

**Pacific Ridge Exploration Ltd.**  
**(An Exploration Stage Company)**

**Condensed Interim Financial Statements**

**September 30, 2014**

(Unaudited – Expressed in Canadian Dollars)

**Notice to Reader**

The accompanying unaudited condensed interim financial statements of Pacific Ridge Exploration Ltd. (the “Company”) have been prepared by and are the responsibility of management. The Company’s independent auditor has not performed a review of these condensed interim financial statements.

**Pacific Ridge Exploration Ltd.**  
**(An Exploration Stage Company)**  
**Condensed Statements of Financial Position**  
**(Unaudited - Expressed in Canadian Dollars)**

		September 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$	26,007	\$ 151,606
Taxes receivables		1,391	-
Marketable security	4	-	126,000
Prepaid		2,000	2,000
		29,398	279,606
<b>Equipment</b>	3	14,665	18,922
<b>Resource properties</b>	4	876,267	833,567
		\$ 920,330	\$ 1,132,095
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payable and accrued liabilities	\$	444	\$ 30,379
<b>Shareholders' Equity</b>			
<b>Share capital</b>	5	42,986,293	42,963,593
<b>Contributed surplus</b>		3,073,379	3,073,379
<b>Accumulated other comprehensive loss</b>		-	(6,000)
<b>Deficit</b>		(45,139,786)	(44,929,256)
		919,886	1,101,716
		\$ 920,330	\$ 1,132,095

(The accompanying notes are an integral part of the condensed interim financial statements)

**Approved by the Board of Directors and authorized for issue on October 15, 2014**

"Gerald G. Carlson" (signed)  
Gerald G. Carlson

"Douglas Proctor" (signed)  
Douglas Proctor

**Pacific Ridge Exploration Ltd.**  
**(An Exploration Stage Company)**  
**Condensed Statements of Comprehensive Loss**  
**(Unaudited - Expressed in Canadian Dollars)**

	Note	Three months ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
<b>Administration expenses</b>					
Depreciation	\$	1,419	\$ 2,028	\$ 4,257	\$ 6,084
Insurance		-	-	6,105	13,630
Professional fees		5,572	11,798	17,182	45,421
Management and administrative services		19,733	31,007	64,121	117,756
Office operations and facilities		9,985	24,512	37,556	86,917
Shareholder communications and investor relations		956	5,200	15,264	38,977
Share-based payments		-	-	-	14,624
Transfer agent and regulatory fees		6,717	4,380	19,849	36,051
		44,382	78,925	164,334	359,460
<b>Other expenses (income)</b>					
Exploration and evaluation costs	4(f)	51,400	244,115	97,632	327,998
Property option payment		(50,000)	-	(50,000)	-
Gain on sale of marketable securities		(2,120)	-	(1,204)	-
Impairment		-	-	-	53,500
Interest		-	(945)	(232)	(3,475)
		(720)	243,170	46,196	378,023
<b>Comprehensive loss for the period</b>		<b>(43,662)</b>	<b>(322,095)</b>	<b>(210,530)</b>	<b>(737,483)</b>
<b>Basic and diluted loss per common share</b>	\$	<b>(0.00)</b>	\$ <b>(0.02)</b>	\$ <b>(0.01)</b>	\$ <b>(0.05)</b>
<b>Weighted average number of common shares outstanding</b>		<b>21,202,841</b>	<b>16,134,840</b>	<b>21,082,496</b>	<b>16,129,712</b>

(The accompanying notes are an integral part of the condensed interim financial statements)

**Pacific Ridge Exploration Ltd.**  
**(An Exploration Stage Company)**  
**Condensed Statements of Cash Flows**  
**(Unaudited - Expressed in Canadian Dollars)**

