GOLD REACH RESOURCES LTD.

Consolidated Financial Statements
(expressed in Canadian dollars)

For the Years Ended March 31, 2013 and 2012

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Independent Auditor's Report

To the Shareholders of Gold Reach Resources Ltd.

We have audited the accompanying consolidated financial statements of Gold Reach Resources Ltd., which comprise the consolidated statements of financial position as at March 31, 2013 and March 31, 2012 and the consolidated statements of comprehensive loss/income, cash flows and changes in equity, for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gold Reach Resources Ltd. as at March 31, 2013 and March 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, British Columbia
July 16, 2013

GOLD REACH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)
For the Years Ended March 31, 2013 and 2012

		As at March 31, 2013		As at March 31, 2012
ASSETS				
Current				
Cash and cash equivalents (Note 10 (c) (i))	$	2,762,804	$	6,280,738
Taxes receivable		65,795		40,328
Other receivable (Note 8)		-		83,059
Prepaid expenses		30,074		83,464
Total Current Assets		2,858,673		6,487,589
Exploration and evaluation costs (Notes 5 and 6)		16,735,366		8,352,494
Equipment and camp buildings (Note 7)		235,134		73,082
Total Non-Current Assets		16,970,500		8,425,576
Total Assets	$	19,829,173	$	14,913,165
LIABILITIES				
Current				
Trade and other payables (Notes 8 and 13)	$	194,366	$	214,367
Total Current Liabilities		194,366		214,367
Deferred income tax liabilities (Note 13)		1,145,000		539,000
Total Non-Current Liabilities		1,145,000		539,000
Total Liabilities		1,339,366		753,367
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		28,335,730		22,708,764
Contributed surplus		3,416,287		2,025,905
Deficit		(13,262,210)		(10,574,871)
Total Shareholders' Equity		18,489,807		14,159,798
Total Labilities and Shareholders' Equity	$	19,829,173	$	14,913,165

Signed on behalf of the Board by:

"Conrad Swanson" Director
"John Watt" Director

See accompanying notes to consolidated financial statements.

GOLD REACH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS/INCOME
(expressed in Canadian dollars)
For the Years Ended March 31, 2013 and 2012

	For the Years Ended March 31, 2013	2012
EXPENSES		
Amortization	$ 42,677	$ 18,379
Investor relations	213,074	116,414
Management and administration fees (Note 8)	359,326	221,235
Office	59,136	31,860
Professional fees (Note 8)	186,165	149,887
Rent	20,890	18,193
Share based payments	1,158,136	934,050
Transfer agent and filing fees	32,646	25,510
Travel and promotion	166,361	106,905
	(2,238,411)	(1,622,433)
OTHER INCOME (EXPENSE):		
Interest income	42,110	9,288
Interest expense	-	(2,814)
Miscellaneous income	3,854	3,000
Gain on sale of exploration and evaluation assets (Note 6)	-	3,563,941
Flow through share income (Note 9 b)	111,108	374,965
INCOME (LOSS) BEFORE INCOME TAXES	(2,081,339)	2,325,947
INCOME TAXES (Note 13)	(606,000)	(539,000)
NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (2,687,339)	$ 1,786,947
LOSS PER SHARE - BASIC	$ (0.09)	$ 0.09
LOSS PER SHARE - DILUTED	$ (0.09)	$ 0.06
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	27,541,668	19,488,188

See accompanying notes to consolidated financial statements.

GOLD REACH RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

For the Years Ended March 31, 2013 and 2012

	For the years Ended March 31, 2013	2012
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) for the year	$ (2,687,339)	$ 1,786,947
Items not affecting cash:		
Share based payments	1,158,136	934,050
Amortization	42,677	18,379
Gain on sale of exploration and evaluation assets	-	(3,563,941)
Other income - flow through share premium	(111,108)	(374,965)
Deferred income taxes	606,000	539,000
	(991,634)	(660,530)
Changes in non-cash working capital items:		
Taxes recoverable	(25,467)	(1,619)
Other receivable	83,059	(83,059)
Prepaid expenses	53,390	(25,000)
Trade and other payables	(20,001)	45,037
Cash used in operating activities	(900,653)	(725,171)
INVESTING ACTIVITIES		
Investment in exploration and evaluation assets	(7,983,114)	(3,944,835)
Proceeds from sale of exploration and evaluation assets	-	6,000,000
Acquisition of equipment	(204,729)	(51,490)
Cash provided by (used in) investing activities	(8,187,843)	2,003,675
FINANCING ACTIVITIES		
Proceeds from share issuance	5,691,950	3,502,806
Share issue costs	(121,388)	(22,435)
Due to related parties	-	(85,709)
Cash provided by financing activities	5,570,562	3,394,662
NET INCREASE (DECREASE) IN CASH	(3,517,934)	4,673,166
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	6,280,738	1,607,572
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 2,762,804	$ 6,280,738

See accompanying notes to consolidated financial statements.

