# GOLD REACH RESOURCES LTD.

## Consolidated Financial Statements

(expressed in Canadian dollars)

## For the Years Ended March 31, 2015 and 2014

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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# INDEPENDENT AUDITORS' REPORT

**To the Shareholders of Gold Reach Resources Ltd.,**

We have audited the accompanying consolidated financial statements of Gold Reach Resources Ltd. and its subsidiary, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statement of comprehensive loss, cash flows, and changes in equity for the year 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 as issued by the International Accounting Standards Board, 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 whether the consolidated financial statements are free of 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 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. and its subsidiary as at March 31, 2015 and their financial performance and their cash flows for the year ended March 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred significant losses since inception and is also dependent upon its ability to secure new sources of financing to fund on-going operations. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

**Other Matter**

The consolidated financial statements of Gold Reach Resources Ltd. and its subsidiary for the year then ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements in their report to the shareholders dated July 2, 2014.

**CHARTERED PROFESSIONAL ACCOUNTANTS**

De Visser Gray LLP

Vancouver, Canada
July 7, 2015

**GOLD REACH RESOURCES LTD.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
(expressed in Canadian dollars)
For the Years Ended March 31, 2015 and 2014

| | | As at March 31, 2015 | | As at March 31, 2014 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current | | | | |
| Cash and cash equivalents (Note 11 (c) (i)) | $ | 464,415 | $ | 814,737 |
| Taxes receivable | | 13,856 | | 32,965 |
| Other receivables (Notes 6 and 9) | | 300,000 | | 1,745,206 |
| Prepaid expenses | | 11,826 | | 29,428 |
| Total Current Assets | | 790,097 | | 2,622,336 |
| Exploration and evaluation costs (Notes 5, 6 and 9) | | 21,002,241 | | 19,546,377 |
| Equipment and camp buildings (Note 7) | | 180,506 | | 221,014 |
| Total Non-Current Assets | | 21,182,747 | | 19,767,391 |
| Total Assets | $ | 21,972,844 | $ | 22,389,727 |
| **LIABILITIES** | | | | |
| Current | | | | |
| Trade and other payables (Notes 8 and 14) | $ | 155,600 | $ | 183,798 |
| Total Current Liabilities | | 155,600 | | 183,798 |
| Deferred income tax liability (Note 14) | | 1,000,000 | | 927,000 |
| Total Non-Current Liabilities | | 1,000,000 | | 927,000 |
| Total Liabilities | | 1,155,600 | | 1,110,798 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital (Note 10) | | 32,652,855 | | 32,066,695 |
| Contributed surplus (Note 10) | | 4,095,597 | | 3,904,436 |
| Deficit | | (15,931,208) | | (14,692,202) |
| Total Shareholders' Equity | | 20,817,244 | | 21,278,929 |
| Total Liabilities and Shareholders' Equity | $ | 21,972,844 | $ | 22,389,727 |

Signed on behalf of the Board by:

"Dwayne Melrose" Director
"Jim Pettit" Director

See accompanying notes to consolidated financial statements.

**GOLD REACH RESOURCES LTD.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
(expressed in Canadian dollars)
For the Years Ended March 31, 2015 and 2014

| | For the Years Ended March 31, 2015 | 2014 |
|---|---|---|
| EXPENSES | | |
| Amortization | $ 59,827 | $ 59,305 |
| Investor relations | 129,096 | 219,709 |
| Management and administration fees (Note 8) | 384,185 | 405,720 |
| Office | 72,897 | 115,007 |
| Professional fees (Note 8) | 194,660 | 195,198 |
| Rent | 54,327 | 17,752 |
| Share-based payments (Note 8) | 161,663 | 464,713 |
| Transfer agent and filing fees | 33,347 | 31,099 |
| Travel and promotion | 77,000 | 195,077 |
| | (1,167,002) | (1,703,580) |
| OTHER INCOME (EXPENSE): | | |
| Interest income | 5,231 | 30,480 |
| Dividend income | 3,704 | - |
| Interest expense | (44,035) | - |
| Tax recovery | - | 23,355 |
| Miscellaneous income | 6,279 | 8,950 |
| Part X11.6 tax | - | (7,197) |
| Flow-through share premium | 29,970 | - |
| Corporate income tax | (153) | - |
| LOSS BEFORE INCOME TAXES | (1,166,006) | (1,647,992) |
| INCOME TAXES (Note 14) | (73,000) | 218,000 |
| NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR | $ (1,239,006) | $ (1,429,992) |
| LOSS PER SHARE - BASIC | $ (0.03) | $ (0.04) |
| LOSS PER SHARE - DILUTED | $ (0.03) | $ (0.04) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 36,403,128 | 33,597,667 |

