

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)

Condensed Interim Financial Statements
September 30, 2011
(Expressed in Canadian dollars)
(Unaudited)

Notice to Reader

The accompanying unaudited condensed interim financial statements of 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 financial statements.

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Condensed Statement of Financial Position
(Unaudited, expressed in Canadian dollars)

	September 30, 2011	December 31, 2010
		(Note 10)
Assets		
Current assets		
Cash and cash equivalents	\$ 2,395,999	\$ 4,830,077
Other receivables	97,823	37,583
Prepaid	15,000	17,375
	<u>2,508,822</u>	<u>4,885,035</u>
Equipment	Note 4 42,758	55,172
Resource properties	Note 5 1,028,587	604,493
Reclamation bond	10,000	10,000
	<u>\$ 3,590,167</u>	<u>\$ 5,554,700</u>
Liabilities		
Current liabilities		
Trade payable and accrued liabilities	\$ 418,470	\$ 144,534
Shareholders' Equity		
Share capital	41,001,261	39,593,241
Contributed surplus	3,064,350	2,920,733
Deficit	(40,893,914)	(37,103,808)
	<u>3,171,697</u>	<u>5,410,166</u>
	<u>\$ 3,590,167</u>	<u>\$ 5,554,700</u>

Nature of Operations (Note 1)

Approved on behalf of the Board of Directors:

"John S. Brock" (signed)
John S. Brock

"Douglas Proctor" (signed)
Douglas Proctor

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

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Condensed Statement of Loss and Comprehensive Loss
(Unaudited, expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Administration expenses				
Depreciation	\$ 4,138	\$ 2,815	\$ 12,414	\$ 6,417
Insurance	1,836	-	25,026	15,915
Professional fees	19,772	9,397	36,746	29,921
Management and administrative services	2,623	30,885	86,657	87,881
Office operations and facilities	28,856	29,386	89,539	90,738
Investor relations	74,197	36,611	211,248	66,735
Transfer agent and regulatory fees	11,540	3,723	35,061	25,302
	142,962	112,817	496,691	322,909
Other (expenses) income				
Exploration and evaluation costs	Note 5(d) (1,959,787)	(899,512)	(3,089,137)	(1,258,510)
Impairment	-	-	-	(54,571)
Interest	11,594	3,759	19,860	(1,301)
Government grant	-	-	14,889	-
Share-based payments	(89,164)	-	(239,027)	(196,594)
	(2,037,357)	(895,753)	(3,293,415)	(1,510,976)
Loss and comprehensive loss for the period	\$ (2,180,319)	\$ (1,008,570)	\$ (3,790,106)	\$ (1,833,885)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.03)	\$ (0.07)	\$ (0.07)
Weighted average number of common shares outstanding	57,379,351	30,397,983	54,629,686	27,463,922

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

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Condensed Statement of Cash Flows
(Unaudited, expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Cash flows used in operating activities				
Loss for the period	\$ (2,180,319)	\$ (1,008,570)	\$ (3,790,106)	\$ (1,833,885)
Items not affecting cash				
Depreciation	4,138	2,815	12,414	6,417
Impairment	-	-	-	54,571
Share-based payments	89,164	-	239,027	196,594
	(2,087,017)	(1,005,755)	(3,538,665)	(1,576,303)
Changes in non-cash working capital items				
Other receivables	(41,951)	(70,170)	(60,240)	(31,670)
Prepaid	15,000	(9,375)	2,375	(1,875)
Trade payable and accrued liabilities	6,315	(7,649)	273,936	102,547
	(20,636)	(87,194)	216,071	69,002
	(2,107,653)	(1,092,949)	(3,322,594)	(1,507,301)
Cash flows used in investing activities				
Resource property acquisition costs	(39,788)	(136,124)	(217,094)	(149,302)
Equipment	-	200	-	(54,076)
	(39,788)	(135,924)	(217,094)	(203,378)
Cash flows from financing activities				
Proceeds from share issuance	854,530	1,258,246	1,105,610	1,258,246
	854,530	1,258,246	1,105,610	1,258,246
(Decrease) increase in cash and cash equivalents	(1,292,911)	29,373	(2,434,078)	(452,433)
Cash and cash equivalents - beginning of period	3,688,910	482,908	4,830,077	964,714
Cash and cash equivalents - end of period	\$ 2,395,999	\$ 512,281	\$ 2,395,999	\$ 512,281
Supplemental cash flow information				
Interest received	\$ 11,146	\$ 1,974	\$ 29,333	\$ 17,524
Shares issued for property	\$ 120,000	\$ 31,250	\$ 207,000	\$ 31,250