GOLD REACH RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(expressed in Canadian dollars)

FOR THE YEARS ENDED MARCH 31, 2013 and 2012

	Number of Shares		Capital Stock		Contributed Surplus		Deficit		Total Equity
Balance, April 1, 2011	15,534,737	$	19,017,458	$	1,302,790	$	(12,361,818)	$	7,958,430
Issued for cash - flow through shares	3,098,333		1,859,000		-		-		1,859,000
Share issue costs	-		(22,436)		-		-		(22,436)
Exercise of stock options	722,939		147,088		-		-		147,088
Exercise of share purchase warrants	5,176,875		1,496,719		-		-		1,496,719
Adjustment to contributed surplus on exercise of stock options and warrants			210,935		(210,935)		-		-
Stock based compensation	-		-		934,050		-		934,050
Net loss and comprehensive loss for the period	-		-		-		1,786,947		1,786,947
Balance, March 31, 2012	24,532,884	$	22,708,764	$	2,025,905	$	(10,574,871)	$	14,159,798
Balance, April 1, 2012	24,532,884	$	22,708,764	$	2,025,905	$	(10,574,871)	$	14,159,798
Issued for cash - flow through shares, net of premi	1,111,075		1,488,273		-		-		1,488,273
Issued for cash - non flow through shares	1,100,000		1,210,000		-		-		1,210,000
Share issue costs	-		(121,388)		-		-		(121,388)
Exercise of stock options	232,800		126,400		-		-		126,400
Exercise of share purchase warrants	4,524,798		2,756,169		-		-		2,756,169
Adjustment to contributed surplus on exercise of stock options and warrants	-		175,645		(175,645)		-		-
Stock based compensation	-		(8,133)		1,566,027		-		1,557,894
Net loss and comprehensive loss for the period	-		-		-		(2,687,339)		(2,687,339)
Balance, March 31, 2013	31,501,557	$	28,335,730	$	3,416,287	$	(13,262,210)	$	18,489,807

1. CORPORATE INFORMATION

The Company is engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties and attainment of profitable operations is principally dependent upon financing being arranged by the Company to continue operations, explore and develop the mineral properties and the discovery, development and sale of ore reserves.

The Company was incorporated under the Business Corporations Act of British Columbia by Certificate of Incorporation dated November 29, 1965. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol GRV-V, as a Tier 2 mining issuer.

The address of the Company's corporate office and principal place of business is Suite 888 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1G5.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements of the Company for the year ending March 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issue by the Board of Directors on July 16, 2013.

(b) Basis of Presentation and Measurement

These consolidated financial statements have been prepared on a historical cost basis and include the accounts of the Company and its wholly-owned subsidiary, Ootsa Ventures Ltd., (formerly named Ootsa Resources Ltd.). All material intercompany accounts and transactions have been eliminated.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiary's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(c) Going Concern of Operations

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations over the next year.

2. BASIS OF PREPARATION (continued)

At March 31, 2013, the Company had not yet achieved profitable operations, had accumulated losses of $13,262,210 since inception, had working capital of $2,664,307 and expects to incur further losses in the development of its business however, the Company has sufficient cash resources to meet its obligations for at least twelve months from the date of approval of these financial statements. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements unless otherwise indicated.

(a) Cash and cash equivalents

Cash and cash equivalents include all cash accounts, which are not subject to withdrawal restrictions or penalties, and all short-term highly-liquid investments with original maturities to the holder of three months or less, and which can be converted into known amounts of cash.

(b) Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Exploration and Evaluation Expenditures (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

(c) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Equipment

Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Equipment (continued)

Depreciation

The Company provides for depreciation using the following method and annual rates:

Office equipment	declining balance method	30%
Vehicles	declining balance method	20 - 30%
Camp buildings	5 year straight line	20%
Bridge	10 year straight line	10%

Additions during the year are depreciated at one-half the annual rate. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(f) Share-based Payment Transactions

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Share-based Payment Transactions (continued)

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(g) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income Taxes (continued)

of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(h) Basic and Diluted Loss per Share:

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Potentially dilutive common shares related to warrants and options outstanding totaling 8,623,084 at March 31, 2013 were not included in the computation of diluted loss per share because their effect was anti-dilutive.

(i) Financial Instruments

<u>Financial Assets</u>

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired as either financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, held to maturity investments (“HTM”), or available for sale financial assets (“AFS”), as appropriate. There are no financial assets designated as FVTPL, HTM or AFS.

All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for loans and receivables is as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

The Company has classified its financial instruments as follows:

- Cash and cash equivalents, and other receivable are classified loans and receivables.
- Trade payables and other payables, promissory notes payables, other liabilities and due to related parties are classified as other liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Government Grants

From time to time the Company receives government incentive programs such as investment tax credits. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. In the event the investment tax credits received are less than the amount claimed, the difference will be reflected in profit or loss in the year in which it is determined.

(k) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

<u>Flow-through Shares</u>

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, 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 expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Share Capital (continued)

If the warrants are issued as share issuance costs, the fair value will be recorded as warrant reserve using the Black-Scholes option pricing model. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in Note 13.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(l) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2012 or later years.

a) New standards, interpretations and amendments effective from 1 January 2012

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2012 have had a material effect on the financial statements.

b) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company's future financial statements:

- IFRS 9 Financial Instruments

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Standards, Amendments and Interpretations Not Yet Effective (continued)

(b) New standards, interpretations and amendments not yet effective (continued)

- IFRS 10 Consolidated Financial Statements

  IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and will adopt the standard for the accounting period beginning on April 1, 2013.

