Pacific Ridge exploration ltd.

(An Exploration-Stage Company)

Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(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 subsidiary (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- 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, comprising material accounting policy information 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.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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, 2023. 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of resource properties *Refer to note 2 – Summary of material accounting policies and note 4 – Resource properties, to the consolidated financial statements.* The carrying value of resource properties, comprised of exploration and evaluation assets, amounted to $4,690,759 as at December 31, 2023. Management applies judgment in reviewing the carrying value of the resource properties for impairment indicators 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	Our approach to addressing 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
development or by sale. No impairment indicators were identified by management as of December 31, 2023. 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 Accounting Standards, 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 Melanie Matthews.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 24, 2024

Consolidated
Statements of Financial Position
(Expressed in Canadian dollars)

	Note	**December 31, 2023**	December 31, 2022
Assets		**$**	$
Current			
Cash		**541,840**	7,813,084
Other receivables		**80,983**	48,286
Marketable securities	3	**-**	44,833
Prepaid		**49,241**	42,719
		672,064	7,948,922
Equipment and furniture		**9,425**	8,686
Resource Properties	4	**4,350,837**	602,788
Reclamation bonds		**64,642**	64,642
Right-of-use assets	10	**60,234**	-
		5,157,202	8,625,038
Liabilities			
Current			
Trade payable and accrued liabilities		**158,138**	372,549
Financial liability	4(c)(i)	**249,177**	385,341
Lease liabilities - current portion	10	**58,396**	-
Flow-through tax liability	5(a)(vii), 14	**162,342**	-
Flow-through premium liability	5(a)(iv)	**-**	1,029,704
		628,053	1,787,594
Lease liabilities - long-term portion	10	**4,317**	-
		632,370	1,787,594
Shareholders' equity			
Share capital	4(a)(i), 4(a)(iv), 5	**63,182,638**	58,086,829
Contributed surplus	5 (b & c)	**5,752,729**	5,340,343
Accumulated other comprehensive loss	3	**-**	(12,500)
Deficit		**(64,410,535)**	(56,577,228)
		4,524,832	6,837,444
		5,157,202	8,625,038

Nature of operations and going concern uncertainty 1

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 23, 2024

/s/ "Bruce Youngman"
Director

/s/ "Blaine Monaghan"
Director

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

	Note	Years ended December 31	
		2023	2022
Administration expenses		**$**	$
Amortization of right-of-use assets	10	**67,671**	27,652
Depreciation		**4,948**	4,606
Finance lease interest	10	**8,322**	1,108
Insurance		**33,950**	26,559
Professional and consulting		**42,885**	67,152
Management and administrative	7	**410,678**	355,408
Office operations and facilities		**124,651**	154,363
Shareholder communications		**606,971**	572,642
Share-based payments	5(c)	**549,320**	805,613
Transfer agent and regulatory fees		**53,320**	59,107
		1,902,716	2,074,210
Exploration-related expenses (income)			
Exploration and evaluation costs	4	**7,329,725**	6,092,336
Mining tax credit	6	**-**	(267,372)
Property option payments	4(b)(i)	**(400,000)**	(575,000)
Impairment of resource properties	4(d)	**-**	429,619
		6,929,725	5,679,583
Other expenses (income)			
Interest		**(169,091)**	(49,809)
Foreign exchange loss		**3,261**	3,477
Flow-through tax	5(a)(vii)	**162,342**	-
Flow-through tax recovery	5(a)(vii)	**(1,029,704)**	-
		(1,033,192)	(46,332)
Net loss		**(7,799,249)**	(7,707,461)
Other comprehensive income (loss):			
Net change in fair value of marketable securities	3	**(21,558)**	(13,500)
Total comprehensive loss		**(7,820,807)**	- (7,720,961)
Loss per share (basic and diluted)		**(0.07)**	(0.10)
Weighted average number of shares outstanding basic and diluted		**118,946,185**	74,935,841