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, 2015 and 2014**

| | For the years Ended March 31, 2015 | 2014 |
|---|---|---|
| **CASH PROVIDED BY (USED IN)** | | |
| **OPERATING ACTIVITIES** | | |
| Net loss for the year | $ (1,239,006) | $ (1,429,992) |
| Items not affecting cash: | | |
| Share-based payments | 161,663 | 464,713 |
| Amortization | 59,827 | 59,305 |
| Deferred income taxes | 73,000 | (218,000) |
| Flow-through share premium | (29,970) | - |
| Write off accounts receivable | 53,592 | - |
| | (920,894) | (1,123,974) |
| Changes in non-cash working capital items: | | |
| Taxes receivable | 19,109 | 32,830 |
| Other receivables | 1,841,172 | (45,206) |
| Prepaid expenses | 17,602 | 646 |
| Trade and other payables | (28,198) | (10,568) |
| Cash used in operating activities | 928,791 | (1,146,272) |
| **INVESTING ACTIVITIES** | | |
| Exploration and evaluation costs | (1,903,022) | (6,358,161) |
| BC mining exploration tax credit | - | 1,891,030 |
| Acquisition of equipment | (19,319) | (45,185) |
| Cash used in investing activities | (1,922,341) | (4,512,316) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from share issuance | 719,280 | 3,733,130 |
| Proceeds from bridge loan | 1,000,000 | - |
| Repayment of bridge loan | (1,000,000) | - |
| Share issue costs | (76,052) | (22,609) |
| Cash provided by financing activities | 643,228 | 3,710,521 |
| **NET DECREASE IN CASH** | (350,322) | (1,948,067) |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR** | 814,737 | 2,762,804 |
| **CASH AND CASH EQUIVALENTS - END OF THE YEAR** | $ 464,415 | $ 814,737 |

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, 2015 and 2014**

| | Number of Shares | | Capital Stock | | Contributed Surplus | | Deficit | | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance, April 1, 2013 | 31,501,557 | $ | 28,335,730 | $ | 3,416,287 | $ | (13,262,210) | $ | 18,489,807 |
| Issued for cash - non flow through shares | 1,263,500 | | 1,263,500 | | - | | - | | 1,263,500 |
| Issued for acquisition of property | 25,000 | | 22,750 | | - | | - | | 22,750 |
| Share issue costs | - | | (22,609) | | - | | - | | (22,609) |
| Exercise of stock options | 32,000 | | 12,000 | | - | | - | | 12,000 |
| Exercise of share purchase warrants | 2,754,033 | | 2,457,630 | | - | | - | | 2,457,630 |
| Share-based compensation | - | | (2,306) | | 488,149 | | - | | 485,843 |
| Net loss and comprehensive loss for the year | - | | - | | - | | (1,429,992) | | (1,429,992) |
| Balance, March 31, 2014 | 35,576,090 | $ | 32,066,695 | $ | 3,904,436 | $ | (14,692,202) | $ | 21,278,929 |
| | | | | | | | | | |
| Balance, April 1, 2014 | 35,576,090 | $ | 32,066,695 | $ | 3,904,436 | $ | (14,692,202) | $ | 21,278,929 |
| Issued for cash - flow through shares (net of premium) | 999,000 | | 689,310 | | - | | - | | 689,310 |
| Issued for acquisition of property | 10,000 | | 2,400 | | - | | - | | 2,400 |
| Share issue costs | - | | (76,052) | | - | | - | | (76,052) |
| Stock based compensation | - | | (29,498) | | 191,161 | | - | | 161,663 |
| Net loss and comprehensive loss for the year | - | | - | | - | | (1,239,006) | | (1,239,006) |
| Balance, March 31, 2015 | 36,585,090 | $ | 32,652,855 | $ | 4,095,597 | $ | (15,931,208) | $ | 20,817,244 |

See accompanying notes to consolidated financial statements

## 1. CORPORATE INFORMATION AND GOING CONCERN

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.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. However, there are currently material uncertainties in respect to these assumptions which cast significant doubt as to the Company's ability to continue as a going concern. The Company has incurred losses since inception, has no recurring source of revenue and has an accumulated deficit of $15,931,208 at March 31, 2015. The Company will need to raise sufficient funds in order to finance ongoing exploration and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

## 2. BASIS OF PREPARATION

(a) Statement of Compliance

The audited annual consolidated financial statements of the Company for the year ending March 31, 2015 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 7, 2015.

(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. All material intercompany accounts and transactions have been eliminated.

## 2. BASIS OF PREPARATION (continued)

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.

## 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 costs 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 costs 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 costs 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 costs 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 costs 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/expense 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% |
| Camp vehicles and equipment | declining balance method | 20-30% |
| Camp buildings/septic | 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 loss/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 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income Taxes (continued)

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 totalling 4,855,929 at March 31, 2015 (March 31, 2014 – 5,957,809) were not included in the computation of diluted loss per share because their effect was anti-dilutive.

(i) Financial Instruments

Financial Assets

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 and other payables. 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 receivables are classified as loans and receivables.
- Trade and other payables are classified as other liabilities.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Government Grants and Tax Credits

From time to time the Company receives funding through 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, 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.

