

# **GOLD REACH RESOURCES LTD.**

**Condensed Consolidated Interim Financial Statements**

**For the Six Months Ended September 30, 2013 and 2012**

(unaudited - expressed in Canadian dollars)

## **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 27, 2013

**GOLD REACH RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(unaudited - expressed in Canadian dollars)

	As at September 30, 2013	As at March 31, 2013
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 897,330	\$ 2,762,804
Taxes receivable	142,658	65,795
Other receivable	25,326	-
Prepaid expenses	61,339	30,074
<b>Total Current Assets</b>	<b>1,126,653</b>	<b>2,858,673</b>
Exploration and evaluation costs (Notes 5 and 6)	20,433,979	16,735,366
Equipment and camp buildings (Note 7)	250,666	235,134
<b>Total Non-Current Assets</b>	<b>20,684,645</b>	<b>16,970,500</b>
<b>Total Assets</b>	<b>\$ 21,811,298</b>	<b>\$ 19,829,173</b>
<b>LIABILITIES</b>		
Current		
Trade and other payables	\$ 823,011	\$ 194,366
<b>Total Current Liabilities</b>	<b>823,011</b>	<b>194,366</b>
Deferred income tax liabilities	1,145,000	1,145,000
<b>Total Non-Current Liabilities</b>	<b>1,145,000</b>	<b>1,145,000</b>
<b>Total Liabilities</b>	<b>1,968,011</b>	<b>1,339,366</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	30,254,822	28,335,730
Contributed surplus	3,560,255	3,416,287
Deficit	(13,971,790)	(13,262,210)
<b>Total Shareholders' Equity</b>	<b>19,843,287</b>	<b>18,489,807</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 21,811,298</b>	<b>\$ 19,829,173</b>

Signed on behalf of the Board by:

"Conrad Swanson"	Director
"John Watt"	Director

See accompanying notes to consolidated financial statements.

**GOLD REACH RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS/INCOME**  
(unaudited - expressed in Canadian dollars)

	For the Three Months ended September 30,		For the Six Months ended September 30,	
	2013	2012	2013	2012
<b>EXPENSES</b>				
Amortization	\$ 14,827	\$ 10,530	\$ 29,653	\$ 19,332
Investor relations	56,726	42,872	114,250	66,631
Management and administration fees	88,430	77,835	188,618	136,417
Office	18,352	8,703	60,172	31,728
Professional fees	40,064	35,077	71,611	82,650
Rent	4,437	4,438	8,876	9,966
Share based payments	143,968	-	143,968	475,518
Transfer agent and filing fees	10,436	9,631	14,219	15,212
Travel and promotion	31,474	18,965	91,647	64,557
	(408,714)	(208,051)	(723,014)	(902,011)
<b>OTHER INCOME (EXPENSE):</b>				
Interest income	4,484	16,597	4,484	34,257
Miscellaneous income	-	-	8,950	2,302
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(404,230)</b>	<b>(191,454)</b>	<b>(709,580)</b>	<b>(865,452)</b>
<b>NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ (404,230)</b>	<b>\$ (191,454)</b>	<b>\$ (709,580)</b>	<b>\$ (865,452)</b>
<b>LOSS PER SHARE - BASIC and DILUTED</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>31,840,388</b>	<b>26,828,128</b>	<b>32,761,061</b>	<b>26,429,446</b>

See accompanying notes to consolidated 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, 2013 and 2012**

	<b>For the Six Months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (709,580)	\$ (865,452)
Items not affecting cash:		
Share based payments	143,968	475,518
Amortization	29,652	19,332
	(535,960)	(370,602)
Changes in non-cash working capital items:		
Taxes recoverable	(102,189)	(489,098)
Prepaid expenses	(31,265)	(53,875)
Trade and other payables	628,645	669,206
Cash used in operating activities	(40,769)	(244,369)
<b>INVESTING ACTIVITIES</b>		
Investment in exploration and evaluation assets	(3,673,081)	(4,887,930)
Acquisition costs of exploration and evaluation assets	(25,532)	(268)
Acquisition of equipment	(45,184)	(198,791)
Cash used in investing activities	(3,743,797)	(5,086,989)
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance	1,924,470	2,035,645
Share issue costs	(5,378)	(80,500)
Cash provided by financing activities	1,919,092	1,955,145
<b>NET INCREASE IN CASH</b>	<b>(1,865,474)</b>	<b>(3,376,213)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD</b>	<b>2,762,804</b>	<b>6,280,738</b>
<b>CASH AND CASH EQUIVALENTS - END OF THE PERIOD</b>	<b>\$ 897,330</b>	<b>\$ 2,904,525</b>

See accompanying notes to consolidated financial statements.

