Pacific Ridge Exploration Ltd.

Financial Statements
(An Exploration Stage Company)

December 31, 2009 and 2008

Management's Responsibility for Financial Reporting

The accompanying financial statements of Pacific Ridge Exploration Ltd. (the "Company") have been prepared by management in accordance with accounting principles accepted in Canada and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

"*John S. Brock*" *(signed)*
John S. Brock
President and Chief Executive Officer

"*Lei Wang*" *(signed)*
Lei Wang
Chief Financial Officer

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Auditors' Report

To the Shareholders of Pacific Ridge Exploration Ltd.

We have audited the balance sheets of Pacific Ridge Exploration Ltd. (the "Company") as at December 31, 2009 and 2008 and the statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
April 13, 2010

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

			December 31, 2009		December 31, 2008
Assets					(Restated - Note 3)
Current assets					
Cash and cash equivalents		$	964,714	$	353,725
Short Term Investment	Note 4		-		800,000
Other receivables			61,978		65,978
Prepaid			18,000		-
			1,044,692		1,219,703
Property, plant and equipment	Note 5		10,496		14,994
Resource assets	Note 6		406,513		130,246
Reclamation bonds			10,000		19,058
		$	1,471,701	$	1,384,001
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	107,663	$	113,579
Due to related parties	Note 8		-		3,707
			107,663		117,286
Shareholders' Equity					
Capital stock	Note 7		34,021,981		33,346,072
Contributed surplus			2,372,195		2,223,393
Deficit			(35,030,138)		(34,302,750)
			1,364,038		1,266,715
		$	1,471,701	$	1,384,001

Nature of operations and Going Concern (Note 1)
Commitments (Note 9)
Subsequent Event (Note 14)

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
(Expressed in Canadian dollars)

		Year ended December 31, 2009	2008
			(Restated - Note 3)
Administration expenses			
Consulting		$ 3,035	$ 25,300
Insurance		15,463	21,319
Legal and audit		65,988	159,515
Management and administrative services		197,616	165,079
Office operations and facilities		32,104	37,003
Shareholder communications and investor relations		64,860	78,669
Stock-based compensation	Note 7 (b)	31,520	110,563
Transfer agent and regulatory fees		38,338	44,755
Travel		304	4,903
		449,228	647,106
Other expenses (income)			
Interest		(20,312)	(34,717)
Exploration costs	Note 6	432,098	48,403
Amortization		4,498	6,426
BC Mining Exploration Tax Credit		(25,274)	-
Write-off of mineral properties		-	1,385,096
		391,010	1,405,208
Loss before income taxes		(840,238)	(2,052,314)
Future income tax recovery	Note 12	112,850	783,370
Loss and comprehensive loss for the year		$ (727,388)	$ (1,268,944)
Basic and diluted loss per common share		$ (0.03)	$ (0.06)
Weighted average number of common shares		22,220,589	19,992,030

The accompanying notes are an integral part of the financial statements

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

	Year ended December 31, 2009	2008
Cash flows used in operating activities		(Restated - Note 3)
(Loss) for the year	$ (727,388)	$ (1,268,944)
Items not affecting cash		
Amortization	4,498	6,426
Future income tax recovery	(112,850)	(783,370)
Stock-based compensation	31,520	110,563
Write-off of mineral properteis	-	1,385,096
	(804,220)	(550,229)
Changes in non-cash working capital items		
Other receivables	4,000	189,359
Prepaid	(18,000)	-
Accounts payable and accrued liabilities	(5,916)	62,653
Due to related parties	(3,707)	(139,977)
	(23,623)	112,035
	(827,843)	(438,194)
Cash flows used in investing activities		
Acquisition of mineral property	(190,017)	(716,047)
Short-term investment	800,000	(800,000)
Reclamation bonds	9,058	-
	619,041	(1,516,047)
Cash flows from financing activities		
Issue of capital stock, net of issue costs	819,791	704,423
Increase (decrease) in cash and cash equivalents	610,989	(1,249,818)
Cash and cash equivalents - beginning of the year	353,725	1,603,543
Cash and cash equivalents - end of the year	$ 964,714	$ 353,725
Supplemental cash flow information		
Interest received	$ 19,629	$ 32,157
Issuance of shares for mineral properties	$ 86,250	$ 289,000