Flow-through Shares

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 this liability and recognizes this premium as other income, offsetting any deferred expense associated with the Company's expenditure of the flow-through proceeds.

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 were 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 contributed surplus. 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 contributed surplus 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 contributed surplus.

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 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) New standards, interpretations and amendments

Effective April 1, 2013, the Company adopted the following new and revised International Financial Reporting Standards.

- Amendment to IAS 1, Presentation of Financial Statements

  The amendments to IAS 1 revised the presentation of other comprehensive income (OCI). Separate subtotals are required for items which may subsequently be recycled through profit or loss and items that will not be recycled through profit or loss. The Company has updated the presentation of OCI on the face of the statements of comprehensive loss.

- IFRS 7 Financial Statements: Disclosures

  The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- IFRS 10 Consolidated Financial Statements

  IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) New standards, interpretations and amendments (continued)

- IFRS 11 Joint Arrangements

  IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- IFRS 12 Disclosure of Interests in Other Entities

  IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- IFRS 13 Fair Value Measurement

  IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

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, 2018. The Company is in the process of evaluating the impact of the new standard.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) New standards, interpretations and amendments (continued)

- IAS 24 Related Party Disclosures

  The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

- IFRIC 21 Levies

  The IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("Obligating Event"). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated 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 loss/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.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 financial statements within the next financial year are discussed below:

a) Exploration and Evaluation Costs

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.

b) 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.

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

c) British Columbia Mining Exploration Tax Credits ("BCMETC") Claim

The Company has estimated the amount of the BCMETC claim to receivable on a discounted basis under the assumption that the Company will receive a portion of the BCMETC claim that is similar to the portion of the claims received as a refund in previous years. The Company anticipates the receipt of a refund for the BCMETC claim in the upcoming year and considers the entire amount accrued for as collectible.

## 5. RECLAMATION BONDS

Included in exploration and evaluation costs as at March 31, 2015, is the Company's aggregate reclamation bonds posted with the Mining and Minerals Division of the British Columbia Government in the amount of $169,900 (March 31, 2014 - $162,400).

The bonds cover the future site restoration costs with respect to the Seel and Ox Lake Claims, collectively known as the Oosta Property.

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

During the comparative fiscal year, the Company increased its aggregate reclamation bonding with respect to the Ootsa Property in the amount of $65,000, and during the current year reclassified $7,500 in bonding previously recorded as deferred field costs. 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. EXPLORATION AND EVALUATION COSTS

<u>Ootsa Property</u>

As at March 31, 2015, the Company owned a 100% interest in the Ootsa Property, located in central British Columbia, comprised of 116 mineral claims totalling 72,231 hectares.

Details of this property interest are as follows:

- 14 claims totalling 575 hectares, known as the Ox claims, are subject to a 2% Net Smelter Returns ("NSR") royalty. The purchase agreement with the vendor, Silver Standard Resources Inc., ("Silver") entitles the Company to purchase 50% 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.

- There are four claims totalling 3,028 hectares, known as the Seel claims, which are subject to a 1% NSR. The Company is entitled at any time to purchase 50% of this 1% NSR for $1,000,000. There is an associated Area of Interest with these claims, defined as the area lying within a distance of one kilometre from the external boundaries of the claims.

- Two additional claims known as the Swing claims (the "Captain Mine") totalling 384 hectares were purchased in March 2014 in consideration of 25,000 common shares of the Company at a market value of $0.91 per common share, subject to a 2% NSR. The purchase agreement with the vendor entitles the Company to purchase 50% of the 2% NSR from the vendor at any time by the payment to the vendor of $500,000 or the Company may purchase the entire 2% NSR at any time by payment to the vendor of $1,000,000.

## 6. EXPLORATION AND EVALUATION COSTS (continued)

- The Troitsa Peak claim totalling 211 hectares was purchased in November 2014 for total consideration of $5,000 cash and 10,000 common shares of the Company. This claim is subject to a 1% NSR, half of which can be bought back at any time by the Company for $500,000.

- In fiscal 2015, the Company staked 14 additional contiguous claims totalling 3,698 hectares. In prior years, 81 claims totalling 64,334 hectares were staked.

Subsequent to March 31, 2015 the Company staked an additional four claims totalling 306 hectares. The Company now owns mineral rights to 72,538 hectares comprised of 120 claims. Of these claims, 104 (70,676 hectares) have had sufficient exploration work to remain valid until July 2, 2025, while ten claims (1,440 hectares), representing recent staking or acquisitions, have expiry dates in October and November of 2015.

Auro Property

In March 2012, the Company sold all of its 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 (completed),
b) A minimum of an additional $500,000 during calendar year 2013 (completed), and
c) A minimum of an additional $500,000 during calendar year 2014 (completed).

New Gold has completed its required spending commitment on the Auro claims.