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Cash flows used in operating activities</b>				
Loss for the period	\$ (43,662)	\$ (322,095)	\$ (210,530)	\$ (737,483)
Items not affecting cash				
Depreciation	1,419	2,028	4,257	6,084
Impairment	-	-	-	53,500
Property option payment	(50,000)	-	(50,000)	-
Share-based payments	-	-	-	14,624
	(92,243)	(320,067)	(256,273)	(663,275)
Changes in non-cash working capital items				
Tax receivables	47	(6,482)	(1,391)	8,229
Prepaid	-	13,000	-	13,000
Trade payable and accrued liabilities	(9,509)	184,628	(29,935)	169,706
	(101,705)	(128,921)	(287,599)	(472,340)
<b>Cash flows used in investing activities</b>				
Resource property acquisition costs	(10,000)	(11,477)	(20,000)	(133,855)
	(10,000)	(11,477)	(20,000)	(133,855)
<b>Cash flows from financing activities</b>				
Disposal of marketable securities, net	27,000	-	132,000	-
Property option payment	50,000	-	50,000	-
Proceeds from share issuance	-	20,959	-	264,493
	77,000	20,959	182,000	264,493
<b>Decrease in cash and cash equivalents</b>	<b>(34,705)</b>	<b>(119,439)</b>	<b>(125,599)</b>	<b>(341,702)</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>60,712</b>	<b>371,947</b>	<b>151,606</b>	<b>594,210</b>
<b>Cash and cash equivalents - end of period</b>	<b>\$ 26,007</b>	<b>\$ 252,508</b>	<b>\$ 26,007</b>	<b>\$ 252,508</b>

(The accompanying notes are an integral part of the condensed interim financial statements)

**Pacific Ridge Exploration Ltd.**  
**(An Exploration Stage Company)**  
**Condensed Statements of Changes in Shareholders' Equity**  
**(Unaudited - Expressed in Canadian dollars)**

	Common Shares		Accumulated Other Comprehensive			Total Shareholders' Equity
	Shares	Amount	Contributed Surplus	Gain (Loss)	Deficit	
Balance at December 31, 2012	14,162,884	\$ 42,667,978	\$ 2,981,590	\$ -	\$ (44,019,654)	\$ 1,629,914
Equity offering, net of issuance costs	4,658,000	247,860	16,633			264,493
Shares issued for property	400,000	30,000				30,000
Share-based payments	-		14,624			14,624
Net loss for the period					(737,483)	(737,483)
Balance at September 30, 2013	19,220,884	\$ 42,945,838	\$ 3,012,847	\$ -	\$ (44,757,137)	\$ 1,201,548
Balance at December 31, 2013	20,800,884	\$ 42,963,593	\$ 3,073,379	\$ (6,000)	\$ (44,929,256)	\$ 1,101,716
Shares issued for property	490,000	22,700				22,700
Other comprehensive gain for the period				6,000		6,000
Net loss for the period					(210,530)	(210,530)
Balance at September 30, 2014	21,290,884	\$ 42,986,293	\$ 3,073,379	\$ -	\$ (45,139,786)	\$ 919,886

(The accompanying notes are an integral part of the condensed interim financial statements)

**Pacific Ridge Exploration Ltd.**  
**(An Exploration Stage Company)**  
**Notes to Condensed Interim Financial Statements September 30, 2014**  
**(Unaudited - Expressed in Canadian Dollars)**

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**1. Nature of operations and going concern**

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

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary capital to finance the operations and contribution from future joint venture partners.

These 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. As at September 30, 2014, the Company had an accumulated deficit of \$45,139,786 (December 31, 2013 - \$44,929,256) and working capital of \$28,954 (December 31, 2013 - \$249,227). Completion of the acquisition, exploration and development of the Company's resource properties is dependent on the ability to obtain the necessary on going financing.

The Company intends to fund its plan of operations from existing working capital and the proceeds of future financings, but lacks sufficient committed funding for the next 12 months. Future financings are expected to be obtained through joint ventures, equity financing, and/or other means. While the Company has been successful in raising sufficient funding in the past, there can be no assurance it will be able to do so in the future. These conditions give rise to a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realize its assets and discharge its liabilities in the normal course of business.

These financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. Such adjustments could be material.

