will also pay $75,000 to Pacific Ridge every six months, commencing June 30, 2019, until the final tranche has been paid.

In addition, if it exercises the option, BMC has agreed to make a bonus payment of $1,000,000 if and when BMC's Kudz Ze Kayah property has reached commercial production for one year.

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

b) Third party properties being optioned to the Company

i) Spius, British Columbia

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

Cash payments to be made	Shares to be issued	Cumulative exploration expenses to be incurred	Due date	Comment
$	#	$		
10,000	200,000	-	Upon execution and regulatory approval	(paid and issued)
40,000	200,000	50,000	December 15, 2018	(paid, issued and exceeded)
50,000	300,000	300,000	December 15, 2019	
110,000	300,000	800,000	December 15, 2020	
210,000	1,000,000	800,000		

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

5. **Resource properties** (continued)

c) Impaired properties

i) Poker Brown property, Nevada

In August 2016, the Company entered into an option agreement to earn a 100% interest in the Poker Brown gold-silver property by making US$1,000,000 in cash payments and US$940,000 in advanced royalty payments to the underlying property owner over eight years.

After a review of the results of the 2017 drilling program, the Company decided to terminate its option to earn an interest in the Poker Brown property. As a result, an impairment of $13,763 was recorded during 2017.

ii) OGI Zinc property, Yukon

On February 18, 2017, the Company reached an agreement to acquire a 100% interest in the OGI Zinc property located in the Dawson Mining District, Yukon. To earn a 100% interest, the Company is required to pay $225,000 ($10,000 paid), issue 1,000,000 common shares (100,000 issued) and complete $2,500,000 ($73,940 incurred to December 31, 2017) in exploration over five years.

On December 15, 2017, the Company terminated the agreement for the OGI Zinc property and impaired its $18,500 carrying value. No further exploration costs were incurred.

iii) RC and Bee properties, Yukon

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

iv) TL Zinc property, British Columbia

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

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

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

6. Share capital

a) Common Shares

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

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

During the year ended December 31, 2017, the Company issued 300,000 common shares with a fair value of $21,500 for the acquisition of the OGI Zinc and RC and Bee properties.

b) Share Purchase Warrants

A summary of the warrants outstanding is as follows:

	December 31, 2018		December 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	#	$	#	$
Balance, beginning of year	2,815,250	0.14	2,815,250	0.14
Expired	(2,815,250)	0.14	-	-
Balance, end of year	-	-	2,815,250	0.14

Of the total number of warrants, 99,000 expired unexercised on May 3, 2018; the life of the remaining 2,716,250 warrants was extended to November 3, 2018, and also expired unexercised.

c) Stock Options

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

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

As at:	December 31, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	#	$	#	$
Balance, beginning of year	2,826,500	0.06	2,791,500	0.10
Granted	400,000	0.06	383,000	0.06
Expired	(1,216,500)	0.05	(248,000)	0.50
Forfeited	-	-	(100,000)	0.08
Balance, end of year	2,010,000	0.06	2,826,500	0.06
Exercisable, end of year	2,010,000	0.06	2,826,500	0.06

6. Share capital (continued)

c) Stock Options (continued)

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

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

See Note 15 *Subsequent events.*

The 383,000 stock options granted during year ended December 31, 2017 also vested immediately, with $19,294 share-based compensation expense recorded in the net income (loss).

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

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

	Options granted on:		
	January 12, 2018	November 1, 2018	June 15, 2017
Risk-free interest rate	2.00%	2.40%	1.28%
Expected share price volatility	121.95%	102.68%	124.00%
Expected option life in years	5	5	5
Expected dividend yield	Nil	Nil	Nil

Stock options outstanding and exercisable are as follows:

Expiry date	Weighted average exercise price	December 31, 2018	December 31, 2017
	$	$	$
December 24, 2018	0.050	-	981,500
February 2, 2020	0.050	730,000	834,000
July 21, 2021	0.080	150,000	200,000
August 12, 2021	0.080	40,000	40,000
November 30, 2021	0.080	325,000	388,000
June 16, 2022	0.060	365,000	383,000
January 12, 2023	0.060	200,000	-
November 1, 2023	0.065	200,000	-
	0.062	2,010,000	2,826,500

7. Government grants and tax credits

The Company received $77,796 (2017 - $119,659) from the Yukon Government for expenditures made on its OGI, RC and Eureka Dome properties in Yukon, Canada, and a mining tax credit of nil (2017 – $10,045) from the Canada Revenue Agency.

8. Related parties

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

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

	Years ended December 31	
	2018	2017
	$	$
Management fees paid to a company controlled by the CEO of the Company	**96,000**	96,000
Management fees paid to a company controlled by the CFO of the Company	**30,700**	18,000
Stock-based compensation recorded for stock options granted to directors and officers of the Company (non-cash expense)	**10,028**	19,294
	136,728	133,294

As at December 31, 2018, $nil remained payable to related parties in consulting fees and reimbursable expenses (2017 - $6,137).