The accompanying notes are an integral part of the financial statements

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

	Common Shares								
	Shares		Amount		Contributed Surplus		Deficit		Total Shareholders' Equity
							(Restated - Note 3)		(Restated - Note 3)
Balance at December 31, 2007	19,435,076	$	33,136,019	$	2,112,830	$	(33,033,806)	$	2,215,043
Shares issued pursuant to flow-through arrangements	462,500		370,000						370,000
Shares issued pursuant to private placement with Aurora Energy Resources Inc.	500,000		340,000						340,000
Shares issued for mineral property	600,000		289,000						289,000
Share issue costs			(5,577)						(5,577)
Future income taxes			(783,370)						(783,370)
Stock-based compensation					110,563				110,563
Net loss for the year							(1,268,944)		(1,268,944)
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 attached 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

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 December 31, 2009, the Company had an accumulated deficit of $35,030,138 (2008 - $34,302,750) and working capital of $937,029 (2008: $1,102,421). The Company incurred a net loss of $727,388 for the year ended December 31, 2009 (2008 - $1,268,944) and also has flow-through expenditure exploration commitments in 2010 amounting to approximately $500,000. 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 significant 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.

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. SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its accounts in accordance with Canadian generally accepted accounting principles ("GAAP") and their basis of application is consistent with that of the previous year. The following is a summary of significant accounting policies used in the preparation of these financial statements:

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investment with original maturities of three months or less.

Short-term Investment

Short-term investment consists of cash invested in a guaranteed investment certificate ("GIC") with maturity of one year at the time of acquisition. The investment is liquid and can be converted to cash at any time. The balance is carried at fair market value, which includes interest earned and/or accrued on the investment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis at the annual rate of 30% for all property, plant and equipment.

Resource Asset Acquisition Costs

Resource assets 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 written off over the life of the property 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, 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 to operations.

Recorded costs of resource assets 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. Proceeds received from the sale of any interest in a property are credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the deferred costs will be written off to operations.

Exploration Costs

During the year commencing January 1, 2009, the Company changed its accounting policy relating to resource asset exploration expenditures and it now expenses exploration expenditures when incurred (See Note 3).

Impairment of Long-Lived Assets

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between significant assumptions used and actual market conditions and/or the Company’s performance could have a material effect on the Company’s financial position and results of operations. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered.

Loss per Common Share

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Future 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. The future 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 future income tax assets or liabilities are expected to be settled or realized. Future tax assets are recognized only to the extent that they are considered more likely than not to be realized.

Flow-through Financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investors. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs have been expensed. A future income tax liability is recognized, and shareholders' equity reduced, on the date the Company renounces the tax credits associated with the expenditures, provided there is reasonable assurance that the expenditures will be made.

The Company also recognizes the benefit of previously unrecognized future income tax assets relating to non-capital loss carry-forwards and exploration expenditures to offset the future income tax liability arising on a renouncement of expenditures. The corresponding credit reduces is shown as a future tax recovery.

Stock-based Compensation

The Company accounts for stock-based compensation using a fair value-based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged to operations, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

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 amortization of equipment, the determination of the recoverability of mineral property costs, the valuation allowance of future tax assets and the assumptions about the variables used in the calculation of stock-based compensation. Management believes the estimates are reasonable; however, actual results could differ from those estimates and would impact future results of operations and cash flows.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

3. ACCOUNTING CHANGES

Exploration Expenditures

During the year ended December 31, 2009, the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies applied by other companies in the mining and exploration industry. The Company now capitalizes exploration expenditures when an economic feasibility study has established proven and probable reserves. Prior to the year beginning January 1, 2009, the Company capitalized all exploration expenditures.