British Columbia Mineral Tax Credits (“BCMETC”)

Certain qualified exploration costs incurred by the Company entitles it for refundable tax credits as part of an exploration incentive plan offered by the province of British Columbia. During the year ended March 31, 2014 the Canada Revenue Agency reviewed the Company’s BCMETC claims for each of the years in the three year period ended March 31, 2013, prior to assessing those filings. Upon the completion of this review and the subsequent issuance of Notices of Assessment, during the comparative fiscal year the Company received $1,891,030 in refunds relating to those years. In addition, the Company filed claims of $335,712 for the year ended March 31, 2015 (2014 - $1,857,141). Based on historical claim refunds, the Company has discounted the current year BCMETC claim receivable to $300,000 (2014 - $1,700,000). Any difference between the actual refund received and amount booked as receivable is adjusted for in the period when the refund is received.

Refer also to Note 9.

(expressed in Canadian dollars)

## 6. EXPLORATION AND EVALUATION COSTS (continued)

Mineral property costs on the Ootsa Property for the years ended March 31, 2015 and March 31, 2014:

| | For the years ended March 31, | | | |
|---|---|---|---|---|
| | | **2015** | | **2014** |
| Property acquisition costs: | | | | |
| Balance, beginning of the year | $ | 1,129,693 | $ | 1,049,742 |
| Cash costs | | 13,473 | | 36,071 |
| Shares issued | | 2,400 | | 22,750 |
| Share purchase warrants issued | | - | | 21,130 |
| Balance, end of the year | | 1,145,566 | | 1,129,693 |
| Deferred exploration and evaluation costs: | | | | |
| Balance, beginning of the year | | 18,416,684 | | 15,685,624 |
| Incurred during the year: | | | | |
| Drilling, blasting and trenching | | 948,131 | | 3,435,026 |
| Barge | | 16,840 | | 59,818 |
| Geology | | 143,859 | | 433,520 |
| Geophysics | | 3,288 | | 185,738 |
| Consulting fees – First Nations | | 28,000 | | 25,000 |
| Field costs | | 271,927 | | 631,751 |
| Reclamation bonding | | 7,500 | | 65,000 |
| Travel | | 1,301 | | 15,096 |
| Assaying | | 102,190 | | 554,076 |
| Camp costs | | 79,345 | | 172,848 |
| Fuel | | 89,493 | | 234,583 |
| Insurance | | 4,306 | | 7,734 |
| BC tax credit refunds | | (449,558) | | (3,591,030) |
| Wages and related expenses (Note 8) | | 193,369 | | 501,900 |
| Total expenditures during the year | | 1,439,991 | | 2,731,060 |
| Balance, end of the year | | 19,856,675 | | 18,416,684 |
| Total deferred costs, end of the year | $ | 21,002,241 | $ | 19,546,377 |

(expressed in Canadian dollars)

## 7. EQUIPMENT AND CAMP BUILDINGS

| | Office Equipment | Camp Vehicles and Equipment | Camp Buildings/ Septic | Bridge | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at March 31, 2013 | $ 20,965 | $ 94,134 | $ 158,000 | $ 32,855 | $ 305,954 |
| Additions | 6,406 | 17,941 | 20,838 | - | 45,185 |
| Disposals | - | - | - | - | - |
| Balance at March 31, 2014 | $ 27,371 | $ 112,075 | $ 178,838 | $ 32,855 | $ 351,139 |
| Additions | 8,819 | 10,500 | - | - | 19,319 |
| Disposals | - | - | - | - | - |
| Balance at March 31, 2015 | $ 36,190 | $ 122,575 | $ 178,838 | $ 32,855 | $ 370,458 |
| **Depreciation and impairment** | | | | | |
| Balance at March 31, 2013 | $ 10,335 | $ 43,042 | $ 15,800 | $ 1,643 | $ 70,820 |
| Additions | 6,239 | 16,097 | 33,684 | 3,285 | 59,305 |
| Disposals | - | - | - | - | - |
| Balance at March 31, 2014 | $ 16,574 | $ 59,139 | $ 49,484 | $ 4,928 | $ 130,125 |
| Additions | 3,281 | 17,492 | 35,768 | 3,286 | 59,827 |
| Disposals | - | - | - | - | - |
| Balance at March 31, 2015 | $ 19,855 | $ 76,631 | $ 85,252 | $ 8,214 | $ 189,952 |
| **Carrying amounts – NBV** | | | | | |
| At March 31, 2014 | $ 10,797 | $ 52,936 | $ 129,354 | $ 27,927 | $ 221,014 |
| At March 31, 2015 | $ 16,335 | $ 45,943 | $ 93,586 | $ 24,641 | $ 180,506 |

## 8. RELATED PARTY TRANSACTIONS

(a) During the year ended March 31, 2015, management and director fees of $233,500 (2014 - $294,000) 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, 2015, consulting costs and geological fees of $13,000 (2014 - $100,000) 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, 2015, administration fees of $28,800 (2014 - $32,400) were paid to a Company controlled by a director and officer of the Company.