In addition, the Company entered into an option agreement for the purchase of the Spius property (Note 5(b)(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 on 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, 2018.

10. Financial instruments

With the adoption of IFRS 9, the Company has classified cash, other receivables, and trade payable and accrued liabilities at amortized cost; marketable securities as FVTOCI, and warrants as FVTPL.

Fair values

As at December 31, 2018, the recorded amounts for cash, other receivables and trade payable and accrued liabilities approximate their fair values due to their short maturity. The Company's marketable securities and warrants are measured subsequent to initial recognition 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. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a material impact on the expected cash flows.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. At December 31, 2018, the Company had cash of $1,213,872 (2017- $598,401), trade payable and accrued liabilities of $26,449 (2017 - $36,705) and a provision for a contingent liability of $207,262 (2017 – nil).

Currency risk

The Company keeps approximately 4% of its cash in US dollars. A change in the value of the US dollar by 10% relative to the Canadian dollar would affect the Company's working capital by approximately $4,000, with minimal impact to its net income (loss) for the year as there are virtually no transactions in US dollars.

Price risk

The Company is exposed to price risk on its marketable securities and warrants due to fluctuations in the current market prices and fluctuations in trading volumes of those securities. At December 31, 2018, the Company held marketable securities and warrants with a fair value of $25,980 (2017 - $36,830). These investments are subject to market price fluctuations that can be significant.

11. Segmented information

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions. As at December 31, 2018, all of the Company's non-current assets were held in Canada, except for a reclamation bond of $6,845 (USD $5,018) held in the United States.

12. 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, 2018 and 2017 is as follows:

	2018	2017
	$	$
Income for the year	386,401	10,385
Statutory tax rate	27%	26%
Expected income tax expense	104,328	2,700
Change in statutory rate	8,964	(150,746)
Non-capital loss expired	-	(13,945)
Non-deductible expenses	7,001	6,548
Change in unrecognized deferred income tax benefits	(120,293)	155,443
Income tax expense	-	-

Effective January 1, 2018, the Canadian Statutory tax rate increased by 1% due to the British Columbia legislative change.

A potential deferred income tax asset of approximately $7,000,737 arises from the following:

	2018	2017
	$	$
Non-capital loss carryforwards	724,897	606,802
Capital loss carryforwards	5,740	5,740
Mineral property	6,268,652	6,506,095
Deferred financing costs	1,448	2,393
Total unrecognized deferred income tax assets	7,000,737	7,121,030

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

At December 31, 2018, included in the computation of the deferred tax assets noted above, the Company had approximately $2,684,804 of losses available for carry-forward from $25,949,917 of resource pools.

The loss carry-forward can be offset against income for Canadian income tax purposes in future years and will expire between 2029 and 2038 as below:

2029	$	153,737
2030		239,449
2031		183,166
2032		76,150
2033		100,133
2034		785,069
2035		227,119
2036		243,892
2037		233,502
2038		442,587
	$	2,684,804

13. Commitments

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

	$
2019	31,740
2020	15,870

14. Contingent Liability

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

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

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

As the Company provided indemnity agreements to the investors that participated in the 2016 flow-through private placement, should the final decision upon review of the Company's legal letter remain unchanged, the Company would have to refund any personal tax reassessed to its investors; the Company estimates this amount to be equal to 50% of the amount denied, or $183,365. In addition, the CRA is also proposing a reassessment of the BCMETC by $21,397 and $2,500 in fines, adding up to the $207,262 that the Company has set up set up as a provision..

The Company has not received a response from the CRA to the Company's legal letter as at the date of publication of these consolidated financial statements.

15. Subsequent events

- On January 4, 2019, the Company granted an aggregate of 1,050,000 fully-vested stock options to certain directors and officers pursuant to the Company's stock option plan. Each stock option is exercisable into one common share of the Company at an exercise price of $0.05 per common share for a period of five years.

- Subsequent to December 31, 2018, the Company received the $10,000 cash portion corresponding to the second option payment from Trifecta Gold Ltd. related to the Company's Eureka Dome property. The 100,000 Trifecta common shares corresponding to that second option payment were received during the year ended December 31, 2018 (Notes 4 and 5(a)(ii)).

- On February 9, 2019, the Company received a default notice by the optionor of the TL Zinc property. As indicated in note 5(c)(iv), the Company decided to abandon the option to this property due to legal uncertainty as to the ownership of the underlying claims.

- On March 9, 2019, the Company terminated the option agreement with Four Nines with respect to the Company's wholly-owned Mariposa property (Note 5(a)(i)).

- On April 22, 2019, the Company terminated the option agreement with Trifecta with respect to the Company's wholly-owned Eureka Dome property (Note 5(a)(ii)).

* * * * *