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

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Note	Share capital Amount	Share capital Value	Contributed surplus	Other comprehensive income (loss)	Deficit	Total
		#	$	$	$	$	$
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	5(a)(viii)	37,900,000	12,281,200	-	-	-	12,281,200
Flow-through premium	5(a)	-	(1,406,250)	376,546	-	-	(1,029,704)
Non flow-through units issued for cash	5(a)(viii)	8,391,304	1,930,000	-	-	-	1,930,000
Shares issued for property	4(a)(ii), 6(a)(ix)	1,300,000	417,250	-	-	-	417,250
Shares issued on exercise of warrants	5(a)(b)	1,397,978	257,972	(3,215)	-	-	254,757
Shares issued on exercise of options	5(a)(c)	890,000	140,494	(60,594)	-	-	79,900
Share issuance costs	5(a)	-	(1,825,794)	560,968	-	-	(1,264,826)
Share-based payments	5(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
Non flow-through units issued for cash	4(a)(i)	3,672,667	661,080	-	-	-	661,080
Shares issued for property	4(a)(ii)	17,696,099	3,677,681				3,677,681
Shares issued on exercise of warrants	5(a)(iii), 5(a)(iv), 5(b)	4,050,000	693,645	(82,145)	-	-	611,500
Shares issued on exercise of options		1,100,000	120,789	(54,789)	-	-	66,000
Share issuance costs	5(a)	-	(57,386)	-	-	-	(57,386)
Share-based payments	5(c)	-	-	549,320	-	-	549,320
Unrealized loss in marketable securities	3	-	-	-	(21,558)	-	(21,558)
Realized loss on sale of marketable securities	3	-	-	-	34,058	(34,058)	-
Net loss for the year		-	-	-	-	(7,799,249)	(7,799,249)
Balance, December 31, 2023		**130,487,556**	**63,182,638**	**5,752,729**	**-**	**(64,410,535)**	**4,524,832**

PACIFIC RIDGE exploration ltd.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Years ended December 31	
	2023	2022
	$	$
Operating activities		
Loss for the year	**(7,799,249)**	(7,707,461)
Items not affecting cash:		
Right-of-use asset amortization	**67,671**	27,652
Depreciation of plant and equipment	**4,948**	4,606
Finance lease interest	**8,322**	1,108
Marketable securities received for property	**-**	(4,333)
Share-based payments	**549,320**	805,613
Impairment of resource properties	**-**	429,619
Unrealized foreign exchange	**3,901**	3,760
Property option recovery	**(400,000)**	(575,000)
Interest received	**(169,091)**	(49,809)
Flow-through tax recovery	**(1,029,704)**	-
Changes in non-cash working capital items (note 13):	**(91,950)**	**114,579**
Cash used in operating activities	**(8,855,832)**	(6,949,666)
Investing activities		
Resource property acquisition costs	**(70,368)**	(182,089)
Acquisition of plant and equipment	**(5,687)**	(1,945)
Proceeds on sale of marketable securities	**23,275**	-
Proceeds from property option payments	**400,000**	700,000
Interest received	**169,091**	49,809
Reclamation bonds	**-**	(43,642)
Cash provided by investing activities	**516,311**	522,133
Financing activities		
Proceeds from flow-through private placement	**-**	12,281,200
Proceeds from non flow-through private placement	**661,080**	1,930,000
Proceeds from warrant exercises	**611,500**	254,757
Proceeds from exercise of stock options	**66,000**	79,900
Share issue costs	**(56,723)**	(1,205,852)
Advances received for exploration	**2,015,743**	2,186,962
Amount expensed from advances received	**(2,151,907)**	(1,801,621)
Finance lease -principal payments	**(65,193)**	(29,252)
Finance lease -interest payments	**(8,322)**	(1,108)
Cash provided by financing activities	**1,072,178**	13,694,986
Effect of foreign exchange translation on cash	**(3,901)**	(3,760)
Increase (decrease) in cash	**(7,271,244)**	7,263,693
Cash, beginning of the year	**7,813,084**	549,391
Cash, end of the year	**541,840**	7,813,084
Supplementary cash flow information (note 13)		

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

1. Nature of operations and going concern uncertainty

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 administration office is Suite 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

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.