**2. Basis of presentation and changes to accounting policies**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim financial statements do not include all of the information required for full annual financial statements and they should be read in conjunction with the audited annual financial statements for the year ended December 31, 2013 and the notes thereto.

The significant accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the Company's annual financial statements ended December 31, 2013.

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 financial statements are approved by the Board of Directors on October 15, 2014.

**Pacific Ridge Exploration Ltd.**  
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**Notes to Condensed Interim Financial Statements September 30, 2014**  
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**3. Equipment**

Equipment is carried at cost less accumulated depreciation with details listed below:

	Cost	Accumulated depreciation	Carrying value
Balance, December 31, 2012	\$ 89,991	\$ (62,957)	\$ 27,034
Additions	-	(8,112)	(8,112)
Balance, December 31, 2013	89,991	(71,069)	18,922
Additions	-	(4,257)	(4,257)
Balance, September 30, 2014	\$ 89,991	\$ (75,326)	\$ 14,665

**4. Resource properties**

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

	Mariposa	Gold Cap	Polar Stewart	Eureka Dome	Fyre Lake	King Solomon	Sophie Property	Total
Balance, December 31, 2012	\$ 566,561	\$ 10,300	\$ 415,000	\$ 41,790	\$ 70,561	\$ -	\$ -	\$ 1,104,212
Additions during the year	31,378	-	-	-	22,530	123,212	20,735	197,855
Impairment	(53,500)	-	(415,000)	-	-	-	-	(468,500)
Balance, December 31, 2013	544,439	10,300	-	41,790	93,091	123,212	20,735	833,567
Additions during the period	12,700	-	-	-	17,500	12,500	-	42,700
Balance, September 30, 2014	\$ 557,139	\$ 10,300	\$ -	\$ 41,790	\$ 110,591	\$ 135,712	\$ 20,735	\$ 876,267

a) Mariposa property, Yukon

In October 2009, the Company entered into an option agreement to acquire a 100% interest in 203 claims, located in Dawson Mining District, Yukon, known as the Mariposa property. The principal terms of the option agreement require the Company to pay \$120,000 (\$110,000 paid) in cash, issue 800,000 (400,000 issued) common shares and incur \$600,000 (incurred) exploration expenditures over five years as below:

	Cash	Common Shares	Cumulative work expenditures
On initial date (paid and issued)	\$ 20,000	50,000	\$ 100,000
On or before October 1, 2010 (paid and issued)	20,000	40,000	200,000
On or before October 1, 2011 (paid and issued)	20,000	60,000	300,000
On or before October 1, 2012 (paid and issued)	20,000	80,000	400,000
On or before October 1, 2013 (paid and issued)	20,000	80,000	600,000
On or before October 1, 2014 (renegotiated and issued)	20,000	90,000	-
Upon production notice being given	-	200,000	-
Upon commencement of commercial production	-	200,000	-
	\$ 120,000	800,000	\$ 600,000

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**Notes to Condensed Interim Financial Statements September 30, 2014**  
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**4. Resource properties (continued)**

a) Mariposa property, Yukon (continued)

The property is subject to a 2% net smelter return (“NSR”) that may be purchased, at any time after a production notice has been given in amounts of \$1,000,000 for each 1% of NSR.

b) King Solomon property, Yukon

On May 8, 2013, the Company entered into an option agreement, amended on December 31, 2013 and April 15, 2014, with Shawn Ryan and Wildwood Exploration Inc. (“Wildwood”) to acquire a 100% interest in 331 mineral claims located in the Klondike Gold District, Yukon Territory, known as the King Solomon property. To earn a 100% interest, the Company is required to make \$500,000 (\$100,000 paid) cash payments, issue 2,000,000 (500,000 issued) common shares in annual tranches of 250,000 on or before May 15<sup>th</sup> of each year and incur cumulative exploration expenditures of \$2,500,000 (\$168,503 incurred) over four years starting in 2013 as below:

	Cash	Common Shares	Cumulative expenditures
On initial date (paid and issued)	\$ 50,000	250,000	\$ -
On or before July 15, 2013 (paid)	50,000	-	-
2014 (250,000 shares issued, amended)	100,000	250,000	500,000
2015	100,000	250,000	1,000,000
2016	100,000	250,000	1,750,000
2017	100,000	500,000	2,500,000
	\$ 500,000	1,500,000	\$ 2,500,000

The property is subject to a 2% NSR of which 1% can be bought at \$2,000,000 at any time.