- IFRS 11 Joint Arrangements

  IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and will adopt the standard for the accounting period beginning on April 1, 2013.

- IFRS 12 Disclosures of Interests in Other Entities

  IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and will adopt the standard for the accounting period beginning on April 1, 2013.

- IFRS 13 Fair Value Measurement

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess the full impact of IFRS 13 and will adopt the standard for the accounting period beginning on April 1, 2013.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

  In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Standards, Amendments and Interpretations Not Yet Effective (continued)

(b) New standards, interpretations and amendments not yet effective (continued)

- IAS 1 Presentation of Financial Statements

  IAS 1 was amended to change the grouping of items presented in OCI. Items that would be reclassified to profit or loss at a future point in time will be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods. The Company is yet to assess the full impact of this amendment to IAS 1 and will adopt the standard for the annual period beginning on April 1, 2013.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after January 1, 2013 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are discussed below:

a) Rehabilitation Provisions

Asset retirement obligation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability.

These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

b) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

c) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

d) Income Taxes

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same entity against which the unused tax losses can be utilized.

However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. RECLAMATION BONDS

Included in Mineral Exploration and Evaluation Costs as at March 31, 2013, is the Company's aggregate reclamation bonds posted with the Mining and Minerals Division of the British Columbia Government in the amount of $97,400 (March 31, 2012 - $119,900). In October 2012 the Company received a refund of $22,500 related to the Auro claims.

The remaining bonds cover the future site restoration costs with respect to the Seel and Ox Lake Claims, collectively known as the Oosta Property. All or part of the $97,400 can be recovered subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

The bonds have not been discounted from their future value because the Company estimates the bonds may be settled within 2 years and the discounting cost being considered immaterial. The Company believes that the amount of the bonds includes sufficient risk premium.

On June 6, 2013 the Company increased its aggregate reclamation bonds with respect to the Ootsa Property posted with the Mining and Minerals Division of the British Columbia Government in the amount of $50,000 resulting in $147,400 being the updated aggregate total of posted reclamation bonds. Recovery of the posted bonds remains subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

6. MINERAL PROPERTIES

Ootsa Property

100% interest in the Ootsa property, located in central British Columbia, comprised of 78 mineral claims totalling 47,559 hectares. Of these 78 mineral claims, 14 claims totalling 575 hectares are subject to a 2% NSR. The purchase agreement with the vendor, Silver Standard Resources Inc., ("Silver") entitles the Company to purchase a 1% portion of the 2% NSR from Silver at any time by the payment to Silver of $500,000. The Company may purchase the remaining 1% NSR at any time by payment to Silver of an additional $1,000,000. In addition to the 14 claims subject to the 2% NSR there are 17 other claims totalling 8,466 hectares subject to a 1% NSR. The Company is not entitled to purchase any of this 1% NSR. The remaining 47 mineral claims were acquired by staking and accordingly there is no NSR payable

Auro Property

During January 2010 through April 2010, the Company acquired a 100% interest in the Auro Property comprised of 49 mineral claims totalling 21,892 hectares known as the Auro and Auro South claims located in central British Columbia. In August 2010, the Company amalgamated 32 of the 49 claims into 1 claim resulting in the Company now owning 19 claims with an unchanged total of 21,892 hectares.

During January 2011, the Company acquired a 100% interest in 407 hectares located in British Columbia, contiguous to the Auro claims.

In March 2012, the Company sold all of the Company's mineral interests known as the Auro and Auro South properties ("Properties") to New Gold Inc. ("New Gold"). Under the terms of the purchase agreement, the Company sold a 100% interest in the Properties for a Cdn. $6,000,000 cash payment.

The Company retained a 2% NSR on the Properties and New Gold has committed to spend Cdn. $1,500,000 ("the Work Commitment Amount") on exploration expenditures on the Properties as follows:

a) A minimum of $500,000 during the balance of 2012
b) A minimum of an additional $500,000 during calendar year 2013, and
c) A minimum of an additional $500,000 during calendar year 2014

If New Gold is unable to obtain an exploration permit from the Ministry of Energy and Mines (BC) pursuant to the Mines Act (BC) in 2012 authorizing certain exploration activities on the Properties in a timely manner, then New Gold shall have the right to apply the unspent portion of the $500K required to be spent during the balance of 2012 to the Work Commitment Amount required to be spent during calendar year 2013.

If New Gold fails to incur the minimum Work Commitment Amount within any of the periods disclosed as above, in lieu of the incurrence of such expenditures, within 30 days of the completion of such period, New Gold will pay to Gold Reach in cash an amount equal to such deficiency.

(expressed in Canadian dollars)

6. MINERAL PROPERTIES (continued)

The gain on the sale of the Properties was as follows:

Proceeds received	$	6,000,000
Less: cumulative property acquisition costs		(165,964)
Less: cumulative exploration and evaluation expenditures		(2,270,095)
Gain on sale of the Auro properties	$	3,563,941

The sale arrangement with New Gold did not include the recovery of the Company's $22,500 rehabilitation bond which was refunded to the Company by the Government of British Columbia in October 2012.