The Company's annual consolidated financial statements have been prepared using accounting principles applicable to a going concern basis, which contemplates that the Company will be able to continue its operations for at least twelve months from December 31, 2023, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business as they come due. The Company has not generated revenue from operations to date and will require additional financing or outside participation to undertake further advanced exploration of its mineral properties, as well as for general administrative activities and operations. Future operations of the Company are dependent upon its ability to raise additional equity financing and maintain sufficient working capital and upon future production or proceeds from the dispositions of its mineral property interests.

As of December 31, 2023, the Company had cash of $541,840, working capital of $44,011, which is calculated as current assets less current liabilities, and accumulated deficit of $64,410,535. For the year ended December 31, 2023, the Company incurred a net loss of $7,799,249 and used cash in operating activities of $8,855,832. The Company's operations to date have been financed by the issuance of common shares, the exercise of share purchase warrants, and the exercise of stock options. During the year ended December 31, 2023, the Company's financing activities provided cash of of $1,072,178, through a non-brokered private placement financing, the exercise of warrants and stock options (note 5), and cash received from a third party for the exploration of one of the Company's properties (note 4(a)(iv)). Subsequent to December 31, 2023, the Company raised gross proceeds of $1,760,120 of which $709,620 are flow-through funds (see note 14, *Subsequent events*). Despite this, there can be no assurance that the Company will be able to continue to secure additional financings in the future, and if it does, it cannot assure that the terms be favourable This gives rise to a material uncertainty that may raise significant doubt about the Company's ability to continue as a going concern.

These annual consolidated financial statements do not give effect to any adjustments to the carrying values of the assets and liabilities, the reported expenses, and the statements of financial position classifications used that would be necessary should the Company be unable to continue as going concern. Such adjustments could be material.

2. Summary of material accounting policies

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards”). The material 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 investments carried at fair value through other comprehensive income, 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, 2024.

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

a) Accounting standards adopted during the year

The Company has adopted the following new accounting standard and amendments to IFRS:

Amendments to IAS 1, Presentation of Financial Statements (effective January 1, 2023) require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. The amendments did not result in any changes to the accounting policies themselves.

b) Consolidation

These consolidated 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

c) 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 material accounting policies (continued)

d) 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.

e) 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.

f) 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.

g) 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.

h) 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 material accounting policies (continued)

i) Share-based payments

The Company has a stock option plan that is described in note 5. 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.

j) 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.

k) 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.

l) 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.

2. Summary of material accounting policies (continued)

l) Financial instruments (continued)

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.

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 payables and accrued liabilities	Amortized cost

m) 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.

2. Summary of material accounting policies (continued)

n) 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 stand-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.

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, 2023.

(Expressed in Canadian dollars)

3. Marketable securities

The Company owned a portfolio of marketable securities which had been received as part of option payments on properties owned or on option by the Company. During the year ended December 31, 2023, the Company disposed of all of these securities.

The fair value of the marketable securities owned by the Company was as follows:

	Four Nines Gold Common shares		Trifecta Gold Ltd. Common shares		Arctic Fox Ventures Common shares		Total
	Number	Fair value	Number	Fair value	Number	Fair value	Fair value
	#	$	#	$	#	$	$
Balance, December 31, 2021	60,000	36,000	200,000	18,000	-	-	54,000
Acquired	-	-	-	-	33,334	4,333	4,333
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
Loss in fair value of securities	-	(17,558)	-	(3,000)	-	(1,000)	(21,558)
Disposition of securities	(60,000)	(15,442)	(200,000)	(7,000)	(33,334)	(833)	(23,275)
Balance, December 31, 2023	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(Expressed in Canadian dollars)

