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May 18, 2016

Report to Shareholders

Dear Shareholders:

2015 was another difficult year for mineral exploration. However, for Pacific Ridge, it was a significant year: As a result of the royalty sale to Sandstorm Gold and the property payment from MinQuest for our Fyre Lake property, we ended the year with a significant, non-dilutive cash balance. In addition, we completed a rotary air blast ("RAB") drill program on our Mariposa property supported in part by a Yukon government YMEP grant.

In June, 2015, the Company received a payment of $US500,000 ($CDN610,000) from Sandstorm in consideration for the sale of a royalty package including a 1.65% Net Smelter Return (NSR) held by the Company on the Spectrum gold property, located in northwestern BC and owned by Skeena Resources Ltd. and a 1% NSR on Pacific Ridge's Eureka Dome and Gold Cap properties located in the Yukon's White Gold District. Also we transferred our right to buy-down royalties on our Mariposa property to Sandstorm. In July and August, 2015, we received payments of $100,000 cash and $125,000 in shares from MinQuest Limited as part of MinQuest's option to earn up to an 80% interest in our Fyre Lake project. No exploration work was carried out at Fyre Lake during the year.

In September, 2015, the Company completed a 12-hole RAB drill program on its Mariposa gold property in Yukon's Klondike-White Gold District. The results of this drilling demonstrate continuity of mineralized structures within the Skookum Main mineralized zone, which remains open along strike in both directions and at depth.

The company continues to conserve its cash while reviewing various exploration options. It is examining farm-out alternatives for its Mariposa gold project in the White Gold district as it continues to evaluate new exploration opportunities.

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After 40 years at the helm, John Brock is retiring from his role as Chairman and Director of the Company. Over this time, John has provided strong leadership that has led to significant shareholder value through project acquisitions such as Tillicum, Spectrum, Baker Lake, Fyre Lake and Mariposa. The board wishes to thank John for his dynamic stewardship and is pleased to report that John will remain involved as a consultant to the Company.

On behalf of the Board of Directors, I wish to thank you for your continued loyal support of Pacific Ridge. While our resources are limited, I believe that this is a time of opportunity for companies with a creative focus. We continue to examine several opportunities to ensure not only our current viability, but also our future growth.

Yours very truly,

Gerald G. (Gerry) Carlson
President and CEO

The technical information contained herein has been reviewed and approved by Gerald Carlson, Ph.D., P.Eng., President and CEO of Pacific Ridge Exploration Ltd., and Qualified Person as defined by National Instrument 43-101.