Expenditures on mineral property acquisition costs for the years ended March 31, 2013 and March 31, 2012 are as follows:

(expressed in Canadian dollars)

6. MINERAL PROPERTIES (continued)

(a) Mineral Property Coasts for the Years Ended March 31, 2013

	Ootsa Property	Auro Property	Total
Property acquisition costs			
Balance, beginning of the year	$ 606,347	$ -	$ 606,347
Cash costs	43,637	$ -	43,637
Share purchase warrants issued	399,758	-	399,758
Balance, end of the year	1,049,742	-	1,049,742
Deferred exploration and development costs			
Balance, beginning of the year	7,723,647	22,500	7,746,147
Incurred during the year:			
Drilling, blasting and trenching	4,421,201	-	4,421,201
Barge	75,653	-	75,653
Geology (Note 8)	309,341	-	309,341
Geophysics	82,522	-	82,522
Consulting fees (Note 8)	47,751	-	47,751
Consulting fees - Cheslatta	15,000	-	15,000
Field costs	779,863	-	779,863
Reclamation bond	-	(22,500)	(22,500)
Travel	33,520	-	33,520
Assaying	885,015	-	885,015
Camp costs	259,553	-	259,553
Roads	109,914	-	109,914
Fuel	328,725	-	328,725
Insurance	6,789	-	6,789
Mapping	59,300	-	59,300
BC tax credit refund	(119,498)	-	(119,498)
Wages and related expenses	667,328	-	667,328
Total expenditures during the year	7,961,977	(22,500)	7,939,477
	-		
Total expenditures, end of the year	15,685,624	-	15,685,624
	-		
Balance, end of the year	16,735,366	$ -	$ 16,735,366

(expressed in Canadian dollars)

6. MINERAL PROPERTIES (continued)

(b) Mineral property costs for the year ended March 31, 2012

	Ootsa	Auro	Total
Property acquisition costs			
Balance, beginning of the year	$ 605,750	$ 165,964	$ 771,714
Cash	597	-	597
Shares	-	-	-
Less: Sale of Auro and Auro South	-	(165,964)	(165,964)
Balance, end of the year	606,347	-	606,347
Deferred exploration and development costs			
Balance, beginning of the year	4,988,618	1,089,421	6,078,039
Incurred during the year:			
Drilling, blasting and trenching	1,159,578	409,296	1,568,874
Barge	52,926	-	52,926
Geology (Note 8)	235,647	88,027	323,674
Geophysics	115,618	183,415	299,033
Consulting fees (Note 8)	72,010	10,500	82,510
Field costs	378,431	155,345	533,776
Reclamation bond	60,000	17,500	77,500
Travel and accommodation	21,275	7,898	29,173
Assaying	241,249	20,086	261,335
Camp costs	229,520	82,027	311,547
Fuel	108,092	46,932	155,024
Insurance	3,585	1,552	5,137
Safety	-	783	783
Wages	103,211	113,733	216,944
Mapping	-	11,081	11,081
B.C. mining tax credit	(81,533)	-	(81,533)
Other	35,420	54,999	90,419
Total expenditures during the year	2,735,029	1,203,174	3,938,203
Less: Sale of Auro and Auro South	-	(2,270,095)	(2,270,095)
Total net expenditures, end of the year	7,723,647	22,500	7,746,147
Balance, end of the year	8,329,994	22,500	$ 8,352,494

(expressed in Canadian dollars)

7. EQUIPMENT AND CAMP BUILDINGS

	Office Equipment	Camp Vehicles and Equipment	Camp Buildings/ Septic System	Bridge	Total
Cost					
Balance at March 31, 2011	3,515	46,218	-	-	49,733
Additions	3,574	47,916	-	-	51,490
Disposals	-	-	-	-	-
Balance at March 31, 2012	7,089	94,134	-	-	101,223
Additions	13,876	-	158,000	32,855	204,731
Disposals	-	-	-	-	-
Balance at March 31, 2013	20,965	94,134	158,000	32,855	305,954
Depreciation and impairment					
Balance at March 31, 2011	2,820	6,942	-	-	9,762
Additions	745	17,634	-	-	18,379
Disposals	-	-	-	-	-
Balance at March 31, 2012	3,565	24,576	-	-	28,141
Additions	6,770	18,466	15,800	1,643	42,679
Disposals	-	-	-	-	-
Balance at March 31, 2013	10,335	43,042	15,800	1,643	70,820
Carrying amounts - NBV					
At March 31, 2012	3,524	69,558	-	-	73,082
At March 31, 2013	10,630	51,092	142,200	31,212	235,134

8. RELATED PARTY TRANSACTIONS

(a) During the year ended March 31, 2013, management and director fees of $268,500 (2012 - $125,000) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.

(b) During the year ended March 31, 2013, consulting and geological fees of $127,000 (2012 - $199,618) included in exploration and evaluation assets were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.

(c) During the year ended March 31, 2013, administration fees of $32,400 (2012: $31,410) were paid to a Company controlled by a director or officer of the Company.

(expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS (continued)

(d) Included in accounts payable and accrued liabilities at March 31, 2013 is $nil (2012 - $25,139) owing to two directors of the Company for unpaid management and legal fees.

(e) Included in other receivables at March 31, 2013 is $nil (2012 - $79,805) owing from a director of the Company for expense advances, and from a company with directors in common for its share of the office rent and administration costs.

(f) During the year ended March 31, 2013, legal fees of $29,668 (2012 - $36,330) were paid to a professional law firm in which a director is a principal.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors.

The Company incurred the following transactions with companies controlled by directors of the Company.

	For the year ended March 31,			
		2013		**2012**
Consulting and geological fees - mineral property costs	$	127,000	$	199,618
Directors fees		24,000		-
Professional fees - administration		32,400		31,410
Management and administration		244,500		125,000
	$	427,900	$	356,028

Key management personnel compensation:

	For the year ended March 31,			
		2013		**2012**
Management fees	$	427,900	$	356,028

Non-key management personnel compensation:

	For the year ended March 31,			
		2013		**2012**
Professional fees - legal	$	29,668	$	36,330

Key management personnel compensation comprised:

	For the year ended March 31,			
		2013		**2012**
Short term employee benefits	$	427,900	$	392,358
Share-based payments		854,938		662,817
	$	1,282,838	$	1,055,175

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized: Unlimited number of common shares without par value.

(b) Issued and fully paid:

	Number of Shares		Amount
Balance – March 31, 2012	24,532,884	$	22,708,764
Issued for cash – flow through, net of premium	1,111,075		1,488,273
Issued for cash – non flow through	1,100,000		1,210,000
Exercise of warrants	4,524,798		2,756,169
Exercise of options	232,800		126,400
Adjustment to contributed surplus on exercise of stock options and warrants			175,645
Less: share issue costs SBC			(8,133)
Less: share issue costs			(121,388)
Balance – March 31, 2013	31,501,557	$	28,335,730

Transactions during the Year Ended March 31, 2013

i) On May 28, 2012 the Company completed a non-brokered flow-through private placement units offering ("FT Units") of 300,000 FT Units, raising gross proceeds of $180,000. Each FT Unit, priced at $0.60 per each FT Unit, is comprised of one common share of the Company, intended to qualify as a flow-through share under the Income Tax Act (Canada), and one non-transferable common share purchase warrant ("NFT Warrants") entitling the holder to purchase one additional non-flow through common share of the Company at an exercise price of $0.75 per share at any time prior to May 28, 2013.

Each Warrant is subject to accelerated expiry provisions such that if at any time after the date of Closing of the private placement, the Company's common shares trade on the TSX Venture Exchange at or above a weighted average trading price of $1.00 per share for 10 consecutive trading days, the Company may give notice to the holders that each Warrant will expire 30 days from the date of providing such notice.

At the date of this transaction, a flow through premium of $30,000 was recognized in respect to this flow-through placement, which was recorded as a liability until the relevant expenditures had been incurred.

During the year ended March 31, 2013, the Company incurred qualifying expenditures of $180,000 which resulted in the $30,000 liability being derecognized and included in other income.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

ii) On June 26, 2012, the Company completed a non-brokered private placement of 1,100,000 units (each a "Unit") at a purchase price of $1.10 per Unit, raising gross proceeds of $1,210,000. Each Unit consists of one common share ("Common Share") of the Company and one non-transferable common share purchase warrant ("Warrant"). Each Warrant will entitle the holder to acquire one additional common share (a "Warrant Share") of the Company at an exercise price of $1.40 per Warrant Share at any time prior to June 26, 2014.

The Company paid a finder's fee in cash of $13,860 to Haywood Securities Inc. and $45,540 to Canaccord Genuity Corp. in connection with the placement of the Units.

iii) In October 2012, the Company completed a non-brokered flow through private placement of 811,075, flow through units (each a " FT Unit") at a purchase price of $1.75 per FT Unit. The private placement raised gross proceeds of $1,419,381.25. Each Unit consists of one flow through common share ("FT Common Share") of the Company and one non-transferable non flow through common share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one additional common share (a "Warrant Share") of the Company at an exercise price of $2.50 per Warrant Share at any time prior to October 30, 2013. If the Company's common shares trade at or above a weighted average price of $3.00 per share for 10 consecutive trading days, the Company may give notice that each warrant may expire in 30 days.

The Company paid a finder's fee of $19,950 cash and 11,400 finder warrants to Haywood Securities Inc. and $12,862.50 cash and 7,350 finder warrants to Raymond James Ltd.

All of the securities issued pursuant to the private placement are subject to a minimum four month hold period which expires on March 1, 2013 pursuant to applicable Canadian securities laws.

At the date of this transaction, a flow through premium of $81,108 was recognized in respect to this flow-through placement, which was recorded as a liability until the relevant expenditures had been incurred.

