



# **Condensed Interim Financial Statements**

**September 30, 2016**

**(Unaudited – in Canadian dollars)**

## **Notice of no auditor review**

The accompanying condensed interim financial statements of **Pacific Ridge Exploration Ltd.** for the nine months ended September 30, 2016 were prepared by management and have not been reviewed by its independent auditor.

# Pacific Ridge Exploration Ltd.

## Condensed Interim Statements of Financial Position

(Unaudited - in Canadian dollars)

	Note	September 30, 2016	December 31, 2015
<b>Assets</b>		\$	\$
<b>Current assets</b>			
Cash		245,430	489,304
Other receivables		7,029	3,673
Marketable securities	3	-	114,105
Prepaid		4,650	4,650
		257,109	611,732
<b>Resource properties</b>	4	566,192	517,429
		823,301	1,129,161
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payable and accrued liabilities		55,425	3,720
<b>Shareholders' Equity</b>			
<b>Share capital</b>		43,091,428	43,066,428
<b>Contributed surplus</b>		3,167,965	3,152,125
<b>Deficit</b>		(45,491,517)	(45,093,112)
		767,876	1,125,441
		823,301	1,129,161

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

Approved and authorized for issue on behalf of the Board of Directors on November 29, 2016

*/s/ "Gerald G. Carlson"*

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Director

*/s/ "Douglas Proctor"*

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Director

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<b>Administration expenses</b>	\$	\$	\$	\$
Professional and consulting fees	12,137	42,094	25,615	51,109
Management and administrative services	11,500	16,125	38,150	42,017
Office operations and facilities	15,652	11,926	47,667	48,225
Shareholder communications	4,207	1,582	11,543	5,385
Share-based payments	15,840	-	15,840	18,103
Transfer agent and regulatory fees	9,515	903	22,308	18,226
	<b>68,851</b>	<b>72,630</b>	<b>161,123</b>	<b>183,065</b>
<b>Other expenses (income)</b>				
Exploration and evaluation costs	143,022	114,813	161,858	131,613
Sale of mineral property royalties	-	-	-	(508,200)
Fair value on marketable securities	43,220	-	75,424	-
Property option payment	-	(185,000)	-	(185,000)
	<b>186,242</b>	<b>(70,187)</b>	<b>237,282</b>	<b>(561,587)</b>
<b>Net (loss) income for the period</b>	<b>(255,093)</b>	<b>(2,443)</b>	<b>(398,405)</b>	<b>378,522</b>
<b>Other comprehensive loss for the period</b>				
Items that may be reclassified to profit and loss				
Net change in fair value of marketable securities	-	(39,051)	-	(44,793)
<b>(Loss) income and comprehensive income (loss) for the period</b>	<b>(255,093)</b>	<b>(41,494)</b>	<b>(398,405)</b>	<b>333,729</b>
<b>Basic loss and comprehensive loss per common share</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>(0.02)</b>	<b>0.02</b>
<b>Weighted average number of common shares outstanding</b>	<b>24,513,167</b>	<b>24,390,884</b>	<b>24,432,093</b>	<b>24,390,884</b>

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

# Pacific Ridge Exploration Ltd.

## Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited - in Canadian dollars)

	Common Shares		Contributed Surplus	Other Comprehensive Loss	Deficit	Total Shareholders' Equity
	Shares	Amounts				
		\$	\$	\$	\$	\$
Balance at December 31, 2014	24,390,884	43,066,428	3,134,022	(17,985)	(45,346,298)	836,167
Share-based payments			18,103			18,103
Other comprehensive loss for the period				(44,793)		(44,793)
Net income for the period					378,522	378,522
Balance at September 30, 2015	24,390,884	43,066,428	3,152,125	(62,778)	(44,967,776)	1,187,999
Realized loss on marketable securities				1,887		1,887
Reclassification of marketable securities				51,569		51,569
Other comprehensive loss for the period				9,322		9,322
Net loss for the period					(125,336)	(125,336)
Balance at December 31, 2015	24,390,884	43,066,428	3,152,125	-	(45,093,112)	1,125,441
Shares issued for property	250,000	25,000				25,000
Share-based payments			15,840			15,840
Net loss for the period					(398,405)	(398,405)
Balance at September 30, 2016	24,640,884	43,091,428	3,167,965	-	(45,491,517)	767,876

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

# Pacific Ridge Exploration Ltd.

## Condensed Interim Statements of Cash Flows

(Unaudited - in Canadian dollars)

