Pacific Ridge Exploration Ltd.

Financial Statements
(An Exploration Stage Company)

September 30, 2010

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Balance Sheets
(Expressed in Canadian dollars)

			September 30, 2010		December 31, 2009
Assets					
Current assets					
Cash and cash equivalents		$	512,281	$	964,714
Other receivables			93,648		61,978
Prepaid			19,875		18,000
			625,804		1,044,692
Equipment	Note 3		58,155		10,496
Resource assets	Note 4		532,494		406,513
Reclamation bond			10,000		10,000
		$	1,226,453	$	1,471,701
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	210,210	$	107,663
Shareholders' Equity					
Capital stock	Note 5		34,991,932		34,021,981
Contributed surplus			2,699,284		2,372,195
Deficit			(36,674,973)		(35,030,138)
			1,016,243		1,364,038
		$	1,226,453	$	1,471,701

Nature of operations and Going Concern (Note 1)
Commitments (Note 7)
Subsequent Events (Note 12)

Approved on behalf of the
Board of Directors:

"John S. Brock" (signed)	*"Douglas Proctor"(signed)*
John S. Brock	Douglas Proctor

The accompanying notes are an integral part of the financial statements

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Loss and Comprehensive Loss
(Unaudited and Expressed in Canadian dollars)

		Three months ended Sept 30, 2010	Three months ended Sept 30, 2009	Nine months ended Sept 30, 2010	Nine months ended Sept 30, 2009
Administration expenses					
Consulting		$ 450	$ 1,920	$ 450	$ 2,975
Insurance		-	299	15,915	15,147
Professional fees		9,397	7,762	29,921	31,901
Management and administrative services		30,435	5,247	87,431	76,820
Office operations and facilities		29,386	33,388	90,738	95,775
Shareholder and investor relations		36,611	27,141	66,735	49,784
Transfer agent and regulatory fees		3,723	15,108	25,302	31,903
Operating expenses		110,002	90,865	316,492	304,305
Other expenses (income)					
Interest		(3,759)	(4,736)	1,301	(16,836)
Exploration costs	Note 4	899,512	236,099	1,258,510	329,737
Amortization		2,815	1,125	6,417	3,374
Stock-based compensation	Note 5 (b)	-	2,896	196,594	18,519
		898,568	235,384	1,462,822	334,794
Loss before income taxes		(1,008,570)	(326,249)	(1,779,314)	(639,099)
Impairment	Note 4	-	-	(54,571)	-
Future income tax recovery	Note 10	-	-	189,050	112,850
Loss and comprehensive loss for the period		$ (1,008,570)	$ (326,249)	$ (1,644,835)	$ (526,249)
Basic and diluted loss per common share		$ (0.03)	$ (0.02)	$ (0.06)	$ (0.02)
Weighted average number of common shares		30,397,983	21,172,667	27,463,922	21,172,667

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Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Cash Flows
(Unaudited and Expressed in Canadian dollars)

	Three months ended Sept 30, 2010	Three months ended Sept 30, 2009	Nine months ended Sept 30, 2010	Nine months ended Sept 30, 2009
Cash flows used in operating activities				
Loss for the period	$ (1,008,570)	$ (326,249)	$ (1,644,835)	$ (526,249)
Items not affecting cash				
Amortization	2,815	1,125	6,417	3,374
Impairment	-	-	54,571	-
Future income tax recovery	-	-	(189,050)	(112,850)
Stock-based compensation	-	2,896	196,594	18,519
	(1,005,755)	(322,228)	(1,576,303)	(617,206)
Changes in non-cash working capital items				
Other receivables	(70,170)	(7,983)	(31,670)	32,928
Prepaid	(9,375)	(10,000)	(1,875)	(20,500)
Accounts payable and accrued liabilities	(7,649)	137,094	102,547	171,611
Due to related parties	-	(2,839)	-	2,320
	(87,194)	116,272	69,002	186,359
	(1,092,949)	(205,956)	(1,507,301)	(430,847)
Cash flows used in investing activities				
Acquisition of mineral property	(136,124)	(112,590)	(149,302)	(170,017)
Equipment	200	-	(54,076)	-
Short-term investment	-	800,000	-	800,000
	(135,924)	687,410	(203,378)	629,983
Cash flows from financing activities	1,258,246	291,264	1,258,246	291,264
Increase (decrease) in cash and cash equivalents	29,373	772,718	(452,433)	490,400
Cash and cash equivalents - beginning of the period	482,908	71,407	964,714	353,725
Cash and cash equivalents - end of the period	$ 512,281	$ 844,125	$ 512,281	$ 844,125
Supplemental cash flow information				
Interest received	$ 1,974	$ 3,844	$ 17,524	$ 3,844
Income tax paid	$ -	$ -	$ -	$ -
Issuance of shares for mineral properties	$ 31,250	$ 42,500	$ 31,250	$ 42,500
Issuance of shares for finders' fees	$ 4,200	$ -	$ 4,200	$ -