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

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Condensed Statement of Changes in Shareholders' Equity
Unaudited, expressed in Canadian dollars)

	Common Shares		Warrants	Contributed		Deficit	Total Shareholders' Equity
	Shares	Amount		Surplus			
Balance at December 31, 2009	25,972,576	\$ 34,021,981	\$ 117,282	\$ 2,254,913	\$ (35,030,138)	\$ 1,364,038	
Shares issued pursuant to flow-through arrangements	3,800,000	401,505	130,495	-	-	532,000	
Shares issued pursuant to a private placement, net of issue cost	4,700,000	538,746	-	-	-	538,746	
Shares issued for finders' fees	30,000	-	-	-	-	-	
Share purchase warrants exercised	750,000	187,500	-	-	-	187,500	
Shares issued for property	250,000	31,250	-	-	-	31,250	
Share-based payments	-	-	-	196,594	-	196,594	
Net loss for the period	-	-	-	-	(1,833,885)	(1,833,885)	
Balance at September 30, 2010	35,972,576	\$ 35,180,982	\$ 247,777	\$ 2,451,507	\$ (36,864,023)	\$ 1,016,243	
Balance at December 31, 2010	52,269,911	\$ 39,593,241	\$ 506,312	\$ 2,414,421	\$ (37,103,808)	\$ 5,410,166	
Shares issued for property	600,000	207,000	-	-	-	207,000	
Share purchase warrants exercised	6,554,667	1,148,770	(95,410)	-	-	1,053,360	
Stock option exercised	247,500	52,250	-	-	-	52,250	
Share-based payments	-	-	-	239,027	-	239,027	
Net loss for the period	-	-	-	-	(3,790,106)	(3,790,106)	
Balance at September 30, 2011	59,672,078	\$ 41,001,261	\$ 410,902	\$ 2,653,448	\$ (40,893,914)	\$ 3,171,697	

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

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements September 30, 2011
(Unaudited, expressed in Canadian dollars)

1. Nature of operations

Pacific Ridge Exploration Ltd. (the "Company" or "Pacific Ridge") is in the business of acquiring and exploring resource properties in Canada. Pacific Ridge is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia). The address of its registered office is 950 – 1100 West Hastings Street, Vancouver, British Columbia.

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. Due to market fluctuations and the inherent risks in the exploration industry, there can be no assurance that management's future actions will be successful.

The condensed interim financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2011, the Company had an accumulated deficit of \$40,893,914 (December 31, 2010 - \$37,103,808) and had a working capital of \$2,090,352. The Company believes it has sufficient funds to maintain its resource property interests and pay current liabilities. However; the Company plans to raise additional equity to continue its exploration programs in 2012.

2. Basis of presentation and adoption of International Financial Reporting Standards ("IFRS")

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS1"). They do not include all of the information required for full annual financial statements.

Subject to certain transition elections disclosed in note 11, the Company has consistently applied the same accounting policies in its opening IFRS Statement of Financial Position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 11 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2010.

These interim financial statements are presented in Canadian dollars, which is the Company's functional currency. They should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

2. Basis of presentation and adoption of International Financial Reporting Standards (“IFRS”), continued

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of November 21, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2011 could result in a restatement of these interim financial statements, including the transition adjustments recognized on conversion to IFRS.

3. Significant accounting policies

The significant accounting policies used in the preparation of these condensed interim financial statements are described below.

a) Cash and cash equivalents

Cash and cash equivalents include high-liquid investments that are readily convertible to known amounts of cash and have maturities of three months or less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

b) Equipment

Equipment is recorded at cost less accumulated amortization. Depreciation is provided on a declining balance basis at the annual rate of 30% for all equipment.

c) Use of estimates and measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets, liabilities, expenses, other income, and contingent assets and liabilities. Significant areas requiring the use of management estimates relate to depreciation of equipment, the assessment of impairment of resource properties, the valuation deferred tax assets and liabilities and the assumptions used in the calculation of share-based payments. Management believes the estimates are reasonable; however, actual results could differ from those estimates and would impact future results of operations and cash flows.