	Nine months ended September 30,	
	2016	2015
<b>Operating activities</b>	<b>\$</b>	<b>\$</b>
Income (loss) for the period	(398,405)	378,522
Sale of mineral royalties	-	(508,200)
Items not affecting cash		
Impairment on marketable securities	75,424	-
Property option payment		(185,000)
Share-based payments	15,840	18,103
	<b>(307,141)</b>	<b>(296,575)</b>
Changes in non-cash working capital items		
Other receivables	(3,356)	(1,416)
Prepaid	-	(2,650)
Trade payable and accrued liabilities	51,705	69,197
	<b>48,349</b>	<b>65,131</b>
Cash used in operating activities	<b>(258,792)</b>	<b>(231,444)</b>
<b>Investing activities</b>		
Resource property acquisition costs	(33,763)	-
Proceeds on property option payments	10,000	100,000
Proceeds on sale of marketable securities	38,681	2,299
Proceeds from sale of mineral property royalties	-	610,001
Cash provided by investing activities	<b>14,918</b>	<b>712,300</b>
<b>Financing activities</b>		
Cash provided by financing activities	-	-
<b>(Decrease) increase in cash</b>	<b>(243,874)</b>	<b>480,856</b>
<b>Cash - beginning of period</b>	<b>489,304</b>	<b>127,897</b>
<b>Cash - end of period</b>	<b>245,430</b>	<b>608,753</b>

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

# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### September 30, 2016

(Unaudited - in Canadian dollars)

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#### 1. Nature of operations

Pacific Ridge Exploration Ltd. (the "Company" or "Pacific Ridge") is in the business of acquiring and exploring resource properties in Canada and 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 interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets maybe materially less than the amounts on the statements of financial position. As of September 30, 2016, the Company had a working capital of \$201,684. Subsequent to the quarter end, the Company received gross proceeds of \$434,600 from a flow-through private placement (note 14). The Company believes it could sustain its operation and maintain its minimum obligations for the next 12 months.

#### 2. Basis of presentation

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

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

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

The interim financial statements were approved by the Board of Directors on November 29, 2016.

# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### September 30, 2016

(Unaudited - in Canadian dollars)

#### 3. Marketable securities

As at September 30, 2016, the Company had 2,135,157 shares (post-consolidation) of MinQuest Limited ("MinQuest"), in relation to the Company's Fyre Lake property option agreement entered into in July 2014. In September 2016, MinQuest acquired Electronic Pain Assessment Technologies, changed its name to Epat Technologies Ltd. and underwent a 7 old for 4 new share consolidation.

Due to a prolonged decline in the fair market value, the Company impaired these shares and recognized \$51,569 in net loss from accumulative comprehensive loss in the year end 2015. During the nine months ended September 30, 2016, the Company sold 1,085,714 shares (post-consolidation) for \$38,681 gross proceeds, and recorded \$75,424 loss on fair value adjustment for these shares:

	No. of shares	Fair Value (\$)
December 31, 2014	919,050	32,015
Additions	2,473,250	125,000
Disposals	(171,429)	(7,439)
Revaluation	-	(35,471)
December 31, 2015	3,220,871	114,105
Disposals	(1,085,714)	(38,681)
Revaluation	-	(75,424)
September 30, 2016	2,135,157	-

#### 4. Resource properties

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

	Mariposa	TL Zinc	Poker Brown	Fyre Lake	Sophie Property	Eureka Dome	Gold Cap	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2014	567,139	-	-	40,000	23,735	41,790	10,300	682,964
Option payment received	-	-	-	(40,000)	-	-	-	(40,000)
Sale of mineral royalties	(61,000)	-	-	-	(1)	(30,500)	(10,300)	(101,801)
Impairment	-	-	-	-	(23,734)	-	-	(23,734)
Balance, December 31, 2015	506,139	-	-	-	-	11,290	-	517,429
Option payment received	(10,000)	-	-	-	-	-	-	(10,000)
Additions	-	45,000	13,763	-	-	-	-	58,763
Balance, September 30, 2016	496,139	45,000	13,763	-	-	11,290	-	566,192



# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### September 30, 2016

(Unaudited - in Canadian dollars)

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a) Mariposa property, Yukon

In September 2016, the Company optioned its Mariposa property to Eureka Dome Gold Inc. ("Eureka Dome"), a private British Columbia company. Pursuant to the terms of the agreement, Eureka Dome can earn a 51% interest in the property by making cash payments of \$200,000 (\$10,000 received), issuing 1,000,000 shares and 150,000 common share purchase warrants and completing \$2,450,000 in exploration in staged annual increments by December 31, 2020.

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

b) TL Zinc property, British Columbia

In August 2016, the Company entered into an option agreement to acquire a 100% interest in the TL Zinc property located 80km northeast of Vernon, British Columbia, by making cash payments totalling \$350,000 (\$20,000 paid), issuing 1,500,000 shares (250,000 issued) and completing \$3,325,000 (\$47,588 incurred) in exploration over five years.