4. 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						Properties on option from third parties		Total
	Kliyul BC	Redton BC	Onjo BC	Orbison (Gap) BC	RDP BC	Mariposa YT	Chuchi BC	Chuchi South BC	
	$	$	$	$	$	$	$	$	$
Balance, December 31, 2021	22,500	22,500	-	-	83,449	429,619	-	-	558,068
Option payments in cash	12,500	12,500	75,000	-	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	**35,000**	**35,000**	**410,255**	**12,261**	**76,949**	**-**	**33,323**	**-**	**602,788**
Option payments in cash	-	-	-	-	(30,000)	-	-	-	(30,000)
Other payments in cash	-	-	-	-	-	-	16,893	50,000	66,893
Staking costs	31,500	-	1,975	-	-	-	-	-	33,475
Final acquisition in shares	3,569,181	-	-	-	108,500	-	-	-	3,677,681
Balance, December 31, 2023	**3,635,681**	**35,000**	**412,230**	**12,261**	**155,449**	**-**	**50,216**	**50,000**	**4,350,837**

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

	Years ended December 31	
Property	**2023**	2022
	$	$
Kliyul	**6,455,804**	5,193,650
Chuchi	**361,640**	314,637
Chuchi South	**186,051**	-
Onjo	**139,490**	277,050
Redton	**12,630**	112,816
Mariposa	**8,894**	53,232
Orbison (Gap)	**3,280**	13,923
RDP - portion incurred by the Company *	**-**	47,106
RDP - Project management fees charged by the Company *	**(62,217)**	(49,215)
Spius	**-**	(4,261)
General exploration not allocated to a specific property	**224,153**	133,398
Total exploration expenses incurred by the Company:	**7,329,725**	**6,092,336**

* During the year ended December 31, 2023, $1,979,690 and $110,000 (2022 - $1,752,406 and $nil) was incurred in exploration of RDP and Company RDP property option payment obligations, respectively, on behalf of Antofagasta. During the comparative period of the prior year, $47,106 was spent directly by the Company before the Antofagasta agreement came into effect (note 4(c)(i)).

4. Resource properties (continued)

A description of the relevant projects follows:

a) Company-owned properties:

i) Kliyul and Redton properties, British Columbia

On May 10, 2023, the Company entered into an agreement with AuRico to acquire a 100% interest in the Kliyul and Redton properties by issuing 16,996,099 common shares at a fair market value of $0.21 per share to AuRico (the "AuRico Agreement"). This AuRico Agreement replaces an earn-in property agreement (the “Kliyul-Redton Agreement”) entered into on January 17, 2020 and amended on April 7, 2020, and on July 22, 2020, with AuRico.

At December 31, 2023, and since the start of exploration activities at Kliyul and Redton in 2020, the Company had incurred over $14,400,000 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.

ii) Onjo property, British Columbia

On January 27, 2022, the Company entered into an 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 equivalent to $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 an 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 equivalent to $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.

(Expressed in Canadian dollars)

4. Resource properties (continued)

a) Company-owned properties (continued):

iv) 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.

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	Completed
125,000	1,200,000	860,000		

The Company issued the remaining 700,000 shares at a fair market value of $0.155 per share during the year ended December 31, 2023, and now owns a 100% interest in RDP.

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.

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.

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, during 2022 Antofagasta provided $2,186,962 in advances for exploration in RDP. During the year ended December 31, 2022, $1,752,406 was incurred of RDP exploration costs on behalf of Antofagasta and the Company charged a project management fee of $49,215, which was deducted from Antofagasta's cash pool.

4. Resource properties (continued)

a) Company-owned properties (continued):

iv) RDP Property, British Columbia (continued):

During the year ended December 31, 2023, Antofagasta provided additional funding of $2,015,743 (USD $1,500,000) based on the projected 2023 project costs. During the same period $1,979,690 was incurred in exploration expense on behalf of Antofagasta and $110,000 was used to pay for the Company's property option payment obligations. The Company assessed operator's fees for $62,217 during the year.

As at December 31, 2023, an amount of $249,177 remained in Antofagasta's cash pool is expected to be spent during 2024, and remained as a financial liability in the Company's consolidated statement of financial position at December 31, 2023.