Exploration expenditures are now charged to net loss as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisition are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. The impact of this change on the previously reported December 31, 2008 financial statements is as follows:

	Reported $	Adjustment $	Restated $
Resource assets at December 31, 2008	3,825,199	(3,694,953)	130,246
Loss for the year ended December 31, 2008	(3,644,292)	2,375,348	(1,268,944)
Loss per share for the year ended December 31, 2008	(0.05)	0.04	(0.01)
Deficit at December 31, 2008	(30,477,547)	(3,825,203)	(34,302,750)
Deficit at December 31, 2007	(26,833,255)	(6,200,551)	(33,033,806)

(Expressed in Canadian dollars)

3. ACCOUNTING CHANGES (Continued)

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Canadian Institute of Chartered Accounts ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this section had no effect on the Company's financial statements.

Recent Accounting Pronouncements

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning December 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The adoption of this standard is not expected to have an effect on the Company's financial statements.

4. SHORT-TERM INVESTMENT

The one year GIC investment of $800,000 with an interest rate of 3.05% matured on November 23, 2009, funds were re-invested in a GIC yielding an average interest rate of 0.8%.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated amortization with details listed below:

	December 31, 2009			December 31, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Field equipment	$ 36,000	$ 25,504	$ 10,496	$ 36,000	$ 21,006	$ 14,994

(Expressed in Canadian dollars)

6. RESOURCE ASSETS

The Company has interests in mineral properties in British Columbia, Nunavut, and Yukon, Canada. A summary of capitalized acquisition expenditures for the years ended 2009 and 2008 was as follows:

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
Balance, December 31, 2007	$ 510,293	$ 1	$ -	$ -	$ -	$ 1	$ 510,295
Addition during the year	271,449	17,850	-	21,244	18,000	-	328,543
Written-off during the year	(685,742)	(17,850)			(5,000)	-	(708,592)
Balance, December 31, 2008	$ 96,000	$ 1	$ -	$ 21,244	$ 13,000	$ 1	$ 130,246

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

a) Baker Basin Uranium Project, Nunavut

In 2007, the Company acquired a 60% interest in the Baker Basin Uranium Project from Kaminak Gold Corporation, who subsequently assigned its 40% interest to Kivalliq Energy Corp. (“Kivalliq”). During the year ended December 31, 2008, the Company acquired the remaining 40% interest from Kivalliq by issuing 500,000 post consolidation shares representing a value of $240,000.

With a 100% ownership of the project, the Company entered into an option/joint venture agreement with Aurora Energy Resources Inc. (“Aurora”) on September 23, 2008. To earn 51% interest in the project, Aurora subscribed for a 500,000 post consolidation share private placement at $0.68 per share in 2008, and may incur staged exploration expenditures totalling $15 million up to December 31, 2011.

When a preliminary feasibility study is produced, Kivalliq will have the right to back-in to a 20% joint venture interest by reimbursing 40% of the exploration costs incurred including the cost of production of the preliminary feasibility study. The reimbursement will be distributed on a pro-rata basis to the Company and Aurora after the Company has received the first $7.3 million. Should Kivalliq elect to back in but fail to contribute to the joint venture, its interest would be subject to dilution and if reduced to 5% or less, converted to a royalty. The Company’s joint venture interests would then range from a minimum of 15% to a maximum of 29%, depending on prior elections of Aurora and the Company.

During the fourth quarter 2009 Aurora advised the Company of their intention to relinquish its option of the Baker Basin project, this notice is expected to be formalized in 2010.

b) 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.

(Expressed in Canadian dollars)

6. RESOURCES ASSETS (Continued)

c) 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 is required to pay a total of $300,000 ($75,000 paid), issue a total of 1,250,000 (250,000 issued) common shares and has the option to undertake exploration expenditures totalling $1,500,000 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.