The accompanying notes are an integral part of the financial statements

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

	Common Shares		Contributed	Deficit	Total Shareholders'
	Shares	Amount	Surplus		Equity
				(Restated - Note 2)	(Restated - Note 2)
Balance at December 31, 2008	20,997,576	$ 33,346,072	$ 2,223,393	$ (34,302,750)	$ 1,266,715
Shares issued pursuant to flow-through arrangements with attacehd warrants	3,800,000	642,718	117,282	-	760,000
Shares issued pursuant to a private placement, net of issue costs	675,000	59,791	-	-	59,791
Shares issued for mineral property	500,000	86,250	-	-	86,250
Future income taxes	-	(112,850)	-	-	(112,850)
Stock-based compensation	-	-	31,520	-	31,520
Net loss for the year	-	-	-	(727,388)	(727,388)
Balance at December 31, 2009	25,972,576	34,021,981	2,372,195	(35,030,138)	1,364,038
Shares issued pursuant to flow-through arrangements with attacehd warrants	3,800,000	401,505	130,495	-	532,000
Shares issued pursuant to a private placement, net of issue costs	4,700,000	538,746	-	-	538,746
Shares issued for exercise of warrants	750,000	187,500	-	-	187,500
Shares issued for finders' fee	30,000	-	-	-	-
Shares issued for mineral property	250,000	31,250	-	-	31,250
Future income taxes	-	(189,050)	-	-	(189,050)
Stock-based compensation	-	-	196,594	-	196,594
Net loss for the period	-	-	-	(1,644,835)	(1,644,835)
Balance at September 30, 2010	35,502,576	$ 34,991,932	$ 2,699,284	$ (36,674,973)	$ 1,016,243

The accompanying notes are an integral part of the financial statements

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. All of the Company's resource property interests are currently located in Canada.

The Company has no source of revenue, and has cash requirements to meet its exploration commitments, to pay for its administrative overhead and maintain its mineral interests. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary capital to finance the operations and upon future profitable production or proceeds from the disposition of its properties.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharges its liabilities in the normal course of business. As at September 30, 2010, the Company had an accumulated deficit of $36,674,973 (December 31, 2009 - $35,030,138) and working capital of $415,594 (December 31, 2009 - $937,029). The Company incurred a net loss of $1,644,835 for the nine months ended September 30, 2010 (September 30, 2009 – $526,249). Completion of the acquisition, exploration and development of its resource properties is dependent on the Company's ability to obtain the necessary on going financing.

These circumstances lend doubt as to the ability of the Company to meet its commitments as they become due and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The Company intends to fund its plan of operations from existing working capital and the proceeds of future financings. Future financings are expected to be obtained through joint ventures, equity financing, and/or other means. While The Company has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING CHANGES

These unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are consistent with the policies outlined in the Company's audited financial statements for the year ended December 31, 2009.

(Unaudited and Expressed in Canadian dollars)

3. EQUIPMENT

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

	September 30, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Field equipment	$ 90,076	$ 31,921	$ 58,155	$ 36,000	$ 25,504	$ 10,496

4. RESOURCE ASSETS

The Company has interests in mineral properties in Nunavut, and Yukon, Canada. $180,552 acquisition costs were incurred for the nine months ended September 30, 2010 and $54,571 were written off. A summary of capitalized acquisition expenditures for the nine months ended September 30, 2010 and December 31, 2009 was as follows:

Mineral Properties	Baker Uranium	Fyre Lake	Klondike Kate*	Tumbler Ridge	Wapiti	Other	Total
Balance, December 31, 2009	$ 96,000	$ 17,851	$ 238,090	$ 41,571	$ 13,000	$ 1	$ 406,513
Addition during the period		17,850	162,702				180,552
Impairment				(41,571)	(13,000)		(54,571)
Balance, September 30, 2010	$ 96,000	$ 35,701	$ 400,792	$ -	$ -	$ 1	$ 532,494

Mineral Properties	Baker Uranium	Fyre Lake	Klondike Kate	Tumbler Ridge	Wapiti	Other	Total
Balance, December 31, 2008	$ 96,000	$ 1	$ -	$ 21,244	$ 13,000	$ 1	$ 130,246
Addition during the year	-	17,850	238,090	20,327	-	-	276,267
Balance, December 31, 2009	$ 96,000	$ 17,851	$ 238,090	$ 41,571	$ 13,000	$ 1	$ 406,513

* Klondike Kate project includes GoldCap, Eureka/Moose, Polar Stewart and Mariposa properties

a) Klondike Kate Gold Project – Goldcap, Eureka/Moose, Polar Stewart, and Mariposa Properties, Yukon

The Company has staked 212 mineral claims comprising Goldcap and Eureka/Moose properties in June 2009.