Subsequent to December 31, 2023, Antofagasta discontinued its option on the RDP property (see note 14, *Subsequent events*).

v) 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 $46,701 was carried out during the year ended December 31, 2022. Unbilled amounts at December 31, 2022, related to this work and the remaining $2,699 were included in accrued liabilities, which were increased again to $50,000 as at December 31, 2022, due to reclamation requirements imposed by the Yukon government. Of this amount, $44,505 was used in reclamation-related work during 2023, thus remaining $5,495 accrued for further work. An additional $8,894 was spent on Mariposa during 2023 in non-reclamation-related work. As the Company is not planning further immediate exploration on Mariposa, the carrying value of $429,619 was impaired as at December 31, 2022.

b) Company-owned properties sold 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, which were received between 2017 and 2023. In addition, due to renegotiations, the Company received an additional $350,000 during that period.

On March 28, 2023, The Company received the final $400,000 cash payment from BMC. This was BMC's last payment required to acquire a 100% interest in Fyre Lake.

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)

4. Resource properties (continued)

c) Third party properties being optioned to the Company

i) Chuchi property, British Columbia

On May 6, 2022, the Company entered into a property earn-in agreement (the "Earn-In Agreement) with AuRico for the acquisition of up to a 75% interest in the Chuchi porphyry copper-gold project ("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		

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 brought 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.

During the year ended December 31, 2023, the company incurred $6,893 in additional staking at Chuchi.

(Expressed in Canadian dollars)

4. Resource properties (continued)

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

ii) Chuchi South property, British Columbia

On March 3, 2023, the Company entered into an Amended and Restated Mineral Property Option Agreement (the "Chuchi South Agreement") pursuant to which the Company can acquire a 51% interest in Chuchi South under the following terms:

Cash payments to be made	Shares to be issued	Exploration expenses to be incurred	Due date (on or before)	Status
$	$	$		
50,000	-	-	On signature	Paid
-	-	150,000	December 31, 2023	Completed
50,000	-	-	February 13, 2024	To be paid in shares *
-	-	500,000	December 31, 2024	
50,000	-	-	February 13, 2025	
-	-	750,000	December 31, 2025	
50,000	-	-	February 13, 2026	
-	-	1,000,000	December 31, 2026	
50,000	-	-	February 13, 2027	
-	-	1,600,000	December 31, 2027	
250,000	-	4,000,000		

* Subsequent to December 31, 2023, the Company agreed with the underlying option holders to make this payment through the issuance of 550,000 common shares. These shares had not been issued at the date of publication of these consolidated financial statements and the agreement is subject to regulatory approval.

The Company then has the right to increase its interest to 75% by issuing shares valued at $250,000 by January 30, 2028, under the following terms:

Cash payments to be made	Shares to be issued	Exploration expenses to be incurred	Due date (on or before)	Status
$	$	$		
-	250,000	-	January 30, 2028	
75,000	-	2,000,000	December 31, 2028	
75,000	-	2,000,000	December 31, 2029	
150,000	250,000	4,000,000		

d) Resource properties (continued)

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.

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 to the underlying owners 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 assumed 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, fair-valued at $4,333 on that date, which were disposed of during the year ended December 31, 2023 (note 3).

During the fourth quarter of 2023, Arctic Fox terminated its option to earn an interest in Spius. Subsequent to this notice, the Company terminated its option to earn an interest in the property.