In October 2009, the Company entered into an option agreement to acquire a 100% interest in 203 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 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.

d) Tumbler Ridge Phosphate Project, British Columbia

In 2008 and 2009, the Company acquired a 100% interest in 122 mineral claims through staking.

e) Wapiti Phosphate Project, British Columbia

In July 2008, the Company entered into an agreement with Lateegra Gold Corp., pursuant to which the Company has an option to acquire up to a 65% interest in 15 claims located in east-central British Columbia, known as the Wapiti property. To earn a 51% interest, the Company paid $5,000 and issued 50,000 post-consolidation shares and have the option to complete $1,000,000 in exploration expenditures over a three-year period. To earn an additional 14% interest, the Company may pay an additional $250,000 and issue an additional 250,000 post consolidation shares and make a further $1,000,000 of exploration expenditures over a two-year period.

The table below summarizes the exploration costs for the years ended December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
Accommodation	$ 15,608	$ 99
Assays and geochemical analysis	78,261	608
Geological Consulting	205,921	25,557
Expediting	517	-
Maps, printing and drafting	3,097	
Project management fees	24,500	1,200
Project maintenance cost	590	-
Salaries and wages	3,345	20,940
Transportation	100,259	-
Total	**$ 432,098**	**$ 48,403**

(Expressed in Canadian dollars)

7. CAPITAL STOCK

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

In September and October, 2009, the Company closed its non-brokered private placement of Flow-Through Units and Non-Flow-Through Units announced on July 24, 2009 and subsequently amended on August 24, 2009. The Company received gross proceeds of $760,000 pursuant to the issuance of 3,800,000 Flow-Through Units and $135,000 pursuant to the issuance of 675,000 Non-Flow-Through Units at $0.20 per unit. Each unit was comprised of one common share and one –half of one transferable share purchase warrant which entitles the holder to purchase one common share at a price of $0.25 per share for one year. The warrants have been valued using the Black-Scholes pricing model, with an amount of $117,282 included in contributed surplus based on the relative fair values of the shares and warrants issued.

The warrants noted above have been valued using the following assumptions:

Risk-free interest rate:	2.61%
Expected life:	1 year
Annualized volatility:	126 - 146%
Dividend rate:	0%

In June 2009, the Company received shareholder and regulatory approval to consolidate its common shares on a one-new-for-four-old basis. Effective July 24, 2009, the Company's shares commenced trading on a consolidated basis under the TSX Venture Exchange symbol "PEX". Prior to the consolidation, the Company had 83,990,939 common shares outstanding. All figures for shares, earning per share and stock options have been adjusted retrospectively.

During 2008, the Company issued 462,500 flow-through post consolidation common shares at $0.80 per share for gross proceeds of $370,000. $3,900 finders' fees were paid for this flow through financing.

In October 2008, pursuant to the Aurora Baker Basin Uranium Project agreement, the Company received $340,000 proceeds for a private placement of 500,000 post consolidation units at $0.68 per unit from Aurora.

b) Stock Options

In 2006, the Company adopted a stock option plan (the "Plan") 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. Under the terms of the Plan, the options are subject to vesting provisions, and the term of stock options granted may not exceed five years from the date of grant.

(Expressed in Canadian dollars)

7. CAPITAL STOCK (Continued)

b) Stock Options (Continued)

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

	December 31, 2009			December 31, 2008		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of the year	1,412,500	$	0.78	1,117,500	$	0.84
Granted	-	$	-	375,000	$	0.68
Expired	(525,000)	$	0.57	(12,500)	$	1.04
Cancelled	(50,000)	$	0.68	-	$	-
Forfeited	(125,000)	$	0.80	(67,500)	$	1.00
Outstanding, end of the year	712,500	$	0.93	1,412,500	$	0.78

Stock options outstanding and exercisable at December 31, 2009 are as follows:

Awards Outstanding					Awards Exercisable			
Quantity	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price	Expiry Date	Quantity	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price
175,000	1.22	$	1.28	22-Mar-2007	175,000	1.22	$	1.28
212,500	2.24	$	1.04	27-Mar-2008	212,500	2.24	$	1.04
325,000	3.83	$	0.68	29-Oct-2009	162,500	3.83	$	0.68
712,500	2.72	$	0.93		550,000	2.43	$	1.01

The Company applies the fair value method of accounting for stock options and, accordingly, the fair value of stock options of $31,250 (2008 - $110,563) has been included in the statement of loss and comprehensive loss.