**GOLD REACH RESOURCES LTD**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(unaudited - expressed in Canadian dollars)  
**For the Six Months ended September 30, 2013 and 2012**

	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	925,500	925,500	-	-	925,500
Exercise of share purchase warrants	1,126,633	992,970	-	-	992,970
Exercise of stock options	12,000	6,000	-	-	6,000
Share issue costs	-	(5,378)	-	-	(5,378)
Stock based compensation	-	-	143,968	-	143,968
Net loss and comprehensive loss for the period	-	-	-	(709,580)	(709,580)
<b>Balance, September 30, 2013</b>	<b>33,565,690</b>	<b>\$ 30,254,822</b>	<b>\$ 3,560,255</b>	<b>\$ (13,971,790)</b>	<b>\$ 19,843,287</b>
Balance, April 1, 2012	24,532,884	\$ 22,708,764	\$ 2,025,905	\$ (10,574,871)	\$ 14,159,798
Issued for cash - flow through shares, net of premium	300,000	180,000	-	-	180,000
Issued for cash - non flow through shares	1,100,000	1,210,000	-	-	1,210,000
Share issue costs	-	(80,500)	-	-	(80,500)
Exercise of stock options	119,000	62,000	-	-	62,000
Exercise of share purchase warrants	935,242	583,645	-	-	583,645
Stock based compensation	-	-	475,518	-	475,518
Net loss and comprehensive loss for the period	-	-	-	(865,452)	(865,452)
<b>Balance, September 30, 2012</b>	<b>26,987,126</b>	<b>\$ 24,663,909</b>	<b>\$ 2,501,423</b>	<b>\$ (11,440,323)</b>	<b>\$ 15,725,009</b>

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, 2013 and 2012**

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**1. CORPORATE INFORMATION**

Gold Reach Resources Ltd. (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

These unaudited condensed consolidated interim financial statements of the Company for the six months ended September 30, 2013 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 were authorized for issue by the Board of Directors on November 27, 2013.

(b) Basis of Presentation and Measurement

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

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

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

**GOLD REACH RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012**

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**2. BASIS OF PREPARATION (continued)**

(c) 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, 2013 the Company had not yet achieved profitable operations, had accumulated losses of \$13,971,790 since inception, had working capital of \$303,642 and expects to incur further losses in the development of its business. The Company does not have sufficient cash resources to meet its obligations for at least twelve months from the date of approval of these financial statements. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, 2013.

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

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

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

*b) New standards, interpretations and amendments not yet effective*

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

- IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.



**GOLD REACH RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012**

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

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

The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

- IFRS 10 Consolidated Financial Statements

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

- IFRS 11 Joint Arrangements

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

- IFRS 12 Disclosures of Interests in Other Entities

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

- IFRS 13 Fair Value Measurement

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

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

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

**GOLD REACH RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012**

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

- IAS 1 Presentation of Financial Statements

IAS 1 was amended to change the grouping of items presented in Other Comprehensive Income ("OCI"). Items that would be reclassified to profit or loss at a future point in time will be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods. The Company adopted the standard for the annual period beginning on April 1, 2013.

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

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company's audited Consolidated Financial Statements for the Year Ended March 31, 2013

**5. RECLAMATION BONDS**

Included in Mineral Exploration and Evaluation Costs as at September 30, 2013 is the Company's aggregate reclamation bonds posted with the Mining and Minerals Division of the British Columbia Government in the amount of \$147,400 (March 31, 2013 - \$97,400).

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 \$147,400 can be recovered subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

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

**GOLD REACH RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012**

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**6. MINERAL PROPERTIES**

Ootsa Property

The Company owns a 100% interest in the Ootsa property, located in central British Columbia, comprised of 96 mineral claims totalling 67,420 hectares. Of these 96 mineral claims, 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 are 4 other claims totalling 2,600 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 1 kilometre from the external boundaries of the claims. The remaining 78 mineral claims were acquired by staking.

Auro Property

The Company has a 2% NSR on the Auro Property as part of the March 2012 consideration New Gold Inc. paid the Company for its 100% interest in the 17 claims totaling 21,348 hectares known as the Auro Property located in central British Columbia. New Gold Inc. has committed to spend Cdn. \$1,500,000 ("the Work Commitment Amount") on exploration expenditures on the Auro Property as follows:

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

If New Gold Inc. is unable to obtain an exploration permit from the Ministry of Energy and Mines (BC) pursuant to the Mines Act (BC) in 2012 authorizing certain exploration activities on the Properties in a timely manner, then New Gold shall have the right to apply the unspent portion of the \$500,000 required to be spent during the balance of 2012 to the Work Commitment Amount required to be spent during calendar year 2013.

