



GOLD REACH RESOURCES LTD.

Condensed Consolidated Financial Statements

(unaudited – prepared by management)

(expressed in Canadian dollars)

For the Six Months Ended September 30, 2016 and 2015

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, B.C.
November 9, 2016

GOLD REACH RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(unaudited – expressed in Canadian dollars)
As at September 30, 2016 and March 31, 2016

	As at September 30, 2016	As at March 31, 2016
ASSETS		
Current		
Cash and cash equivalents	\$ 559,537	\$ 216,485
GST receivable	12,118	9,690
Other receivable (Note 6)	-	68,272
Prepaid expenses	19,683	33,225
Total Current Assets	591,338	327,672
Exploration and evaluation costs (Notes 5 and 6)	21,434,043	21,392,173
Equipment and camp buildings (Note 7)	96,855	122,753
Total Non-Current Assets	21,530,898	21,514,926
Total Assets	\$ 22,122,236	\$ 21,842,598
LIABILITIES		
Current		
Trade and other payables (Note 8)	\$ 184,869	\$ 265,544
Total Current Liabilities	184,869	265,544
Settlement payable (Note 9)	110,000	-
Deferred income tax liability	622,000	622,000
Total Non-Current Liabilities	732,000	622,000
Total Liabilities	916,869	887,544
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	34,382,068	33,684,393
Contributed surplus (Note 10)	4,455,629	4,286,857
Deficit	(17,632,330)	(17,016,196)
Total Shareholders' Equity	21,205,367	20,955,054
Total Liabilities and Shareholders' Equity	\$ 22,122,236	\$ 21,842,598

Signed on behalf of the Board by:

"Shane Ebert"	Director
"Jim Pettit"	Director

See accompanying notes to the condensed consolidated interim financial statements.

GOLD REACH RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(unaudited - expressed in Canadian dollars)
For the Six Months Ended September 30, 2016 and 2015

	For the three months ended September 30,		For the six months ended September 30,	
	2016	2015	2016	2015
EXPENSES				
Amortization	\$ 12,949	\$ 15,714	\$ 25,898	\$ 31,425
Investor relations	15,579	28,176	33,233	128,125
Management and personnel (Note 9)	53,642	134,481	233,707	301,476
Office	10,828	12,919	22,279	30,838
Professional fees	58,045	83,121	91,051	137,030
Rent	10,353	11,153	20,706	20,706
Share based payments (Note 9)	164,772	25,786	164,772	98,770
Transfer agent and filing fees	11,662	5,164	15,312	7,795
Travel	3,508	27,440	10,112	124,586
	(341,338)	(343,954)	(617,070)	(880,751)
OTHER INCOME (EXPENSE):				
Interest income	472	10,966	936	10,975
Reduction in Part XII.6 tax	-	-	-	109,948
LOSS BEFORE INCOME TAXES	(340,866)	(332,988)	(616,134)	(759,828)
INCOME TAXES	-	-	-	-
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (340,866)	\$ (332,988)	\$ (616,134)	\$ (759,828)
LOSS PER SHARE - BASIC	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.02)
LOSS PER SHARE - DILUTED	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	45,850,587	38,387,967	45,485,264	38,387,967

See accompanying notes to the condensed consolidated interim financial statements.

GOLD REACH RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(unaudited - expressed in Canadian dollars)
For the Six Months Ended September 30, 2016 and 2015

	For the six months ended September 30,	
	2016	2015
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the period	\$ (616,134)	\$ (759,828)
Items not affecting cash:		
Share based payments	164,772	98,770
Amortization	25,898	31,425
	(425,464)	(629,633)
Changes in non-cash working capital items:		
Taxes recoverable	(2,428)	(3,504)
Other receivable	68,272	300,000
Prepaid expenses	13,542	(50,777)
Trade and other payables	(80,675)	(40,043)
Settlement payable	110,000	-
Cash used in operating activities	(316,753)	(423,957)
INVESTING ACTIVITIES		
Investment in exploration and evaluation assets	(38,736)	(153,866)
Acquisition costs of exploration and evaluation assets	(3,134)	(1,470)
Acquisition of equipment	-	(4,865)
Cash used in investing activities	(41,870)	(160,201)
FINANCING ACTIVITIES		
Obligation to issue shares	-	250,000
BC mining exploration tax credit	-	35,712
Proceeds from share issuance	719,250	512,500
Share issue costs	(17,575)	(11,924)
Cash provided by financing activities	701,675	786,288
NET INCREASE IN CASH	343,052	202,130
CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD	216,485	464,415
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	\$ 559,537	\$ 666,545

See accompanying notes to the condensed consolidated interim financial statements.