(expressed in Canadian dollars)

**8. RELATED PARTY TRANSACTIONS (continued)**

(d) Included in trade and other payables at March 31, 2015 is $Nil (2014 - $15,000) owing to four directors of the Company for unpaid management fees.

(e) During the year ended March 31, 2015 the Company wrote off $53,592 in other receivables as uncollectible (2014 - $Nil) owing from a company with directors in common for its share of the office rent and administration costs.

(f) During the year ended March 31, 2015, legal fees of $Nil (2014 - $6,784) 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, | | | |
|---|---|---|---|---|
| | | **2015** | | **2014** |
| Management fees - mineral property costs | $ | 13,000 | $ | 100,000 |
| Directors fees | | 12,000 | | 20,000 |
| Professional fees - administration | | 28,800 | | 32,400 |
| Management and administration | | 221,500 | | 274,000 |
| | $ | 275,300 | $ | 426,400 |

Key management personnel compensation:

| | For the year ended March 31, | | | |
|---|---|---|---|---|
| | | **2015** | | **2014** |
| Management fees | $ | 275,300 | $ | 426,400 |

Non-key management personnel compensation:

| | For the year ended March 31, | | | |
|---|---|---|---|---|
| | | **2015** | | **2014** |
| Professional fees - legal | $ | Nil | $ | 6,784 |

Key management personnel compensation comprised of:

| | For the year ended March 31, | | | |
|---|---|---|---|---|
| | | **2015** | | **2014** |
| Short term employee benefits | $ | 275,300 | $ | 426,400 |
| Share-based payments | | 34,213 | | 361,641 |
| | $ | 309,513 | $ | 788,041 |

## 9. BRIDGE LOAN

During the year ended March 31, 2014, the Company incurred exploration expenditures in British Columbia on the Ootsa Property under provisions of the British Columbia Mineral Tax Credit legislation ("BCMETC") entitling the Company to a tax credit refund of 30% of qualifying expenditures. Subject to an anticipated audit by Canada Revenue Agency of the qualified costs, a refund in excess of $1,700,000 was estimated by the Company and the refund for the full amount of $1,849,558 was received on July 29, 2014.

To access a portion of the estimated refund for the use on the 2014 summer Ootsa Project exploration program, the Company entered into a $1,000,000 bridge loan agreement on June 16, 2014 whereby the lender advanced to the Company the loan amount ("Loan"), bearing interest at 12% per annum to be accrued and compounded quarterly. The Loan and accrued interest was secured by a first and floating charge on the BCMETC refund total. Repayment of the Loan's principal amount and payment of the accrued interest thereon are both due on the earlier of June 16, 2015 or within three days of the Company's receipt of the BCMETC refund ("Maturity Date") or to an extension to the Maturity Date as may be agreed to by the lender.

Interest on the Bridge Loan for the year ended March 31, 2015 is $44,035 (paid) (2014 - $Nil).

On June 16, 2014, the date of the Loan advance, the Company issued 500,000 common share purchase warrants ("Bonus Warrants") entitling the lender to purchase one common share at any time on or before the June 16, 2015 at an exercise price per share equal to $0.80.

The lender subsequently agreed to extend the Maturity Date first to September 14, 2014 and a further extension was granted to October 27, 2014.

On October 27, 2014 the loan principal and interest was paid in full.

(expressed in Canadian dollars)

## 10. 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, 2013 | 31,501,557 | $ | 28,335,730 |
| Issued for cash – non flow through | 1,263,500 | | 1,263,500 |
| Issued for property acquisition | 25,000 | | 22,750 |
| Exercise of warrants | 2,754,033 | | 2,457,630 |
| Exercise of options | 32,000 | | 12,000 |
| Less: share-based compensation | - | | (2,306) |
| Less: share issue costs | - | | (22,609) |
| Balance – March 31, 2014 | 35,576,090 | $ | 32,066,695 |
| Issued for cash – flow through | 999,000 | | 719,280 |
| Issued for property acquisition | 10,000 | | 2,400 |
| Less: flow through share premium | - | | (29,970) |
| Less: share-based compensation | - | | (29,498) |
| Less: share issue costs | - | | (76,052) |
| Balance – March 31, 2015 | 36,585,090 | $ | 32,652,855 |

Transactions during the Year Ended March 31, 2015

i) On June 3, 2014 the Company closed a non-brokered flow through private placement of 999,000, flow through units (each a "FT Unit") at a purchase price of $0.72 per FT Unit to raise gross proceeds of $719,280. Each Unit consists of one flow through common share ("FT Common Share") of the Company and one-half of one non-transferable non flow through common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one additional common share (a "Warrant Share") of the Company at an exercise price of $0.80 per common share of the Company at any time on or before June 3, 2016. If the Company's common shares trade at or above a weighted average price of $1.30 per share for 10 consecutive trading days, the Company may give notice that each warrant may expire in 30 days.

   At March 31, 2015, the Company has fully incurred the proceeds of this financing on the related qualifying expenditures.