In July 2009, the Company entered into an option agreement with Ryanwood Exploration Inc. (“Ryanwood”) to acquire a 100% interest in 149 mineral claims located in Dawson City, Yukon, known as the Polar Stewart property. Pursuant to the terms of the agreement, the Company has the option to pay a total of $300,000 ($140,000 paid), issue a total of 1,250,000 (500,000 issued) common shares and has the option to undertake exploration expenditures totalling $1,500,000 ($69,517 incurred) over a five year period. In addition, the Company may, at any time, purchase one half of the net smelter return (2%) for $2,000,000. There is a $25,000 advance minimum royalty payable from 2014 onwards.

(Unaudited and Expressed in Canadian dollars)

4. RESOURCES ASSETS (Continued)

a) Klondike Kate Gold Project (Continued)

In October 2009, the Company entered into an option agreement to acquire a 100% interest in 203 claims, subsequently acquired additional 43 claims, located in Dawson City, Yukon, known as the Mariposa property. The principal terms of the agreement require the Company to pay a total of $120,000 ($20,000 paid) issue a total of 4,000,000 (250,000 issued) common shares and incur a total of $600,000 exploration expenditures (incurred) over five year period. In addition, the Company may, at any time after a production notice has been given, purchase one half of the net smelter return (2%) for $1,000,000.

b) Baker Basin Uranium Project, Nunavut

The Company owns a 100% interest in the Baker Basin Uranium Project subject to an underlying agreement with Kivalliq Energy (“Kivalliq”) wherein Kivalliq has the option to back-in to a 20% working interest when a prefeasibility study may be produced.

On September 23, 2008, the Company entered into an option/joint venture agreement with Aurora Energy Resources Inc. (“Aurora”). In late 2009, Aurora advised that upon completion of land use requirements, they will formally relinquish their option on the property.

c) Fyre Lake Massive Sulphide Project, Yukon

The Company owns a 100% interest in the Fyre Lake property, where option/joint venture participation is being sought.

d) Tumbler Ridge Phosphate Project and Wapiti Phosphate Project, British Columbia

These two properties were acquired in 2008. No further exploration activities have been carried forward for these two properties in the last two years and they have been written off in the current period.

The table below summarizes the exploration costs for the nine months ended September 30, 2010 and 2009:

	September 30, 2010	September 30, 2009
Accommodation	$ 165,250	$ 12,297
Assays and geochemical analysis	59,429	7,452
Geological Consulting	198,980	108,498
Expediting	25,076	92
Maps, printing and drafting	7,439	3,093
Project management fees	11,800	120
Project maintenance cost	13,990	19,100
Salaries and wages	429,862	-
Transportation	249,602	94,424
Other	97,082	84,661
Total	**$ 1,258,510**	**$ 329,737**

(Unaudited and Expressed in Canadian dollars)

5. CAPITAL STOCK

a) Common share: unlimited common shares without par value.

On August 20, 2010, the Company closed its non-brokered private placements of 3,800,000 flow-through units and 4,200,000 non-flow-through units for gross proceeds of $1,036,000. Each flow-through unit was comprised of one common share and one –half of one transferable share purchase warrant. Each non-flow-through unit was comprised of one common share and one share purchase warrant. All these warrants are exercisable at a price of $0.15 per share expiring August 20, 2011.

The Company paid$28,240 cash and issued 30,000 common shares for the finders' fees.

On September 20, 2010, the Company closed another non-brokered private placement of 500,000 units at $0.19 per unit for gross proceeds of $95,000. Each unit was comprised of one common share and one transferable share purchase warrant exercisable at $0.25 per share expiring September 16, 2011.

b) Stock Options

The Company has a stock option plan in place authorizing the granting of stock options to qualified optionees to purchase a total of up to 10% of the then issued and outstanding common shares of the Company. Stock option transactions and the number of stock options outstanding are summarized below:

	September 30, 2010			December 31, 2009		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of the period	712,500	$	0.93	1,412,500	$	0.78
Granted	1,530,000	$	0.20	-	$	-
Expired	-	$	-	(525,000)	$	0.57
Cancelled	(712,500)	$	0.93	(50,000)	$	0.68
Forfeited	-	$	-	(125,000)	$	0.80
Outstanding, end of the period	1,530,000	$	0.20	712,500	$	0.93