5. Share capital

a) Common Shares

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

i) During December of 2023, the company received cash proceeds of $45,000 on exercise of 900,000 stock options with an exercise price of $0.05 per share, and $21,000 upon exercise of 200,000 stock options with an exercise price of $0.105 per share (note 5(c)).

ii) On November 30, 2023, the Company issued 700,000 common shares with a fair value of $0.155 per share (equivalent to $108,500) for the final acquisition of the RDP property (note 4(a)(iv)).

iii) On September 28, 2023, the Company closed a non-brokered private placement by issuing 3,672,667 units at a price of $0.18 per unit for gross cash proceeds of $661,080. Each unit consists of one common share and one share purchase warrant, with each warrant entitling its owner to acquire an additional common share at an exercise price of $0.27 per share for a period of two years. The Company paid 6% finder's fee to certain parties amounting to $16,864. Other share issuance costs related to this placement amounted to $12,536. 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.

iv) On May 19, 2023, 16,996,099 common shares were issued for the acquisition of a 100% stake in the Kliyul and Redton properties (note 4(a)(i)), at a fair value of $0.21 per share.

v) On April 27, 2023, 50,000 common shares were issued on exercise of share purchase warrants with an exercise price of $0.23 per share for cash proceeds of $11,500.

vi) On February 27, 2023, the Company received cash proceeds of $600,000 on exercise of 4,000,000 share purchase warrants with an exercise price of $0.15 per share.

vii) 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. As the full amount of the flow-through was expensed by December 31, 2023, the flow through liability was written off to the consolidated statements of loss and comprehensive loss.

As the flow-through funds raised through the 2023 private placements were renounced to the investors effective December 31, 2023, the Company carried a significant amount of unspent flow-through dollars through the first months of 2023, which resulted in a tax liability pursuant to Part XII.6 of the Income Tax Act of $162,342.

5. **Share capital** (continued)

a) Common Shares (continued)

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.

viii) On December 5, 2022, the Company issued 300,000 common shares at a fair value of $0.295 as part of the RDP property option agreement (note 4(a)(iv)).

ix) 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.

x) 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.

xi) 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 4(a)(ii)).

xii) 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 4(c)(i)).

xiii) 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 5(b)).

(Expressed in Canadian dollars)

5) Share capital (continued)

a) Common Shares (continued)

xiv) 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 5(c)).

xv) 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 5(a)(i) and 5(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.

b) Share Purchase Warrants

A summary of the warrants outstanding is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	#	$	#	$
Starting balance	33,826,174	0.32	9,866,502	0.19
Issued to investors	3,672,667	0.27	23,145,650	0.37
Issued to agents	-	-	2,424,000	0.27
Exercised by investors	(4,050,000)	0.15	(1,393,478)	0.18
Exercised by agents	-	-	(4,500)	0.12
Expired unexercised	(4,250,002)	0.23	(212,000)	0.12
Ending balance	29,198,839	0.35	33,826,174	0.32

As at December 31, 2023, the summary of warrants outstanding and exercisable are as follows:

Issue date	Type of warrants	Expiry date	Exercise price	Warrants outstanding
			$	#
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
September 27, 2023	Investor warrants	September 28, 2025	0.27	3,672,667
			0.35	29,198,839

Please refer to notes 5(a)(i), 5(a)(v), and 5(a)(viii) for a discussion of the fair value assigned to the warrants issued to investors and to agents.

(Expressed in Canadian dollars)

5. **Share capital** (continued)

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 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.
- 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.

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.

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 31, 2023	Year ended December 30, 2022
Number of options granted	2,575,000	2,850,000
Weighed average risk-free interest rate	2.93%	2.87%
Weighted average expected volatility	109.89%	109.81%
Weighted average expected option life in years	5	5
Calculated total fair value	$534,389	$804,968
Value vested during period	$549,320	$805,613
Expected dividend yield	Nil	Nil

(Expressed in Canadian dollars)

5. Share capital (continued)

c) Stock Options (continued)

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

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	#	$	#	$
Balance, beginning of year	6,800,000	0.22	4,840,000	0.11
Granted	2,575,000	0.30	2,850,000	0.36
Exercised	(1,100,000)	0.06	(890,000)	0.08
Expired unexercised	(200,000)	0.07	-	-
Forfeited	-	-	-	-
Outstanding, end of year	8,075,000	0.27	6,800,000	0.22
* Exercisable, end of year	8,000,000	0.27	6,700,000	0.21

* As at December 31, 2023, an aggregate of 75,000 stock options had not yet vested and were not exercisable (December 31, 2022 – 100,000 unvested stock options).