In addition, \$500,000 bonus shares will be issuable upon completion of a feasibility study.

The vendors will retain a 3% net smelter return ("NSR") that can be bought down to 1.5% for \$3,000,000.

c) Poker Brown, 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 total US\$1,000,000 cash payments and US\$940,000 advanced royalty payments to the underlying property owner over eight years. No payments are due in year one.

In addition, two bonus cash payments of US\$500,000 are payable on cumulative exploration expenditures of US\$5,000,000 and US\$8,000,000. Underlying royalties include a 2.5% NSR that can be bought down to 2% for US\$500,000 and a 0.5% NSR capped at US\$500,000.

d) Fyre lake massive sulphide property, Yukon

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

In July 2014, the Company farmed out its Fyre Lake property to MinQuest. Pursuant to the terms of the option agreement, MinQuest could earn an initial 51% interest in the property over three years. Since July 2014, the Company received \$150,000 in cash payments and 3,392,300 shares of MinQuest. MinQuest terminated the option in July 2016.

During the nine months ended September 30, 2016, the Company incurred exploration expenditures \$47,588 in TL Zinc, \$40,600 in Poker Brown, \$22,852 in Mariposa, \$17,970 in Eureka Dome and \$32,848 in general exploration.

# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### September 30, 2016

(Unaudited - in Canadian dollars)

#### 5. Share capital

##### a) Common share

Authorized - unlimited common shares without par value. During the period ended September 30, 2016, the Company issued 250,000 common shares totaling \$25,000 in relation to TL Zinc property.

##### b) Share purchase warrants

As of September 30, 2016, and December 31, 2015, the Company has 3,063,750 warrants exercisable at \$0.075 per share of which 2,000,000 expire on November 18, 2016 and 1,063,750 on December 23, 2016. These warrants are related to a non-brokered private placement closed in the end of 2014.

Subsequent to the quarter end, 950,000 warrants were exercised at a price of \$0.075 and 1,050,000 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 option transactions and the number of stock options outstanding and exercisable are summarized below:

	September 30, 2016		December 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	2,281,500	\$ 0.20	1,653,500	\$ 0.39
Granted	240,000	\$ 0.08	868,000	\$ 0.05
Expired	(218,000)	\$ (1.08)	(222,000)	\$ (1.00)
Balance, end of period	2,303,500	\$ 0.10	2,281,500	\$ 0.20
Exercisable, end of period	2,303,500	\$ 0.10	2,281,500	\$ 0.20

As of September 30, 2016, the weighted average remaining life for stock option outstanding and exercisable was 2.76 years (December 31, 2015 – 3 years).

# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### September 30, 2016

(Unaudited - in Canadian dollars)

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

Expiry date	Exercise price (\$)	September 30, 2016	December 31, 2015
January 6, 2016	1.50	-	60,000
May 12, 2016	1.50	-	6,000
July 29, 2016	3.05	-	40,000
May 24, 2017	0.50	148,000	166,000
December 5, 2017	0.50	100,000	100,000
December 24, 2018	0.05	981,500	1,041,500
February 2, 2020	0.05	834,000	868,000
July 21, 2021	0.08	200,000	-
August 12, 2021	0.08	40,000	-
		2,303,500	2,281,500

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

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

	September 30, 2016	September 30, 2015
Risk-free interest rate	0.70%	1.07%
Expected share price volatility	133%	138%
Expected option life in years	5	5
Expected dividend yield	Nil	Nil

#### 6. Related parties

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

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

	Three months ended September 30, 2016		Nine months ended September 30, 2015	
	\$	\$	\$	\$
Salary	\$ 19,500	\$ 27,750	\$ 64,000	\$ 64,250
Share-based payments, non-cash	15,840	-	15,840	18,103
	35,340	27,750	79,840	82,353

# Pacific Ridge Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### September 30, 2016

(Unaudited - in Canadian dollars)

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#### 7. Financial instruments

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

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

As at September 30, 2016, the recorded amounts for cash and other receivables approximate their fair values due to their short-term nature. Accordingly, the fair value of accounts payable and accrued liabilities may be lower than the amounts recorded in the financial statements.

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

#### 8. Segmented information

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions. 2% of the Company's long-term assets are located Nevada, United States and the rest are in Canada.

#### 9. Subsequent event

The Company received gross proceeds of \$434,600 from the issuance of 5,432,500 flow-through units ("FT Units"). Each FT Unit is priced at \$0.08 per FT Unit and consists of one flow-through common share and one half share purchase warrant, with each whole warrant exercisable to purchase one additional non-flow-through common share at an exercise price of \$0.14 for a period of 18 months subject to certain acceleration provision.