On September 18, 2014, the Company announced an option agreement with Centerra Gold Inc. (“Centerra”) for its King Solomon property. Pursuant to the terms of the agreement, Centerra can earn a 70% interest in the King Solomon and Sophie properties by paying a total of \$665,000 and completing a minimum of \$4,500,000 in exploration work by December 31, 2017.

c) Sophie property, Yukon

On July 10, 2013, the Company announced an option agreement with 39242 Yukon Inc. to acquire the Sophie mineral property adjacent to the King Solomon property. To earn a 100% interest, the Company is required to make \$100,000 in cash payments (\$10,000 paid) and issue 1,000,000 (200,000 issued) common shares over four years as below:



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**Notes to Condensed Interim Financial Statements September 30, 2014**  
**(Unaudited - Expressed in Canadian Dollars)**

**4. Resource properties (continued)**

- c) Sophie property, Yukon (continued)

	Cash	Common Shares
On initial date (paid and issued)	\$ 5,000	100,000
On or before December 1, 2013 (paid and issued)	5,000	100,000
On or before December 1, 2014	10,000	100,000
On or before December 1, 2015	15,000	200,000
On or before December 1, 2016	25,000	200,000
On or before December 1, 2017	40,000	300,000
	\$ 100,000	1,000,000

The property is subject to a 2.5% NSR half of which can be purchased for \$750,000.

On September 18, 2014, the Company announced an option agreement with Centerra Gold Inc. ("Centerra") for its King Solomon property. Pursuant to the terms of the agreement, Centerra can earn a 70% interest in the King Solomon and Sophie properties by paying a total of \$665,000 and completing a minimum of \$4,500,000 in exploration work by December 31, 2017.

- d) Fyre lake massive sulphide property, Yukon

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

The Company entered into an option agreement with True North Gems Inc. ("True North") to acquire 43 mineral claims located within Fyre Lake property in the Watson Lake Mining Division, Yukon, known as the Straw property. In order to earn a 100% interest in the property, the Company is required to pay an aggregate amount of \$25,000 (paid) and issue 200,000 (issued) common shares of the Company by January 31, 2014.

As of January 31, 2014, the option agreement has been complete and the Company has earned the 100% interest of the property.

On July 16, 2014, the Company announced an option agreement with Merah Resources Limited ("Merah") for the Fyre Lake copper property. Pursuant to the terms of the agreement, Merah can earn an initial 51% interest in the property by paying \$650,000 (\$50,000 received), issuing shares with a value of \$650,000 to the Company, and completing a minimum of \$3,500,000 in exploration over three years. Upon earning a 51% interest in the property, Merah will then have the option to increase its interest to 70% by completing additional \$3,000,000 exploration expenditures by January 10, 2018. Should Merah earn a 70% interest, the Company will have the option of retaining a 30% participating joint venture interest or reducing to a 20% interest, carried to a positive feasibility study.

- e) Sale of Baker Basin uranium property, Nunavut

The Company owned a 100% interest in the Baker Basin Uranium Project subject to an underlying agreement with Kivalliq Energy ("Kivalliq") wherein Kivalliq had the option to back-in to a 20% working interest when a prefeasibility study was produced.

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**(An Exploration Stage Company)**  
**Notes to Condensed Interim Financial Statements September 30, 2014**  
**(Unaudited - Expressed in Canadian Dollars)**

**4. Resource properties (continued)**

On November 1, 2013, the Company closed the sale of the property to Kivalliq for consideration composed of 600,000 common shares of Kivalliq and \$55,000 cash payment. The fair value of the 600,000 Kivalliq shares has been determined by reference to their closing quoted share price at the reporting date. During the nine months ended September 30, 2014, the Company disposed the 600,000 shares at an average of \$0.22 for proceeds of \$132,000.