GOLD REACH RESOURCES LTD.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(expressed in Canadian dollars)

For the Six Months Ended September 30, 2016 and 2015

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total Equity
Balance, April 1, 2015	36,585,090	\$ 32,652,855	\$ 4,095,597	\$ (15,931,208)	\$ 20,817,244
Issued for cash – non-flow through shares	2,050,000	512,500	-	-	512,500
Share issue costs	-	(11,924)	-	-	(11,924)
Stock based compensation	-	-	98,770	-	98,770
Net loss and comprehensive loss for the period	-	-	-	(759,828)	(759,828)
Balance, September 30, 2015	38,635,090	\$ 33,153,431	\$ 4,194,367	\$ (16,691,036)	\$ 20,656,762
Balance, April 1, 2016	42,134,374	\$ 33,684,393	\$ 4,286,857	\$ (17,016,196)	\$ 20,955,054
Issued for cash – non-flow through shares	4,666,666	700,000	-	-	700,000
Exercise of stock options	175,000	19,250	-	-	19,250
Share issue costs	-	(17,575)	-	-	(17,575)
Stock based compensation	-	(4,000)	168,772	-	164,772
Net loss and comprehensive loss for the period	-	-	-	(616,134)	(616,134)
Balance, September 30, 2016	46,976,040	\$ 34,382,068	\$ 4,455,629	\$ (17,632,330)	\$ 21,205,367

See accompanying notes to consolidated financial statements

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

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 condensed unaudited consolidated interim financial statements of the Company for the six months ending September 30, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements have been prepared in full compliance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Accordingly, these unaudited condensed consolidated interim financial statements follow the same accounting principles and methods of application as the audited annual consolidated financial statements for the year ended March 31, 2016 but may condense or omit certain disclosures that otherwise would be present in annual financial statements prepared in accordance with IFRS. These financial statements should therefore be read in conjunction with the audited annual consolidated financial statements for the year ended March 31, 2016. Results for the period ended September 30, 2016, are not necessarily indicative of future results. These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 9, 2016.

(b) Basis of Presentation and Measurement

These unaudited condensed consolidated interim 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.

The unaudited condensed consolidated interim 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 unchanged from those set out in Note 4 of the audited Consolidated Financial Statements for the year ended March 31, 2016.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no material revisions to the accounting policies reported in the Company's audited Consolidated Financial Statements for the Year Ended March 31, 2016.

(a) Going Concern of Operations

These unaudited condensed consolidated interim 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.

At September 30, 2016 the Company had not yet achieved profitable operations, had accumulated losses of \$17,632,330 since inception, had working capital of \$406,469 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.

b) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, the recoverability and measurement of deferred tax assets and liabilities, and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company's unaudited Condensed Consolidated Interim Financial Statements for the six months ended September 30, 2016.

5. RECLAMATION BONDS

Included in Mineral Exploration and Evaluation Costs as at September 30, 2016, 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, 2016 - \$169,900).

The bonds cover the future site restoration costs with respect to the Seel and Ox Lake Claims, collectively known as the Ootsa Property. All or part of the \$169,900 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.

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

As at September 30, 2016, the Company owned a 100% interest in the Ootsa Property, located in central British Columbia, comprised of 123 mineral claims totalling 72,691.2 hectares.

Details of this property interest are as follows:

14 claims totalling 575 hectares, known as the Ox claims, are subject to a 2% NSR. 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 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.

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.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

6. MINERAL PROPERTIES (continued)

Two additional claims known as the Swing claims (the “Captain Mine”) totalling 384 hectares, purchased in March 2014, are 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.

The Troitsa Peak claim totalling 211 hectares purchased in December 2014 is subject to a 1% NSR, half of which can be bought back at any time by the Company for \$500,000.

During the year ended March 31, 2016 the Company staked an additional four claims totalling 306 hectares.

On July 22, 2016, the Company staked an additional two claims totalling 76.79 hectares.

On August 5, 2016, the Company purchased one claim for the total consideration of \$3,000 adding to the Troitsa Peak claims a total of 76.79 hectares.

The Company now owns mineral rights to 72,691.2 hectares comprised of 123 claims. Of these claims, 104 (70,676 hectares) have had sufficient exploration work completed to remain valid until July 2, 2025, while 19 claims (2,015 hectares) expire on Nov 2, 2019.

Auro Property

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. Under the terms of the purchase agreement, the Company retained a 2% NSR.