   The Company paid a finder's fee of $57,542 cash and issued 79,920 finder warrants with each finder warrant entitling the holder to acquire one additional common share of the Company at an exercise price of $0.72 per share at any time on or before June 3, 2016.

ii) On December 4, 2014, the Company acquired one mineral claim by issuing to the vendor 10,000 shares at market value of $0.24 per common share (refer to Note 6).

## 10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Transactions during the Year Ended March 31, 2014

i) On June 10, 2013 the Company received TSX Venture exchange approval to extend the expiry date on 2,027,400 share purchase warrants exercisable at $0.90 per share originally set to expire on July 14, 2013 to an amended expiry date of October 17, 2013. All other terms and conditions of the share purchase warrants have remained the same as the original agreement. The Company has not attributed any additional fair value to the warrants due to the extension.

ii) During July and early September 2013 the Company completed non brokered private placements comprised of 925,500 units at a purchase price of $1.00 per unit for gross proceeds of $925,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of $2.00 per share for 12 months from the closing date. 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 $2.50 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.

iii) On December 16, 2013 the Company closed a non-brokered private placement and has issued a total of 338,000 units at a purchase price of $1.00 per unit for gross proceeds of $338,000.

Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $1.50 per share at any time prior to December 16, 2014, subject to accelerated expiry, such expiry may be accelerated to 30 days in the event the Company's share have closed at or above a weighted average trading price of $2.50 per share for ten consecutive trading days.

The Company paid a finder's fee of $14,000 cash and 14,000 finder warrants with respect to this non-brokered private placement entitling the holder to purchase an additional common share on the same terms and conditions of the unit's whole share purchase warrants.

In compliance with Canadian securities laws, all of the securities issued in connection with this closing are subject to a hold period expiring on April 17, 2014.

iv) In January 2014, as part of entering into a Communications and Engagement Agreement with the Office of the Wet'suwet'en ("Wet'suwet'en") located in British Columbia, the Company issued 20,000 share purchase warrants to the Wet'suwet'en entitling them, for each warrant held, to purchase one common share of the Company at any time prior to January 3, 2019 at a price of $1.50 per common share.

(expressed in Canadian dollars)

## 10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

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 10(c).

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.

v) In March 2014, the Company acquired two mineral claims by issuing to the vendor 25,000 shares at market value of $0.91 per common share (refer to Note 6).

(c) Share Purchase Warrants

As at March 31, 2015 outstanding share purchase warrants are:

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 499,500 | $0.80 | June 3, 2016 |
| 500,000 | $0.80 | June 16, 2015 |
| 250,000 | $1.50 | October 12, 2017 |
| 20,000 | $1.50 | January 3, 2019 |
| 1,269,500 | | |

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

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance, March 31, 2013 | 5,455,108 | $1.26 |
| Issued | 1,114,500 | $1.92 |
| Exercised | (2,754,033) | $0.89 |
| Expired | (1,371,075) | $1.83 |
| Balance, March 31, 2014 | 2,444,500 | $1.65 |
| Issued – Unit Offering | 499,500 | $0.80 |
| Issued – Bridge Loan | 500,000 | $0.80 |
| Exercised | - | - |
| Expired | (2,174,500) | $1.66 |
| Balance, March 31, 2015 | 1,269,500 | $0.95 |

(expressed in Canadian dollars)

## 10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Share Purchase Warrants (continued)

The Black-Scholes model inputs for the Bridge Loan bonus warrants granted during the year ended March 31, 2015 (Note 9) included:

| Grant Date | Expiry Date | Share Price At Grant Date | Exercise Price | Risk-Free Interest Rate | Expected Life | Volatility Factor | Dividend Yield |
|---|---|---|---|---|---|---|---|
| June 16, 2014 | June 16, 2015 | $0.68 | $0.80 | 1.10 | 1 year | 0.9153 | 0 |

The Black-Scholes model inputs for the Wet'suwet'en warrants granted (Note 10(b)(iv)) during the year ended March 31, 2014 included:

| Grant Date | Expiry Date | Share Price At Grant Date | Exercise Price | Risk-Free Interest Rate | Expected Life | Volatility Factor | Dividend Yield |
|---|---|---|---|---|---|---|---|
| January 3, 2014 | January 3, 2019 | $1.20 | $1.50 | 1.04 | 5 years | 1.4296 | 0 |

(d) Agents' warrants:

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

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance, March 31, 2013 | 18,750 | $2.50 |
| Issued | 14,000 | $1.50 |
| Expired | (18,750) | $2.50 |
| Balance, March 31, 2014 | 14,000 | $1.50 |
| Issued | 79,920 | $0.72 |
| Expired | (14,000) | $1.50 |
| Balance, March 31, 2015 | 79,920 | $0.72 |

(expressed in Canadian dollars)

## 10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(d) Agents' warrants (continued)

As at March 31, 2015 outstanding agent's warrants are:

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 79,920 | $0.72 | June 3, 2016 |

The Black-Scholes model inputs for finder's warrants granted during the year ended March 31, 2014 included:

| Grant Date | Expiry Date | Share Price At Grant Date | Exercise Price | Risk-Free Interest Rate | Expected Life | Volatility Factor | Dividend Yield |
|---|---|---|---|---|---|---|---|
| December 16, 2013 | December 16, 2014 | $0.83 | $1.50 | 1.09 | 1 year | 0.9515 | 0 |

(e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's statement of financial position include 'Contributed Surplus' and 'Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise. '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.