During the year ended March 31, 2013, the Company incurred qualifying expenditures of $1,419,381.25 which resulted in the $81,108 liability being derecognized and included in other income.

iv) In October 2012, as part of entering into a Letter of Understanding with the Cheslatta Carrier Nation ("Cheslatta") located in British Columbia, the Company issued 250,000 share purchase warrants to the Cheslatta entitling them, for each warrant held, to purchase one common share of the Company at any time prior to October 12, 2017 at a price of $1.50 per common share. The value attributable to these warrants has been measured indirectly by reference to the fair value of the equity instruments granted as detailed in Note 9 (f). The presumption that the fair value of the goods or services received can be estimated reliably has been rebutted due to the specific nature of the transaction and lack of available information on which to estimate the market value of the goods or services received.

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Transactions during the Year ended March 31, 2012

i. On July 14, 2011, the Company completed a non-brokered private placement and raised gross proceeds of $1,248,000 by the issuance of 2,080,000 flow-through units ("FT Unit") at a purchase price of $0.60 per FT Unit. Each FT Unit consisted of one common share (a "FT Share") in the capital of the Company, to be issued on a flow-through basis under the Income Tax Act (Canada), and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant will be exercisable to acquire one non-flow-through common share (a "Warrant Share") in the capital of the Company at an exercise price of $0.90 per Warrant Share at any time until July 14, 2013. No flow through premium was recognized in respect to these flow-through placements.

   A finder's fee of $11,520 in cash was paid to Haywood Securities Inc. and other costs of $10,916 were incurred in connection with the above private placement.

ii. On September 15, 2011, the Company completed an additional non-brokered private placement and raised gross proceeds of $611,000 by the issuance of 1,018,333 units (each a "FT Unit") at a purchase price of $0.60 per FT Unit. Each FT Unit consisted of one common share (a "FT Share") in the capital of the Company, to be issued on a flow through basis under the Income Tax Act (Canada), and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant will be exercisable to acquire one non-flow-through common share (a "Warrant Share") in the capital of the Company at an exercise price of $0.90 per Warrant Share at any time until September 15, 2013. No flow through premium was recognized in respect to these flow-through placements.

(c) Share Purchase Warrants:

A continuity schedule of outstanding share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2011	10,426,220	$0.46
Issued	3,098,333	$0.90
Expired	(1,000,000)	$0.75
Exercised	(3,926,875)	$0.25
Exercised	(1,100,000)	$0.40
Balance, March 31, 2012	7,497,678	$0.72
Issued	300,000	$0.75
Issued	1,100,000	$1.40
Issued	811,075	$2.50
Issued	250,000	$1.50
Exercised	(4,385,145)	$0.61
Expired	(118,500)	$0.60
Balance, March 31, 2013	5,455,108	$1.26

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Share Purchase Warrants (continued):

As at March 31, 2013 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
2,045,700	$0.90	July 14, 2013
968,333	$0.90	September 15, 2013
300,000	$0.75	May 28, 2013
1,080,000	$1.40	June 26, 2014
250,000	$1.50	October 12, 2017
811,075	$2.50	October 31, 2013
5,455,108		

The Black - Scholes model inputs for Cheslatta warrants granted (note 9(b)(iv)) during the year ended March 31, 2013 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
October 30, 2012	October 30, 2013	$1.41	$2.50	1.11	1 year	1.2138	0

(d) Agents' warrants:

A continuity schedule of outstanding agents' warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2011	366,564	$0.59
Expired	(75,000)	$0.75
Exercised	(150,000)	$0.50
Balance, March 31, 2012	141,564	$0.60
Issued	18,750	$2.50
Exercised	(139,653)	$0.60
Expired	(1,911)	$0.60
Balance, March 31, 2013	18,750	$2.50

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(d) Agents' warrants (continued):

As at March 31, 2013 outstanding agent's warrants are:

Number of Warrants	Exercise Price	Expiry Date
18,750	$2.50	October 30, 2013

The Black - Scholes model inputs for finders warrants granted during the year ended March 31, 2013 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
October 30, 2012	October 30, 2013	$1.41	$2.50	1.11	1 year	1.2138	0

(e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise. 'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

(f) Stock options:

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant.

The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant.

The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV).

Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued):

A summary of the Company's option transactions for the years ended March 31, 2013 and March 31, 2012 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance, March 31, 2011	1,528,473	$0.35	2.54
Granted	78,000	$0.50	
Granted	223,000	$0.65	
Granted	100,000	$0.70	
Granted	1,158,000	$0.60	
Granted	22,754	$0.70	
Granted	96,000	$0.60	
Exercised	(712,939)	$0.20	
Exercised	(10,000)	$0.45	
Cancelled	(30,000)	$0.50	
Balance, March 31, 2012	2,453,288	$0.57	3.67
Granted	161,000	$0.83	
Granted	253,429	$1.50	
Granted	112,950	$1.41	
Granted	478,359	$1.20	
Exercised	(50,000)	$0.45	
Exercised	(10,000)	$0.50	
Exercised	(5,000)	$0.50	
Exercised	(24,000)	$0.50	
Exercised	(20,000)	$0.65	
Exercised	(10,000)	$0.70	
Exercised	(28,800)	$0.50	
Exercised	(10,000)	$0.50	
Exercised	(5,000)	$0.60	
Exercised	(10,000)	$0.60	
Exercised	(10,000)	$0.60	
Exercised	(50,000)	$0.60	
Cancelled	(67,000)	$0.50	
Cancelled	(5,000)	$0.60	
Cancelled	(5,000)	$0.70	
Balance, March 31, 2013	3,149,226	$0.78	3.77

The weighted average share price of options exercised, as at the date of exercise, during the year ended March 31, 2013 was $1.28.