Stock options outstanding and exercisable are as follows:

Expiry date	Exercise price	December 31, 2023	December 31, 2022
	$	#	#
November 1, 2023 *	0.065	-	200,000
January 4, 2024 **	0.050	-	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	650,000	850,000
July 15, 2026	0.250	900,000	900,000
May 12, 2027	0.360	2,550,000	2,450,000
June 14, 2027	0.360	300,000	300,000
February 1, 2028	0.300	2,500,000	-
	0.267	8,000,000	6,700,000

* Expired unexercised

** Exercised

6. Government grants and tax credits

No government grants or tax credits were received by the Company during the year ended December 31, 2023.

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

(Expressed in Canadian dollars)

7. 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.

Compensation awarded to key management is listed below:

	Years ended December 31	
	2023	2022
	$	$
Management fees paid to a Company controlled by the Executive Chairman of the Company, and salary paid to him *	**110,000**	102,400
Salary paid to the CEO of the Company	**217,875**	205,840
Management fees paid to a company controlled by the CFO of the Company	**92,000**	68,000
Share-based payments recorded for stock options granted to directors and officers of the Company (non-cash expense)	**347,613**	493,323
	767,488	869,563

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

In addition, with respect to the option agreement for the purchase of the Spius property (Note 4(d)(i)). The underlying vendors of this property include a company in which a director of the Company owns a 25% interest.

8. 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, 2023.

9. Financial instruments

Fair values

As at December 31, 2023, 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. 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, 2023, the Company had cash of $541,840 (December 31, 2022- $7,813,084), trade payable and accrued liabilities of $158,138 (December 31, 2022 - $372,549), a financial liability of $249,177 (December 31, 2022 – $385,341) corresponding to cash provided by Antofagasta Minerals for exploration at the RDP property (note 4(c)(i)), a flow-through related tax liability of $162,342, and lease liabilities of $62,713, including both current and long-term components (December 31, 2022 - $nil) (note 1).

9. Financial instruments (continued)

<u>Currency risk</u>

As at December 31, 2023, 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.

<u>Price risk</u>

The Company was 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, 2023, the Company had disposed of its marketable securities (note 3); therefore, there is no price risk at December 31, 2023.

10. Right-of-use assets and lease liabilities

The Company recognizes lease liabilities in relation to a sublease agreement for office space, and a lease for a truck used for assisting Company personnel in exploration activities.

A prior office sublease expired on August 31, 2022. From September to December of 2022, the Company paid office rent on a month-to month basis. A new office sublease agreement was entered into on February 1, 2023, with a term ending on August 31, 2024. The office lease liability is measured at the present value of the remaining lease payments starting on February 1, 2023, by using the Company's incremental borrowing rate. The weighted average incremental borrowing rate applied to the office lease liability was 10%. The associated lease liability recognized as at February 1, 2023, was $96,627.

An associated right-of-use asset for the office lease was measured at the amount equal to the lease liability on February 1, 2023. 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, 2023, a truck was leased for support of exploration activities. The term of the truck sublease ends on March 31, 2025. The weighted average incremental borrowing rate applied to the truck lease liability was 8.49% as per the corresponding lease contract. The associated truck lease liability recognized as at April 1, 2023, was $31,278, with a corresponding right-of-use asset being depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(Expressed in Canadian dollars)

10. Right-of-use asset and lease liabilities (continued)

The following table summarizes the lease transactions:

Lease liabilities		$
Lease liability as at December 31, 2021		29,252
Lease payments		(30,360)
Lease interest		1,108
Lease liability as December 31, 2022		-
Setup of new office lease agreement	**104,880**	
Lease interest	(8,252)	
Setup of truck lease agreement	**34,119**	
Lease interest	(2,841)	
Value of new leases	**127,906**	**127,906**
Lease payments		(73,515)
Lease interest		8,322
Lease liabilities as at December 31, 2023		62,713
Current portion		58,396
Long-term portion		4,317
		62,713

Right-of-use assets	$
Value of right-of-use asset on December 31, 2021	27,652
Amortization	(27,652)
Value of right-of-use asset as at December 31, 2022	-
Setup of new right-of-use assets	**127,905**
Amortization	(67,671)
Value of right-of-use assets as at December 31, 2023	**60,234**

The future lease payment commitments are as follows:

	$
2024	50,180
2025	4,265
	54,445

11. Segmented information

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions. As at December 31, 2023 and 2022, all of the Company's non-current assets were held in Canada.