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 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 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 of any interest in a property will be credited against the carrying value of the property,

3. Significant accounting policies, continued

e) Resource property acquisition costs, continued

with any excess included in the operations for the year. If a property is abandoned or has become impaired, the acquisition costs will be written off or written down to operations.

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

f) Exploration and evaluation costs

Exploration and evaluation expenditures are expensed as incurred.

g) Flow-through shares

The Company finances a significant 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. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy.

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 and renounced to the shareholders, the premium liability is de-recognized to other income.

h) Share-based payments

The Company has a stock option plan that is described in note 7. 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.

i) 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.

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements September 30, 2011
(Unaudited, expressed in Canadian dollars)

3. Significant accounting policies, continued

j) Financial instruments

Financial instruments are classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income (loss). Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity.

k) Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss accordingly.

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

l) Loss per common share

Loss per common share is calculated using the weighted average number of shares outstanding during the year.

4. Equipment

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

	Cost	Accumulated depreciation	Net book value
Beginning balance, December 31, 2010	\$ 89,991	\$ 34,819	\$ 55,172
Depreciation	-	12,414	12,414
Ending balance, September 30, 2011	\$ 89,991	\$ 47,233	\$ 42,758
Beginning balance, December 31, 2009	\$ 36,000	\$ 25,504	\$ 10,496
Additions	53,991	-	53,991
Depreciation	-	9,315	9,315
Ending balance, December 31, 2010	\$ 89,991	\$ 34,819	\$ 55,172

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements September 30, 2011
(Unaudited, expressed in Canadian dollars)

5. Resource properties

The Company has interests in mineral properties in Yukon and Nunavut, Canada. A summary of capitalized acquisition costs for the nine months ended September 30, 2011 and year ended December 31, 2010 was as follows:

	Mariposa	Gold Cap	Polar Stewart	Eureka Dome	PTL	Fyre Lake	Baker Uranium	Total
Balance, December 31, 2010	\$ 220,192	\$ 10,300	\$ 215,000	\$ 27,300	\$ -	\$ 35,701	\$ 96,000	\$ 604,493
Additions during the period	246,869	-	132,500	14,490	29,500	735	-	424,094
Balance, September 30, 2011	\$ 467,061	\$ 10,300	\$ 347,500	\$ 41,790	\$ 29,500	\$ 36,436	\$ 96,000	\$ 1,028,587

	Mariposa	Gold Cap	Polar Stewart	Eureka Dome	Other	Fyre Lake	Baker Uranium	Total
Balance, December 31, 2009	\$ 82,240	\$ 9,800	\$ 118,750	\$ 27,300	\$ 54,572	\$ 17,851	\$ 96,000	\$ 406,513
Additions during the year	137,952	500	96,250	-	-	17,850	-	252,552
Impairment during the year	-	-	-	-	(54,572)	-	-	(54,572)
Balance, December 31, 2010	\$ 220,192	\$ 10,300	\$ 215,000	\$ 27,300	\$ -	\$ 35,701	\$ 96,000	\$ 604,493

a) Mariposa property, Yukon

In October 2009, the Company entered into an option agreement to acquire a 100% interest in 203 claims, subsequently acquired approximately additional 1,400 claims, located in Dawson City, Yukon, known as the Mariposa property. The principal terms of the agreement require the Company to pay \$120,000 in cash, issue 4,000,000 common shares and incur \$600,000 (incurred) exploration expenditures over five years as follows:

	Cash	Common Shares	Cumulative work expenditures
On initial date (paid and issued)	\$ 20,000	250,000	\$ 100,000
On or before October 1, 2010 (paid and issued)	20,000	200,000	200,000
On or before October 1, 2011 (paid and issued)	20,000	300,000	300,000
On or before October 1, 2012	20,000	400,000	400,000
On or before October 1, 2013	20,000	400,000	600,000
On or before October 1, 2014	20,000	450,000	-
Upon production notice being given		1,000,000	-
Upon commencement of commercial production		1,000,000	
	\$ 120,000	4,000,000	\$ 600,000

The property is subject to a 2% net smelter return ("NSR") and may be purchased, at any time after a production notice has been given, 1% NSR for \$1,000,000.