British Columbia Mineral Tax Credits (“BCMETS”)

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. In April 2016 the Company filed a BCMETS claim with the Canada Revenue Agency seeking \$68,272 in qualified refundable tax credits for the year ended March 31, 2016. The Company accrued \$68,272 during the year ended March 31, 2016 and has collected the full amount during August 2016.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

6. MINERAL PROPERTIES (continued)

Expenditures on mineral property acquisition and deferred exploration and development costs for the six months ended September 30, 2016 and for the year ended March 31, 2016 are as follows:

	For the six months ended September 30, 2016	For the year ended March 31, 2016
Property acquisition costs:		
Balance, beginning of the period	\$ 1,147,036	\$ 1,145,566
Cash costs	3,134	1,470
Balance, end of the period	1,150,170	1,147,036
Deferred exploration and evaluation costs:		
Balance, beginning of the period	20,245,137	19,856,675
Incurring during the period:		
Barge	700	180
Preliminary economic assessment	-	263,075
Geology	5,500	199,335
Consulting fees – First Nations	15,000	10,000
Field costs	1,629	2,094
Travel	7,772	2,611
Assaying	2,902	916
Camp costs	2,155	11,615
Fuel	78	389
Insurance	-	515
Exploration tax credit recovery	-	(103,984)
Wages and related expenses	3,000	1,716
Total expenditures during the period	38,736	388,462
Balance, end of the period	20,283,873	20,245,137
Total deferred costs, end of the period	\$ 21,434,043	\$ 21,392,173

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

7. EQUIPMENT AND CAMP BUILDINGS

	Office Equipment	Camp Vehicles and Equipment	Camp Buildings/ Septic	Bridge	Total
Cost					
Balance at March 31, 2015	\$ 36,190	\$ 122,575	\$ 178,838	\$ 32,855	\$ 370,458
Additions	5,334	-	-	-	5,334
Disposals	-	-	-	-	-
Balance at March 31, 2016	\$ 41,524	\$ 122,575	\$ 178,838	\$ 32,855	\$ 375,792
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at September 30, 2016	<u>\$ 41,524</u>	<u>\$ 122,575</u>	<u>\$ 178,838</u>	<u>\$ 32,855</u>	<u>\$ 375,792</u>
Depreciation and impairment					
Balance at March 31, 2015	\$ 19,855	\$ 76,631	\$ 85,252	\$ 8,214	\$ 189,952
Additions	11,483	12,552	35,767	3,285	63,087
Disposals	-	-	-	-	-
Balance at March 31, 2016	\$ 31,338	\$ 89,183	\$ 121,019	\$ 11,499	\$ 253,039
Additions	1,856	4,516	17,884	1,642	25,898
Disposals	-	-	-	-	-
Balance at September 30, 2016	<u>\$ 33,194</u>	<u>\$ 93,699</u>	<u>\$ 138,903</u>	<u>\$ 13,141</u>	<u>\$ 278,937</u>
Carrying amounts – NBV					
At March 31, 2016	<u>\$ 10,186</u>	<u>\$ 33,392</u>	<u>\$ 57,819</u>	<u>\$ 21,356</u>	<u>\$ 122,753</u>
At September 30, 2016	<u>\$ 8,330</u>	<u>\$ 28,876</u>	<u>\$ 39,935</u>	<u>\$ 19,714</u>	<u>\$ 96,855</u>

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

8. TRADE AND OTHER PAYABLES

The Company's trade and other payables on September 30, 2016 and March 31, 2016 are as follows:

	As at September 30, 2016	As at March 31, 2016
Trade payables	\$ 32,502	\$ 70,435
Amounts due to related parties (Note 9 (d))	18,367	3,192
Management fees accrued (Note 9 (e))	110,000	25,917
Bonus payable	-	150,000
Accrued expenses	24,000	16,000
	\$ 184,869	\$ 265,544

Trade payables are comprised principally of amounts outstanding for trade purchases relating to exploration and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

9. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2016 the following amounts were paid. All comparative amounts are for the six months ended September 30, 2015.