(Expressed in Canadian dollars)

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, 2023 and 2022 is as follows:

	2023	2022
	$	$
Loss for the year	(7,799,249)	(7,707,461)
Statutory tax rate	27%	27%
Expected income tax expense	(2,105,797)	(2,081,014)
Change in statutory rate	-	-
Non-deductible expenses	169,725	229,809
Change in unrecognized deferred income tax benefits	1,936,072	1,851,205
Income tax expense	-	-

An unrecognized deferred income tax asset of approximately $6,566,139 arises from the following:

	2023	2022
	$	$
Non-capital loss carryforwards	1,641,945	1,477,122
Capital loss carryforwards	5,740	5,740
Mineral property	4,604,634	6,301,592
Deferred financing costs	313,820	403,391
Total unrecognized deferred income tax assets	6,566,139	8,187,845

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, 2023, included in the computation of the deferred tax assets noted above, the Company had approximately $6,081,278 of losses available for carry-forward from $24,340,293 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 2043 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		1,544,249
2043		630,044
	$	6,081,278

(Expressed in Canadian dollars)

13. Supplementary information with respect to cash flows

	Years ended December 31	
	2023	2022
	$	$
Changes in non-cash working capital items:		
Other receivables	**(32,697)**	(17,274)
Prepaid	**(6,521)**	41,073
Trade payable and accrued liabilities	**(215,074)**	90,780
Flow-through tax liability	**162,342**	-
	(91,950)	114,579
Non-cash investing activities:		
Shares issued for resource properties	**(3,677,681)**	(417,250)
Shares received for resource properties	**-**	4,333
Non-cash financing activities:	**-**	-
Flow-through premium liability	**-**	1,029,704
Finders' fees paid through issuance of warrants	**-**	(560,968)
Share issuance costs incurred through trade payables and accrued liabilities	**(663)**	(58,974)

14. Subsequent events

a) Financing

On March 22, 2024, the Company closed the first tranche of a non-brokered private placement (the “Financing), originally announced on February 22, 2024, and on March 4, 2024. The Company issued 7,469,679 flow-through units (“FT Units”) at a price of $0.095 per FT Unit for gross proceeds of $709,620. The Company also issued 12,072,500 non-flow-through units (“NFT Units”) at a price of $0.08 per NFT Unit for gross proceeds of $965,800.

On April 5, 2024, the Company closed the second and final tranche Financing by issuing 1,058,750 NFT units at a price of $.08 per NFT unit for gross proceeds of $84,700.

Each FT Unit is comprised of one common share of the Company issued as a “flow-through share” within the meaning of the Income Tax Act (Canada) (each, a “FT Share”) and one common share purchase warrant (“Warrant”). Each NFT Unit is comprised of one common share of the Company and one Warrant. Each Warrant is exercisable to purchase one additional non-flow-through common share at an exercise price of $0.12 any time on or before March 22, 2026.

The securities issued with the first tranche are subject to a hold period ending on July 23, 2024, while the ones issued with the second tranche subject to a hold period ending August 6, 2024.

b) Termination of Antofagasta option on the Company’s RDP property

On March 8, 2024, Antofagasta gave notice of its intention not to continue with its earn-in agreement on the Company’s RDP property. Any remaining unspent funds that were provided by Antofagasta to the Company will be returned to Antofagasta.

c) Subsequent to December 31, 2023, the Company discharged the flow-through tax liability stated on the consolidated statement of financial position.

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