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements September 30, 2011
(Unaudited, expressed in Canadian dollars)

5. Resource properties, continued

b) PTL property, Yukon

On May 27, 2011, the Company entered into an option agreement with a private vendor to earn a 100% interest in 39 mineral claims located in the Dawson Mining District, Yukon, north-western area of the Mariposa property, known as PTL property. In consideration the Company will pay a total of \$85,000 and issue a total of 200,000 of common shares as follows:

	Cash	Common Shares
On or before June 30, 2011 (paid and issued)	\$ 15,000	50,000
On or before June 30, 2012	20,000	50,000
On or before June 30, 2013	20,000	50,000
On or before June 30, 2014	30,000	50,000
	\$ 85,000	200,000

The property is subject to a 2% NSR that may be purchased at 1% for \$1,000,000.

c) Polar Stewart property, Yukon

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, consideration to exercise the option is to pay \$300,000, issue 1,250,000 common shares and undertake exploration expenditures totalling \$1,500,000 (\$96,946 incurred) over a five year period as follows:

	Cash	Common Shares	Cumulative work expenditures
On initial date (paid and issued)	\$ 75,000	250,000	Nil
On or before June 30, 2010 (paid and issued)	65,000	250,000	\$ 50,000
On or before June 30, 2011 (paid and issued)	60,000	250,000	\$ 300,000
On or before June 30, 2012	50,000	250,000	\$ 800,000
On or before June 30, 2013	50,000	250,000	\$ 1,500,000
	\$ 300,000	1,250,000	\$ 1,500,000

The property is subject to 2% NSR and \$25,000 advance minimum royalty from 2014 onwards. 1% of the NSR may be purchased at any time for \$2,000,000.

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements September 30, 2011
(Unaudited, expressed in Canadian dollars)

5. Resource properties, continued

d) Exploration and evaluation costs

The table below summarizes accumulative expensed exploration and evaluation costs on the existing resource properties except for general exploration item, for the nine months ended September 30, 2011:

	Mariposa	Other Properties	General Exploration	Total
Balance, January 1, 2011	\$ 1,352,956	\$ 359,054	\$ -	\$ 1,712,010
Additions during the period				
Analytical and data report	218,968	-	260	219,228
Drilling	781,907	-	-	781,907
Field support	342,522	8,002	-	350,524
Fuel and transport	769,770	22,213	-	791,983
Geological services	250,307	82,640	5,110	338,057
Personnel	492,887	3,230	3,521	499,638
Travel and other	77,611	-	30,189	107,800
	2,933,972	116,085	39,080	3,089,137
Balance, September 30, 2011	\$ 4,286,928	\$ 475,139	\$ 39,080	\$ 4,801,147

6. Share capital

The Company has an authorized unlimited number of common shares without par value.

Flow-through shares

Pursuant to a non-brokered private placement closed on December 22, 2010, the Company issued 8,588,834 flow-through shares for total gross proceeds of \$2,576,650. The Company filed its renunciation forms in January 2011 for the entire amount received. As of September 30, 2011, the Company had fulfilled its flow-through obligation and incurred the remaining \$2,556,938 flow-through expenditures.

7. Share-based payments

a) Stock options

The Company has a stock option plan (the "Plan") which is approved by the shareholders annually. The Plan is designed to attract and retain individuals and to reward them for current and expected future performance. 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. Under the Plan, the Company is authorized to grant stock options of up to 10% of the number of common shares issued and outstanding of the Company at any given time.

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements September 30, 2011
(Unaudited, expressed in Canadian dollars)

7. Share-based payments, continued

a) Stock options, continued

The number and weighted average exercise prices of stock options are as follows:

	September 30, 2011		September 30, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,530,000	\$ 0.20	712,500	\$ 0.93
Granted	1,365,000	\$ 0.35	1,530,000	\$ 0.20
Cancelled	-	\$ -	(712,500)	\$ 0.93
Exercised	(247,500)	\$ 0.21	-	\$ -
Outstanding, end of period	2,647,500	\$ 0.27	1,530,000	\$ 0.20
Exercisable, end of period	1,978,750	\$ 0.25	1,530,000	\$ 0.20

The total fair value of the stock option granted during the nine months ended September 30, 2011 was \$308,847 and \$239,027 was expensed during the period in the statement of comprehensive loss.