(expressed in Canadian dollars)

## 10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued)

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.

A summary of the Company's option transactions for the years ended March 31, 2015 and March 31, 2014 is as follows:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Contractual Life (years) |
|---|---|---|---|
| Balance, March 31, 2013 | 3,149,226 | $0.78 | 3.77 |
| Granted | 407,083 | $1.30 | |
| Exercised | (32,000) | $0.38 | |
| Cancelled | (25,000) | $1.27 | |
| Balance, March 31, 2014 | 3,499,309 | $0.84 | 2.99 |
| Granted | 50,000 | $0.80 | |
| Granted | 38,000 | $0.75 | |
| Expired | (80,800) | $0.30 | |
| Balance, March 31, 2015 | 3,506,509 | $0.86 | 2.09 |

In April 2014, the Company granted an additional 50,000 stock options to a new director exercisable at any time prior to April 11, 2019 with an exercise price of $0.80 per common share.

In July 2014, the Company granted 38,000 options exercisable at any time prior to July 17, 2019 with an exercise price of $0.75 per common share.

(expressed in Canadian dollars)

## 10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued)

As at March 31, 2015 outstanding stock options are:

| Number of Options | Exercise Price | Expiry Date |
|---|---|---|
| 50,000 | $0.45 | June 8, 2015 |
| 95,000 | $0.45 | July 13, 2015 |
| 290,934 | $0.50 | January 7, 2016 |
| 30,000 | $0.50 | May 18, 2016 |
| 203,000 | $0.65 | July 14, 2016 |
| 80,000 | $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 |
| 92,950 | $1.41 | October 31, 2017 |
| 478,359 | $1.20 | March 5, 2018 |
| 127,510 | $1.30 | September 3, 2018 |
| 279,573 | $1.30 | October 28, 2018 |
| 50,000 | $0.80 | April 11, 2019 |
| 38,000 | $0.75 | July 17, 2019 |
| 3,506,509 | | |

All options outstanding at March 31, 2015 were exercisable.

The Black-Scholes model inputs for options granted during the year ended March 31, 2015 included:

| Grant Date | Expiry Date | Share Price At Grant Date | Exercise Price | Risk-Free Interest Rate | Expected Life | Volatility Factor | Dividend Yield |
|---|---|---|---|---|---|---|---|
| April 11, 2014 | April 11, 2019 | $0.80 | $0.80 | 1.05 | 5 years | 1.2919 | 0 |
| July 17, 2014 | July 17, 2019 | $0.75 | $0.75 | 1.08 | 5 years | 1.2345 | 0 |

The Black-Scholes model inputs for options granted during the year ended March 31, 2014 included:

| Grant Date | Expiry Date | Share Price At Grant Date | Exercise Price | Risk-Free Interest Rate | Expected Life | Volatility Factor | Dividend Yield |
|---|---|---|---|---|---|---|---|
| September 3, 2013 | September 3, 2018 | $1.22 | $1.30 | 1.24 | 5 years | 1.5950 | 0 |
| October 28, 2013 | October 28, 2018 | $1.25 | $1.30 | 1.09 | 5 years | 1.5511 | 0 |

(expressed in Canadian dollars)

## 10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued)

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.

(g) Contributed Surplus:

During the year ended March 31, 2015 $191,161 (2014 - $488,149) was recorded as stock-based compensation related to the granting of 88,000 incentive stock options (2014 - 407,083), 79,920 finder's warrants per Note 10 (b)(i) (2014 - 14,000) and 500,000 bonus warrants per Note 9 (2014 - 20,000 warrants to the Wet'suwet'en per Note 10 (b)(vi)). Of this amount, $161,663 (2014 - $464,713) has been included as an expense in the consolidated statement of comprehensive loss, $29,498 (2014 - $2,306) has been included in share issue costs, and $Nil (2014 - $21,130) has been capitalized as part of exploration and evaluation costs.

A breakdown of current contributed surplus amounts is as follows:

| | For the Year Ended March 31, | |
|---|---|---|
| | 2015 | 2014 |
| Balance, beginning of year | 3,904,436 | 3,416,287 |
| Share-based compensation - expensed | 58,069 | 464,713 |
| Share-based compensation - share issue costs | 29,498 | 2,306 |
| Stock-based compensation - property acquisition | - | 21,130 |
| Share-based compensation – bonus warrants | 103,594 | - |
| Balance, end of year | 4,095,597 | 3,904,436 |

## 11. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

*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, related party amounts receivable (Note 8(e)), and BCMETC refund receivable. Other than the write off of non collectible related party amounts the Company does not expect to experience any bad debts on its receivables outstanding at March 31, 2015.