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

	December 31, 2009	December 31, 2008
Risk-free interest rate	Nil	3.81%
Expected share price volatility	Nil	116.83%
Expected option life in years	Nil	5.0
Expected dividend yield	Nil	Nil

Option 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.

(Expressed in Canadian dollars)

7. CAPITAL STOCK (Continued)

c) Share Purchase Warrants

Share purchase warrants outstanding on December 31, 2009 was as follows:

	December 31, 2009		December 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of the year	-	$ -	1,144,513	$ 1.52
Issued	2,237,501	$ 0.25	-	$ -
Expired	-	$ -	(1,144,513)	$ 1.52
Outstanding, end of the year	2,237,501	$ 0.25	-	$ -

800,000 warrants will expire on September 4, 2010 and a further 1,437,501 will expire on October 21, 2010.

8. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions during the year ended December 31, 2009:

a) $56,800 (2008 - $40,900) paid to the President and CEO of the Company for administration, management and exploration services. In connection with these services, $nil (2008 - $2,310) was due by the Company at December 31, 2009.

b) $43,144 (2008 - $63,330) paid to the Vice President of Exploration for professional geological services. In connection with these services, $nil (2008 - $1,397) was due by the Company at December 31, 2009.

9. COMMITMENTS

The Company entered into a service agreement in 2008 with a private company for its office space, administrative, corporate and other services at a monthly fee of $8,000. The agreement can be cancelled at anytime upon one year notice. The current expiry date is June 30, 2012. Mineral property option payments refer to the Company's Polar Stewart and Mariposa properties.

The summary for the commitments are listed below:

	Mineral Property - Cash (optional)	Service Agreement	Total
Years ending December 31, 2010	$ 85,000	$ 96,000	$ 181,000
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	20,000		
Total	$ 325,000	$ 240,000	$ 545,000

10. 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. Further information regarding capital management is included in Note 1.

11. FINANCIAL INSTRUMENTS

The Company has classified cash and cash equivalents, short-term investment as held-for-trading; other receivables and other as loans and receivables; accounts payable and accrued liabilities and due to related parties as other financial liabilities.

Fair Values

As at December 31, 2009, the recorded amounts for cash and cash equivalents and short-term investment are at fair value. Other receivables, accounts payable and accrued liabilities, and due to related parties 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.

(Expressed in Canadian dollars)

11. 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 December 31, 2009, the Company had cash and cash equivalents of $964,714 (2008: $353,725), 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 and short-term investments 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.

12. INCOME TAXES

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

	2009	2008
Income tax recovery at statutory rates	$ (252,071)	$ (625,956)
Increase (decrease) in taxes from		
Non-deductible expenses	9,544	33,896
Reduction in tax rates and other	220,940	1,039,210
Change in valuation allowance	(91,263)	(1,230,520)
	$ (112,850)	$ (783,370)

A potential future income asset of approximately $5,421,198 arises from the following:

	2009	2008
Non-capital loss carry-forwards	$ 295,287	$ 174,300
Other deductible tax pools	5,125,911	5,338,162
	5,421,198	5,512,462
Valuation allowance	5,421,198	5,512,462
	$ -	$ -

The Company has reduced the value of the potential future income tax asset to $nil through the application of a valuation allowance as the Company does not have any current source of income to which the tax losses can be applied.

12. INCOME TAXES (Continued)

At December 31, 2009, included in the computation of the future tax assets noted above, the Company had approximately $1,181,147 of losses available for carry-forward and $19,834,292 of resource pools. The loss carry-forward can be offset against income for Canadian income tax purposes in future years and will expire between 2010 and 2029.

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 $112,850 (2008 - $783,370).

13. SEGMENTED INFORMATION

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

14. SUBSEQUENT EVENT

1,530,000 stock options were granted to its directors, officers and consultants on January 29, 2010 at an exercise price of $0.20 for five years.