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued):

As at March 31, 2013 outstanding stock options are:

Number of Options	Exercise Price	Expiry Date
100,800	$0.30	March 31, 2015
50,000	$0.45	June 8, 2015
95,000	$0.45	July 13, 2015
290,934	$0.50	January 7, 2016
42,000	$0.50	May 18, 2016
203,000	$0.65	July 14, 2016
85,000	$0.70	September 20, 2016
1,158,000	$0.60	January 3, 2017
22,754	$0.70	January 23, 2017
96,000	$0.60	March 30, 2017
161,000	$0.83	June 12, 2017
253,429	$1.50	June 27, 2017
112,950	$1.41	October 31, 2017
478,359	$1.20	March 5, 2018
3,149,226		

The Black-Scholes model inputs for options granted during the year ended March 31, 2013 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
June 12, 2012	June 12, 2017	$0.87	$0.83	1.02	5 years	1.6070	0
June 27, 2012	June 27, 2017	$1.46	$1.50	1.00	5 years	1.6312	0
October 31, 2012	October 31, 2017	$1.39	$1.41	1.08	5 years	1.6514	0
March 5, 2013	March 5, 2018	$1.20	$1.20	1.01	5 years	1.6279	0

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes for future volatility due to publicly available information.

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued):

The model inputs for options granted during the year ended March 31, 2012 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
May 18, 2011	May 18, 2016	$0.55	$0.50	1.62	5 years	1.5063	0
July 14, 2011	July 14, 2016	$0.64	$0.65	1.46	5 years	1.5149	0
Sept 20, 2011	Sept 20, 2016	$0.70	$0.70	0.96	5 years	1.5265	0
Jan 3, 2012	Jan 3, 2017	$0.59	$0.60	1.02	5 years	1.5747	0
Jan 23, 2012	Jan 23, 2017	$0.69	$0.70	1.05	5 years	1.579	0
March 30, 2012	March 30, 2017	$0.62	$0.60	1.19	5 years	1.5958	0

(g) Contributed Surplus:

During the year ended March 31, 2013 $1,557,894 (Year ended March 31, 2012, $934,050 was recorded as stock-based compensation related to the granting of 1,005,738 incentive stock options and 250,000 warrants to the Cheslatta Carrier Nation per Note 9 b) iv) (Year ended March 31, 2012 – 1,677,754). Of this amount, $1,158,136 has been included as an expense in the consolidated statement of comprehensive loss and $399,758 has been capitalized as part of property acquisition costs within mineral properties.

A continuity of contributed surplus is as follows:

	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Balance, beginning of period	2,025,905	1,302,790
Stock-based compensation - expensed	1,158,136	934,050
Stock-based compensation - share issue costs	8,133	-
Stock-based compensation - property acquisiti	399,758	-
Adjustment to contributed surplus on the exercise of stock options and warrants	(175,645)	(210,935)
Balance, end of period	3,416,287	2,025,905

10. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

All financial instruments are included on the Company's balance sheet and measured at either fair value or amortized cost.

The Company's financial assets consist of cash and cash equivalents and amounts receivable, which are designated as loans and receivables and measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties, which are designated as other financial liabilities and measured at amortized cost.

The carrying values of the Company's financial instruments measured at amortized costs approximate their fair values due to their short-term nature.

Financial Instrument Risk Exposure and Risk Management

The Company is exposed to credit, liquidity and market risk with respect to its financial instruments. The types of the risk exposure and the ways in which such exposures are managed are provided as follows:

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and amounts receivable. The Company limits exposure to credit risk arising from its cash and cash equivalents by maintaining its cash and cash equivalents with high credit quality financial institutions. The Company's receivables consist of sales taxes due from the Federal Government of Canada. The Company has not experienced and does not expect to experience any bad debts on its receivables outstanding at March 31, 2013.

(b) *Liquidity risk*:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they become due. The Company ensures that there is sufficient working capital in order to meet short-term business requirements. The Company has determined that it has sufficient funds to meet its business requirements as they become due.

10. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK (continued)

(c) *Market risk*:

The market risk exposures to which the Company is exposed are interest rate risk and foreign currency exchange risk.

(*i*) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing financial instruments are comprised of cash and cash equivalents, which bear interest at variable rates.

(*ii*) Foreign currency exchange risk:

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Company's functional currency is the Canadian dollar.

The Company incurs foreign currency exchange risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity.

The Company has no holdings of any foreign currency and accordingly the Company considers its foreign currency exchange risk as minimal and immaterial and does not enter into any foreign currency hedging contracts.

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition and exploration of mineral properties.

The Company's primary objectives in managing capital are to:

- Safeguard the entity's ability to continue as a going concern
- Maintain an optimal capital base in order to support the capital requirements of its operations, including
- growth opportunities and maintaining investor confidence

The capital of the Company consists of shareholders' equity - $18,489,807 (March 31, 2012 - $14,159,798).