(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.

(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.

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

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 pursuing growth opportunities and maintaining investor confidence.

The capital of the Company consists of shareholders' equity - $20,817,244 (March 31, 2014 - $21,278,929).

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.

## 12. SEGMENTED INFORMATION

During the years ended March 31, 2015 and March 31, 2014, 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.

## 13. 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.

<u>During the year ended March 31, 2015:</u>

- The Company incurred share issue costs of $29,498 in relation to an issuance of 79,920 finder's warrants with an exercise price of $0.72 and a June 3, 2016 expiry (refer to Note 10(b)(i)).

<u>During the year ended March 31, 2014:</u>

- The Company capitalized share-based compensation of $21,130 as part of property acquisition costs within mineral properties relating to the grant of 20,000 share purchase warrants issued to the Wet'suwet'en per Note 10(b)(iv).

(expressed in Canadian dollars)

## 13. NON-CASH TRANSACTIONS (continued)

- The Company incurred share issue costs of $2,306 in relation to an issue of 14,000 finder's warrants with an exercise price of $1.50 and a December 16, 2014 expiry (refer to Note 10(b)(iii)).

## 14. INCOME TAXES

| | For the year ended March 31, 2015 | 2014 |
|---|---|---|
| Current expense | $ - | $ - |
| Deferred tax expense (recovery) | 73,000 | (218,000) |
| | $ 73,000 | $ (218,000) |

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.

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

| | For the year ended March 31, 2015 | 2014 |
|---|---|---|
| Loss before income taxes | $ (1,166,006) | $ (1,647,992) |
| Income taxed at statutory rates – 26.00% (2014 – 26.00%) | (303,000) | (428,000) |
| Effect of reduction in statutory rate | - | 46,000 |
| Non-deductible expenses | 53,000 | 146,000 |
| Tax basis of exploration costs renounced | 187,000 | - |
| Share issuance costs | (20,000) | (6,000) |
| Previously-unrecognized deferred tax liabilities | 156,000 | 24,000 |
| Deferred tax expense (recovery) | $ 73,000 | $ (218,000) |

Effective April 1, 2013, the Canadian Federal corporate tax rate remained at 15.00% and the British Columbia provincial tax rate increased from 10.00% to 11.00%.

(expressed in Canadian dollars)

## 14. INCOME TAXES (continued)

### 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, 2015 and 2014 are summarized as follows:

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Non-capital losses | $ 829,000 | $ 538,000 |
| Un-deducted financing costs | 30,000 | 30,000 |
| Capital assets and other | (7,000) | 44,000 |
| | 852,000 | 612,000 |
| Exploration and evaluation costs | (1,852,000) | (1,539,000) |
| Deferred tax liability | $ (1,000,000) | $ (927,000) |

As at March 31, 2015, the Company has estimated non-capital losses of $3,189,000 which expire from 2033 to 2035, 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, 2015, the Company received $719,280 (2014 - $Nil) 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, 2015, the Company renounced the full amount of these proceeds (2014 - $Nil) to the purchasers of the flow-through shares.

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 as at March 31, 2015 include a provision in this connection of $109,948 (2014 - $109,948). 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)

## 15. COMMITMENTS AND CONTINGENCIES

During June 2014, the Company's office premise sublease was terminated by the Landlord due to non-payment of the Master Lease obligations by the head lease tenants. At the time, the Company was current in all of its sublease obligations to the head lease tenant.

The Company signed a new lease agreement with an effective date of June 1, 2014 for a term of 30 months expiring September 30, 2016. The Company's remaining lease commitments for the total annual basic lease rate and operating costs for the 18 months ending September 30, 2016 are as follows:

| | |
|---|---|
| Fiscal 2016 | $41,748 |
| Fiscal 2017 | $21,042 |

## 16. SUBSEQUENT EVENTS

- On April 7, 2015 the Company conditionally granted 600,000 stock options to a director of which 152,000 are exercisable at any time prior to April 7, 2020 with an exercise price of $0.32 per common share. The balance of 448,000 stock options will vest in accordance with the Company's Stock Option Plan. On May 15, 2015 an additional 205,000 stock options to a director vested and are exercisable at any time prior to April 7, 2020 with an exercise price of $0.32 per common share. The remaining balance of 243,000 stock options are subject to shareholders' approval of the Company adopting a 20% Fixed Stock Option plan at the next Annual General Meeting and will vest if such approval is obtained, also to be exercisable at any time prior to April 7, 2020.

- On May 14, 2015 the Company completed non brokered private placements comprised of 2,050,000 units at a purchase price of $0.25 per unit for gross proceeds of $512,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of $0.40 per share for 5 years from the closing date. 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 $0.75 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.