- f) The tables below summarize the cumulative balance and exploration costs for the nine months ended September 30, 2014 and 2013:

	Mariposa	Other Properties	General Exploration	Total
Balance, December 31, 2013	\$ 6,656,163	\$ 739,224	\$ 182,059	\$ 7,577,446
Additions during the period				
Field support	1,200		7,000	8,200
Geological services	4,054			4,054
Personnel	10,234	22,571	38,333	71,138
Travel and other	1,050		13,190	14,240
	16,538	22,571	58,523	97,632
Balance, September 30, 2014	\$ 6,672,701	\$ 761,795	\$ 240,582	\$ 7,675,078

	Mariposa	Other Properties	General Exploration	Total
Balance, December 31, 2012	\$ 6,489,378	\$ 563,336	\$ 241,778	\$ 7,294,492
Additions during the period				
Analytical and data report	2,853	32,552	-	35,405
Field support	4,111	25,321	-	29,432
Fuel and transport	21,411	2,179	-	23,590
Geological services	84,178	43,484	-	127,662
Personnel	70,958	58,730	-	129,688
Travel and other	(25,741)	7,373	589	(17,779)
	157,770	169,639	589	327,998
Balance, September 30, 2013	\$ 6,647,148	\$ 732,975	\$ 242,367	\$ 7,622,490

**5 Share capital**

- a) Common shares

Authorized - unlimited common shares without par value.

Effective April 30, 2013, the Company's common shares have been traded on a consolidated basis of 5:1 under the same symbol of PEX. All the share capital information contained in these financial statements has been presented on a post-consolidated basis.

**Pacific Ridge Exploration Ltd.**  
**(An Exploration Stage Company)**  
**Notes to Condensed Interim Financial Statements September 30, 2014**  
**(Unaudited - Expressed in Canadian Dollars)**

**5. Share capital (continued)**

b) Share purchase warrants

On September 30, 2014, 700,000 warrants were outstanding with an expiry date of November 1, 2014. On June 10 and July 3, 2014, 1,033,500 and 100,000 warrants expired and unexercised respectively.

c) Stock options

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

	September 30, 2014		December 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,834,000	\$ 0.40	722,000	\$ 0.95
Granted	-	\$ -	1,142,000	\$ 0.05
Expired	(180,500)	\$ (0.44)	(30,000)	\$ 0.50
Outstanding, end of period	1,653,500	\$ 0.39	1,834,000	\$ 0.40
Exercisable, end of period	1,653,500	\$ 0.39	1,834,000	\$ 0.40

As of September 30, 2014, the weighted average remaining life for stock option outstanding and exercisable was 3.29 years (December 31, 2013 – 4.00 years).

The table below lists the expiry date and exercise prices for the stock options outstanding at September 30, 2014 and December 31, 2013:

Expiry date	Exercise price	September 30, 2014	December 31, 2013
January 29, 2015	\$ 1.00	222,000	262,000
January 6, 2016	1.50	65,000	80,000
May 12, 2016	1.50	9,000	9,000
July 29, 2016	3.05	40,000	40,000
May 24, 2017	0.50	176,000	201,000
December 5, 2017	0.50	100,000	100,000
December 24, 2018	0.05	1,041,500	1,142,000
		1,653,500	1,834,000

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.

No stock options were granted in the nine months ended September 30, 2014 and 2013.

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**Notes to Condensed Interim Financial Statements September 30, 2014**  
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**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 the key management including the Chairman, CEO and CFO is listed below:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Salary	\$ 33,000	\$ 39,010	\$ 92,167	\$ 140,675
Share-based payments, non-cash	-	-	-	14,624
	\$ 33,000	\$ 39,010	\$ 92,167	\$ 155,299

**7. Segmented information**

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