- (a) Management wages and director fees of \$184,013 (2015 - \$226,618) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.
- (b) Consulting and geological fees of \$5,500 (2015 - \$2,250) were paid to Companies controlled by directors or officers of the Company.
- (c) Administration fees of \$14,325 (2015 - \$29,925) were paid to Companies controlled by a directors or officers of the Company.
- (d) Included in accounts payable and accrued liabilities at September 30, 2016 is \$18,367 (2015 - \$48,552) owing to the senior management and directors of the Company for unpaid management fees.
- (e) Pursuant to a settlement agreement, effective June 27, 2016, the Company is obligated to pay its former President & CEO the following amounts bearing no interest:
 - (i) \$110,000 on July 15, 2016 - paid;
 - (ii) \$110,000 on June 27, 2017- included in accounts payable and accrued liabilities;
 - (iii) \$110,000 on June 27, 2018- included in long term liabilities.

These payment dates are subject to acceleration in the event the Company has raised additional \$3,000,000 equity capital during the twelve months ended June 27, 2017 with immediate payment of all the then remaining settlement amounts due upon the closing of at least \$3,000,000 in additional equity capital. The settlement amount of \$330,000 includes the Bonus payable as at March 31, 2016.

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.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

9. RELATED PARTY TRANSACTIONS (continued)

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 six months ended September 30,	
	2016	2015
Management fees – mineral property costs	\$ 5,500	\$ 2,250
Directors fees	3,000	-
Professional fees - administration	14,325	29,925
Management and administration	184,013	226,618
	\$ 206,838	\$ 258,793

Key management personnel compensation:

	For the six months ended September 30,	
	2016	2015
Management fees	\$ 184,013	\$ 226,618

Key management personnel compensation comprised of:

	For the six months ended September 30,	
	2016	2015
Short term employee benefits	\$ 184,013	\$ 226,618
Share-based payments	138,257	98,770
	\$ 322,270	\$ 325,388

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

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, 2015	36,585,090	\$ 32,652,855
Issued for cash – non flow through	2,050,000	512,500
Issued for cash – non flow through	2,669,884	453,880
Issued for debt	829,400	87,087
Less: share issue costs	-	(21,929)
Balance – March 31, 2016	42,134,374	\$ 33,684,393
Issued for cash – non flow through	4,666,666	700,000
Exercise of options	175,000	19,250
Less: share-based compensation	-	(4,000)
Less: share issue costs	-	(17,575)
Balance – September 30, 2016	46,976,040	\$ 34,382,068

Transactions during the Six Months Ended September 30, 2016

- i) On July 19, 2016, the Company completed a non-brokered private placement comprised of 4,666,666 units at a purchase price of \$0.15 per unit for gross proceeds of \$700,000. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.22 per share at any time on or before July 19, 2019. 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 \$0.40 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.

The Company paid a finder's fee of \$12,880 cash and issued 42,934 finder warrants with each finder warrant entitling the holder to acquire one additional common share of the Company at an exercise price of \$0.22 per share at any time on or before July 19, 2019.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(b) Issued and fully paid (continued):

Transactions during the Year Ended March 31, 2016

- i) On May 14, 2015 the Company completed a non-brokered private placement 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 for five 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.
- ii) On October 26, 2015 the Company completed the first tranche of its non-brokered private placement and issued 2,669,884 units at a purchase price of \$0.17 per unit for gross proceeds of \$453,880. Each unit consisted of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of \$0.22 for a 24 month exercise period, subject to abridgement of the exercise period (after the expiry of the 4 month hold period) with 30 days' notice to holders in the event that the ten-day volume weighted price of the shares exceeds \$0.40.
- iii) On March 14, 2016 the Company issued 829,400 common shares to a senior officer of the Company for consideration of \$87,087 in settlement of unpaid accrued management salary.

(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, 2015	1,269,500	\$0.95
Issued – Unit Offering	2,050,000	\$0.40
Issued – Unit Offering	2,669,884	\$0.22
Expired	(500,000)	\$0.80
Balance, March 31, 2016	5,489,384	\$0.40
Issued – Unit Offering	2,333,333	\$0.22
Expired	(499,500)	\$0.80
Balance, September 30, 2016	7,323,217	\$0.32

On June 3, 2016 share purchase warrants totaling 499,500 expired unexercised.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Share Purchase Warrants (continued):

As at September 30, 2016 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
250,000	\$1.50	October 12, 2017
2,669,884	\$0.22	October 26, 2017
20,000	\$1.50	January 3, 2019
2,333,333	\$0.22	July 19, 2019
2,050,000	\$0.40	May 14, 2020
<u>7,323,217</u>		

(d) Agents' warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2015	79,920	\$0.72
No transactions	-	-
Balance, March 31, 2016	79,920	\$0.72
Issued – Unit Offering	42,934	\$0.22
Expired	(79,920)	\$0.72
<u>Balance, September 30, 2016</u>	<u>42,934</u>	<u>\$0.22</u>

On June 3, 2016 agent warrants totaling 79,920 expired unexercised.