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

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

	September 30, 2010	September 30, 2009
Risk-free interest rate	2.45%	NA
Expected share price volatility	106.79%	NA
Expected option life in years	5	NA
Expected dividend yield	Nil	NA

(Unaudited and Expressed in Canadian dollars)

5. CAPITAL STOCK (Continued)

c) Share Purchase Warrants

As of September 30, 2010, 7,987,502 warrants were outstanding at a weighted average exercise price of $0.17. Of these 1,387,501, 6,100,001 and 500,000 warrants will expire on October 21, 2010, August 20, 2011 and September 16, 2011 respectively.

	September 30, 2010			December 31, 2009		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Outstanding, beginning of the period	2,237,501	$	0.25	-	$	-
Issue	6,600,001	$	0.16	2,237,501	$	0.25
Expired	(100,000)	$	0.25	-	$	-
Exercised	(750,000)	$	0.25	-	$	-
Outstanding, end of the period	7,987,502	$	0.17	2,237,501	$	0.25

6. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions during the period ended September 30, 2010:

a) $44,000(2009 - $42,200) paid to the President and CEO of the Company for exploration, administration and management services.

b) $6,542 (2009 - $38,767) paid to the former Vice President of Exploration for professional geological services.

7. COMMITMENTS

The Company entered into a service agreement in 2008 with a non-related private company for its office space, administrative, corporate and other services at a base monthly fee of $8,000. The agreement can be cancelled at anytime upon one year notice. The current expiry date is June 30, 2012.

The table below lists all the commitments in the next five years:

		Mineral Property - Cash (optional)		Service Agreement		Total
Years ending December 31, 2010		20,000		24,000		44,000
Years ending December 31, 2011		80,000		96,000		176,000
Years ending December 31, 2012		70,000		48,000		118,000
Years ending December 31, 2013		70,000				70,000
Years ending December 31, 2014		45,000				45,000
Years ending December 31, 2015		25,000				25,000
Total	$	310,000	$	168,000	$	478,000

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 on various properties for the benefits of its stakeholders.

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. 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 to budget on all exploration projects and overheads to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been and will continue to be funded by the sale of equity to investors. Although the Company has been successful in raising funds in the past through issuing common shares, it is uncertain whether it will continue this financing in the future.

9. FINANCIAL INSTRUMENTS

The Company has classified cash and cash equivalents as held-for-trading; other receivables as loans and receivables; accounts payable and accrued liabilities as other financial liabilities.

Fair Values

As at September 30, 2010, the recorded amounts for cash and cash equivalents are at fair value. Other receivables, accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

Currency Risk

The Company has no foreign currency denominated assets or liabilities except for occasional and immaterial US dollar expenses.

Interest Rate Risk

The Company's cash held in bank accounts earn interest at variable interest rates and the short term investment is held in a GIC. 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 and short-term investment deposited with a large, federally insured, commercial bank. Other credit risk is limited to trade receivables in the ordinary course of business, which consist primarily of GST receivable. The balance of trade receivables are not significant.

9. FINANCIAL INSTRUMENTS (Continued)

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 September 30, 2010, the Company had cash and cash equivalents of $512,281 (December 31, 2009: $964,714), however as disclosed in Note 1 the Company requires further funding to meet its financial commitments.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities,
Level 2 – valuation methods that make use of directly or indirectly observable inputs, and
Level 3 – valuation methods that make use of unobservable market data used as inputs.

The fair value of the Company's cash and cash equivalents is their carrying value (level 2). The fair value of the Company's receivables and payables approximates their carrying value given their short-term nature.

10. FUTURE INCOME TAX RECOVERY

Under the provisions of CICA EIC 146, in respect of flow-through shares, a future income tax liability must be recognized, and shareholders' equity reduced, on the date that the Company renounces the tax credits associated with flow-through expenditures, provided that there is reasonable assurance that the expenditures will be made. As the Company has unrecognized future tax assets and the taxable temporary differences relating to the flow-through shares are expected to reverse during the loss carry forward period, these tax assets can be applied against the future taxable temporary difference. The recognition of the benefits resulted in a future income tax recovery of $189,050 (2009 - $112,850).

11. SEGMENTED INFORMATION

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

12. SUBSEQUENT EVENTS

a) On October 21, 2010, 1,387,501 warrants were exercised at price of $0.25 for gross proceeds of $346,875.
b) $20,000 was paid and 200,000 common shares of the Company were issued for Mariposa property.