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

**GOLD REACH RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012**

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**6. MINERAL PROPERTIES (continued)**

(a) Mineral Property costs for the six months ended September 30, 2013 are as follows:

	<b>Ootsa Property</b>	
Property acquisition costs		
Balance, beginning of the period	\$	1,049,742
Cash		25,532
Shares		-
Balance, end of the period		1,075,274
Deferred exploration and development costs		
Balance, beginning of the period		15,685,624
Incurred during the period:		
Drilling, blasting and trenching		2,038,652
Barge		38,563
Geology		254,381
Geophysics		113,578
Field costs		374,855
Reclamation bond		50,000
Travel and accommodation		13,235
Assaying		248,443
Camp costs		106,580
Fuel		145,167
Insurance		7,124
Wages		282,503
B.C. mining tax credit		-
Other		-
Total expenditures during the period		3,673,081
Total net expenditures, end of the period		19,358,705
Balance, end of the period	\$	20,433,979

**GOLD REACH RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012****6. MINERAL PROPERTIES (continued)**

(b) Mineral Property Costs for the Year Ended March 31, 2013 are as follows:

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

**GOLD REACH RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012****7. EQUIPMENT AND CAMP BUILDINGS**

	<b>Office Equipment</b>	<b>Camp Vehicles and Equipment</b>	<b>Camp Buildings/ Septic System</b>	<b>Bridge</b>	<b>Total</b>
<b>Cost</b>					
Balance at March 31, 2012	7,089	94,134	-	-	101,223
Additions	13,876	-	158,000	32,855	204,731
Disposals	-	-	-	-	-
Balance at March 31, 2013	20,965	94,134	158,000	32,855	305,954
Additions	6,405	17,941	20,838	-	45,184
Disposals	-	-	-	-	-
Balance at September 30, 2013	27,370	112,075	178,838	32,855	351,138
<b>Depreciation and impairment</b>					
Balance at March 31, 2012	3,565	24,576	-	-	28,141
Additions	6,770	18,466	15,800.00	1,643	42,679
Disposals	-	-	-	-	-
Balance at March 31, 2013	10,335	43,042	15,800	1,643	70,820
Additions	3,120	8,048	16,842	1,642	29,652
Disposals	-	-	-	-	-
Balance at September 30, 2013	13,455	51,090	32,642	3,285	100,472
<b>Carrying amounts - NBV</b>					
At March 31, 2013	10,630	51,092	142,200	31,212	235,134
Balance at September 30, 2013	13,915	60,985	146,196	29,570	250,666

**GOLD REACH RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012****8. RELATED PARTY TRANSACTIONS**

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

	<b>For the six months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Consulting and geological fees - mineral property costs	\$ 70,000	\$ 102,000
Directors fees	11,000	-
Professional fees - legal	6,784	20,821
Professional fees - administration	16,200	16,200
Management and administration	127,000	95,000
	<b>\$ 230,984</b>	<b>\$ 234,021</b>

Key management personnel compensation comprised:

	<b>For the six months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Short term employee benefits	\$ 230,984	\$ 234,021
Share-based payments	132,677	-
	<b>\$ 363,661</b>	<b>\$ 234,021</b>

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.

**GOLD REACH RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012****9. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

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

(b) Issued and fully paid:

	<b>Number of Shares</b>	<b>Amount</b>
Balance – March 31, 2012	24,532,884	\$ 22,708,764
Issued for cash – flow through, net of premium	1,111,075	1,488,273
Issued for cash – non flow through	1,100,000	1,210,000
Exercise of warrants	4,524,798	2,756,169
Exercise of options	232,800	126,400
Adjustment to contributed surplus on exercise of stock options and warrants		175,645
Less: share issue costs SBC		(8,133)
Less: share issue costs		(121,388)
Balance – March 31, 2013	31,501,557	\$ 28,335,730
Issued for cash – non flow through	925,500	925,500
Exercise of warrants	1,126,633	992,970
Exercise of options	12,000	6,000
Less: share issue costs		(5,378)
Balance – September 30, 2013	33,565,690	\$ 30,254,822

**Transactions during the Six Months ended September 30, 2013**

- i) On June 10, 2013 the Company extended 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
- 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 \$2.00 per share for 10 consecutive trading days, the Company may give notice to the holders that each Warrant will expire 30 days from the date of providing such notice



**GOLD REACH RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012**

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**9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

Transactions during the Year Ended March 31, 2013

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

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

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

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

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

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

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

**GOLD REACH RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012**

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**9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

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

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

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

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

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

**GOLD REACH RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

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**For the Six Months ended September 30, 2013 and 2012****9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