The stock options outstanding as of September 30, 2011 are listed below:

Exercise price	Number of options		Expiry date	Weighted average remaining contractual life (years)
		Outstanding		
\$ 0.20	1,310,000	January 29, 2015	3.33	
\$ 0.30	1,052,500	January 6, 2016	4.25	
\$ 0.30	45,000	May 12, 2016	4.63	
\$ 0.35	40,000	June 2, 2016	4.71	
\$ 0.61	200,000	July 29, 2016	4.42	
\$ 0.27	2,647,500		3.82	

The fair value of the options issued during the period was calculated using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2011	September 30, 2010
Risk-free interest rate	1.93%	2.45%
Expected share price volatility	106.82%	106.79%
Expected life in years	3.50	5.00
Forfeiture rate	0%	0%
Expected dividend yield	Nil	Nil

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements September 30, 2011
(Unaudited, expressed in Canadian dollars)

7. Share-based payments, continued

b) Share purchase warrants

A summary of the warrants outstanding as of the period ended September 30 is as follows:

	September 30, 2011		September 30, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	10,432,851	\$ 0.27	2,237,501	\$ 0.25
Issued	-	\$ -	6,600,001	\$ 0.16
Expired	(34)	\$ 0.15	(100,000)	\$ 0.25
Exercised	(6,554,667)	\$ 0.16	(750,000)	\$ 0.25
Outstanding, end of period	3,878,150	\$ 0.45	7,987,502	\$ 0.17

The outstanding 3,878,150 warrants will expire on December 22, 2012. They are subject to acceleration term: should the closing market price of the Company's shares trade in excess of \$0.60 per share for 20 consecutive trading days ("Triggering Event"), the Company may, within five days of the Triggering Event, issue a notice to those warrant holders and accelerate the warrant expiry date to the 21st day after the notice is given.

8. Related parties

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

The Company has no compensation arrangement with its board of directors other than non-cash stock option grants. The Company has no termination benefit, 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 is listed below:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Salaries	\$ 78,350	\$ 24,700	\$ 206,250	\$ 66,500
Share-based payments, non-cash	94,000	-	213,700	124,000
	\$ 172,350	\$ 24,700	\$ 419,950	\$ 190,500

9. Segmented information

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

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements September 30, 2011
(Unaudited, expressed in Canadian dollars)

10. Transition to IFRS

The condensed interim financial statements for the nine months ended September 30, 2011 are the Company's third financial statements prepared under IFRS, as stated in note 2 to those statements. The accounting policies described in note 3 have been applied in preparing the condensed interim financial statements for the three and nine months ended September 30, 2011, the comparative information presented in the financial statements for the three and nine months ended September 30, 2010, and the statement of financial position as at December 31, 2010, An explanation of IFRS 1, exemptions applicable to first-time adoption of IFRS, and the required reconciliations between IFRS and Canadian GAAP are described below.

IFRS 1 First-time Adoption of IFRS

The Company has elected the following:

- not to apply IFRS 2, Share-based Payments, to equity instruments granted on or before November 7, 2002 and those granted but fully vested before the date of transition of January 1, 2010.
- to continue to measure equipment as its historical depreciated cost.

Flow-through shares

On transition to IFRS, the Company allocated the flow-through proceeds between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the market value of the common shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in the result of operations in the period of the eligible exploration expenditures occurred. If flow-through shares are sold at a discount, this policy does not apply and the flow-through shares issued follow applicable IFRS guidance.

Reconciliation of liabilities and equity

	December 31, 2010	September 30, 2010
Total liabilities under Canadian GAAP	\$ 108,010	\$ 210,210
Flow-through share premium	-	-
Total liabilities under IFRS	\$ 108,010	\$ 210,210
Deficit under Canadian GAAP	\$ (37,103,808)	\$ (36,674,973)
Flow-through share	-	-
Total deficit under IFRS	(37,103,808)	(36,674,973)
Share capital under Canadian GAAP	39,593,241	34,991,932
Flow-through share	-	-
Total share capital under IFRS	\$ 39,593,241	\$ 34,991,932
Total shareholder's equity under Canadian GAAP	\$ 5,410,166	\$ 1,016,243
Adjustment on adoption of IFRS	-	-
Total shareholders' equity under IFRS	\$ 5,410,166	\$ 1,016,243

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements September 30, 2011
(Unaudited, expressed in Canadian dollars)

10. Transition to IFRS, continued

Reconciliation of loss and comprehensive loss

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Loss and comprehensive loss under Canadian GAAP	\$ (2,593,854)	\$ (780,395)
Adjustment on adoption of IFRS	-	-
Loss and comprehensive loss under IFRS	\$ (2,593,854)	\$ (780,395)