Number of Warrants	Exercise Price	Expiry Date
42,934	\$0.22	July 19, 2019
<u>42,934</u>		

The Black-Scholes model inputs for finder's warrants granted during the six months ending September 30, 2016 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
July 19, 2016	July 19, 2019	\$0.15	\$0.22	0.57	3 year	1.1523	0

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(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.

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Notes to the Condensed Consolidated Interim Financial Statements

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For the Six Months ended September 30, 2016 and September 30, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued):

A summary of the Company's option transactions for the six months ended September 30, 2016 and for the year ended March 31, 2016 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance, March 31, 2015	3,506,509	\$0.86	2.09
Granted	152,000	\$0.32	
Granted	205,000	\$0.32	
Granted	145,000	\$0.19	
Granted	1,100,000	\$0.11	
Cancelled	(604,754)	\$0.85	
Expired	(385,934)	\$0.48	
Balance, March 31, 2016	4,117,821	\$0.79	2.63
Granted	1,305,000	\$0.155	
Exercised	(175,000)	\$0.11	
Cancelled	(452,000)	\$0.36	
Expired	(270,000)	\$0.50	
Balance, September 30, 2016	4,525,821	\$0.62	2.37

The weighted average share price of options exercised, as at the date of exercise, during the six months ended September 30, 2016 was \$0.11.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

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For the Six Months ended September 30, 2016 and September 30, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued):

As at September 30, 2016 outstanding vested stock options are:

Number of Options	Exercise Price	Expiry Date
923,000	\$0.60	January 3, 2017
66,000	\$0.60	March 30, 2017
150,000	\$0.83	June 12, 2017
173,429	\$1.50	June 27, 2017
92,950	\$1.41	October 31, 2017
393,359	\$1.20	March 5, 2018
127,510	\$1.30	September 3, 2018
249,573	\$1.30	October 28, 2018
20,000	\$0.75	July 17, 2019
100,000	\$0.19	July 10, 2020
925,000	\$0.11	March 11, 2021
<u>1,305,000</u>	<u>\$0.155</u>	<u>September 29, 2021</u>
<u>4,525,821</u>		

The Black-Scholes model inputs for options granted during the six months ending September 30, 2016 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
September 29, 2016	September 29, 2021	\$0.155	\$0.155	0.50	5 years	1.1779	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.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

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For the Six Months ended September 30, 2016 and September 30, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(g) Contributed Surplus:

During the six months ended September 30, 2016 \$168,772 (Year ended March 31, 2016, \$191,260) was recorded as stock-based compensation related to the granting of 1,305,000 incentive stock options (Year ended March 31, 2016 – 1,602,000) and 42,934 finder warrants. Of this amount, \$164,772 (Year ended March 31, 2016, \$191,260) has been included as an expense in the consolidated statement of comprehensive loss and \$4,000 (Year ended March 31, 2016, \$Nil) has been included in share issue costs on the Consolidated Statement of Financial Position.

A continuity of contributed surplus is as follows:

	For the Six Months Ended September 30, 2016	For the Year Ended March 31, 2015
Balance, beginning of period	\$ 4,286,857	\$ 4,095,597
Stock-based compensation - expensed	168,772	191,260
Balance, end of period	\$ 4,455,629	\$ 4,286,857

11. 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.

The capital of the Company consists of shareholders' equity - \$21,205,367 (March 31, 2016 - \$20,955,054).

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.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Six Months ended September 30, 2016 and September 30, 2015

12. SEGMENTED INFORMATION

During the six months ended September 30, 2016 and for the year ended March 31, 2016 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.

During the six months ended September 30, 2016:

- The Company incurred share issue costs of \$4,000 in relation to an issuance of 42,934 finder's warrants with an exercise price of \$0.22 and a July 19, 2019 expiry (refer to Note 10(b)(i)).

During the year end March 31, 2016:

- On March 14, 2016 the Company issued 829,400 common shares to a senior officer of the Company for consideration of \$87,087 in settlement of unpaid accrued management salary.

14. COMMITMENTS AND CONTINGENCIES

Effective with a commencement date of October 1, 2016, the Company is committed to an operating lease on its office premises expiring on September 30, 2021. The Company's lease commitments for the total annual basic lease rate and operating costs for the remaining six months in fiscal 2017 are \$23,391 and for each fiscal year thereafter, are as follows:

2018	47,626
2019	48,984
2020	50,347
2021	51,714
2022	26,290