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements. The Company relies on capital markets to support continued growth.

(expressed in Canadian dollars)

11. SEGMENTED INFORMATION

During the years ended March 31, 2013 and March 31, 2012, the Company operated in one reportable operating segment, being the acquisition, exploration and development of mineral properties in British Columbia. Administrative expenses and working capital balances are located in Canada.

12. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows.

During the year ended March 31, 2013:

a) The Company capitalized stock based compensation of $399,758 as part of property acquisition costs within mineral properties relating to the grant of 250,000 share purchase warrants issued to the Cheslatta Carrier Nation per Note 9 b) iv).

During the year ended March 31, 2012:

a) Included in the accounts payable and accrued liabilities was $6,035 related to exploration and evaluation assets.

13. INCOME TAXES

	March 31, 2013	March 31, 2012
Current expense	$ -	$ -
Deferred tax expense	606,000	539,000
	$ 606,000	$ 539,000

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There is no tax charge arising for the Company for the year.

(expressed in Canadian dollars)

13. INCOME TAXES (continued)

Deferred Tax Assets and Liabilities (continued)

The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

	March 31, 2013	March 31, 2012
Income (loss) before tax per the accounts	$ (2,081,399)	$ 2,325,947
Income taxed at local statutory rates – 25.00% (2012 – 26.13%)	(520,000)	608,000
Effect of reduction in statutory rate	-	(33,000)
Non-deductible expenses	283,000	160,000
Flow through shares	796,000	465,000
Share issuance costs	(23,000)	(5,000)
Impact of under provision in the prior year	65,000	-
Other	5,000	-
Change in unrecognized deferred tax assets	-	(656,000)
Deferred tax expense	$ 606,000	$ 539,000

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.50% to 15.00% and the British Columbia provincial tax rate remained the same as 10.00%.

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities as at March 31, 2013 and 2012 are summarized as follows:

	March 31 2013	March 31, 2012
Non-capital losses	244,000	$ 828,000
Un-deducted financing costs	41,000	35,000
Capital assets and other	18,000	12,000
Resource properties	(1,448,000)	(1,414,000)
Unrecognized deferred tax asset	-	-
Deferred income tax liabilities	$ (1,145,000)	$ (539,000)

13. INCOME TAXES (continued)

Deferred Tax Assets and Liabilities (continued)

As at March 31, 2013, the Company has estimated non-capital losses of $976,000 which expire in 2032, for tax purposes that may be carried forward to reduce taxable income derived in future years, as summarized below:

The potential benefits of these carry-forward non-capital losses, and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered.

Flow-through Shares

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

During the year ended March 31, 2013, the Company received $1,599,381 (2012: $1,859,000) from the issue of flow-through shares. These amounts will not be available to the Company for future deduction from taxable income. During the year ended March 31, 2013, the Company renounced $1,599,381 (2012: $611,000) to the subscribers under the General Rule. Subsequent to March 31, 2013, the Company renounced $nil (2012: $1,248,000) to the subscribers under the General Rule.

Funds raised in connection with the flow-through shares must be spent on qualified mineral exploration and are restricted to Canadian Exploration Expenditures as defined in the Canadian Income Tax Act. The expenditures are renounced in favour of investors subscribing for flow-through shares and the amounts are not available to the Company for income tax purposes.

The Company may be required to indemnify flow-through investors for the amount of increased tax payable by the flow-through investors as a consequence of the failure of the Company to incur qualifying exploration expenditures previously renounced to the flow-through investors. Trade and other payables include a provision of $96,500 (2012: $96,500). The outcome of the amount of actual claims, if any, is contingent on future assessments to the investors by Canada Revenue Agency and other events which cannot be determined at this time.

(expressed in Canadian dollars)

14. COMMITMENTS AND CONTINGENCIES

The Company is committed to an operating lease on its office premises expiring on September 29, 2016. The Company's lease commitments for the total annual basic lease rate and operating costs spanning the fiscal 2014, and the 2 additional years thereafter, are as follows:

2014	71,562
2015	72,123
2016	36,349

The Company has sub-tenants who are obligated to the Company for 75% of the total lease costs under verbal agreements, thereby reducing the Company's net commitment total to the following amounts:

2014	17,891
2015	18,031
2016	9,087

15. SUBSEQUENT EVENTS

In April 2013, the Company received $16,470 in proceeds arising from the exercise of 18,300 share purchase warrants having an exercise price of $0.90 per common share.

In April 2013, the Company received $3,000 in proceeds arising from the exercise of 6,000 stock options having an exercise price of $0.50 per common share.

In May 2013, the Company received $105,000 in proceeds arising from the exercise of 140,000 share purchase warrants having an exercise price of $0.75 per common share.

In May 2013, the Company received $3,000 in proceeds arising from the exercise of 6,000 stock options having an exercise price of $0.50 per common share.

In June 2013, the Company extended the expiry date of 2,027,400 share purchase warrants exercisable at $.90 per share, from July 14, 2013 to October 17, 2013.