(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, 2012	7,497,678	\$0.72
Issued	300,000	\$0.75
Issued	1,100,000	\$1.40
Issued	811,075	\$2.50
Issued	250,000	\$1.50
Exercised	(4,385,145)	\$0.61
Expired	(118,500)	\$0.60
Balance, March 31, 2013	5,455,108	\$1.26
Issued	650,500	\$2.00
Issued	275,000	\$2.00
Exercised	(18,300)	\$0.90
Exercised	(140,000)	\$0.75
Exercised	(968,333)	\$0.90
Expired	(160,000)	\$0.75
Balance, September 30, 2013	5,093,975	\$1.49

As at September 30, 2013 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
2,027,400	\$0.90	October 17, 2013
811,075	\$2.50	October 30, 2013
1,080,000	\$1.40	June 26, 2014
650,500	\$2.00	July 31, 2014
275,000	\$2.00	September 3, 2014
250,000	\$1.50	October 12, 2017
5,093,975		

Subsequent to September 30, 2013, share purchase warrants with an October 17, 2013 expiry date totaling 1,627,400 were exercised for \$1,464,660 in gross proceeds to the Company and the remaining 400,000 warrants with an October 17, 2013 expiry date were not exercised.

Subsequent to September 30, 2013, the 811,075 share purchase warrants with an October 30, 2013 expiry date were not exercised.

**GOLD REACH RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012****9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

(d) Agents' warrants:

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

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2012	141,564	\$0.60
Issued	18,750	\$2.50
Exercised	(139,653)	\$0.60
Expired	(1,911)	\$0.60
Balance, March 31, 2013	18,750	\$2.50
Issued	-	\$0.00
Exercised	-	\$0.00
Expired	-	\$0.00
Balance, September 30, 2013	18,750	\$2.50

As at September 30, 2013 outstanding agent's warrants are:

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

Subsequent to September 30, 2013, the 18,750 agent's warrants with an October 30, 2013 expiry date were not exercised.

(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.

**GOLD REACH RESOURCES LTD.**

**Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012**

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**9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

(f) Stock options (continued):

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.

**GOLD REACH RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012****9. 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, 2013 and the year ended March 31, 2013 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance, March 31, 2012	2,453,288	\$0.57	3.67
Granted	161,000	\$0.83	
Granted	253,429	\$1.50	
Granted	112,950	\$1.41	
Granted	478,359	\$1.20	
Exercised	(50,000)	\$0.45	
Exercised	(10,000)	\$0.50	
Exercised	(5,000)	\$0.50	
Exercised	(24,000)	\$0.50	
Exercised	(20,000)	\$0.65	
Exercised	(10,000)	\$0.70	
Exercised	(28,800)	\$0.50	
Exercised	(10,000)	\$0.50	
Exercised	(5,000)	\$0.60	
Exercised	(10,000)	\$0.60	
Exercised	(10,000)	\$0.60	
Exercised	(50,000)	\$0.60	
Cancelled	(67,000)	\$0.50	
Cancelled	(5,000)	\$0.60	
Cancelled	(5,000)	\$0.70	
Balance, March 31, 2013	3,149,226	\$0.78	3.77
Granted	127,510	\$1.30	
Exercised	(12,000)	\$0.50	
Cancelled	(5,000)	\$0.70	
Balance, September 30, 2013	3,259,736	\$0.79	2.84

**GOLD REACH RESOURCES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

(unaudited - expressed in Canadian dollars)

**For the Six Months ended September 30, 2013 and 2012****9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

(f) Stock options (continued):

As at September 30, 2013 outstanding stock options are:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
100,800	\$0.30	March 31, 2015
50,000	\$0.45	June 8, 2015
95,000	\$0.45	July 13, 2015
290,934	\$0.50	January 7, 2016
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
112,950	\$1.41	October 31, 2017
478,359	\$1.20	March 5, 2018
127,510	\$1.30	September 3, 2018
<u>3,259,736</u>		

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 six months ended September 30, 2013 \$143,968 (Year ended March 31, 2013 - \$1,557,894) was recorded as stock-based compensation.

A continuity of contributed surplus is as follows:

	For the Six Months Ended September 30, 2013	For the Year Ended March 31, 2013
Balance, beginning of period	3,416,287	2,025,905
Stock-based compensation - expensed	143,968	1,158,136
Stock-based compensation - share issue costs	-	8,133
Stock-based compensation - property acquisition	-	399,758
Adjustment to contributed surplus on the exercise of stock options and warrants	-	(175,645)
<u>Balance, end of period</u>	<u>3,560,255</u>	<u>3,416,287</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, 2013 and 2012**

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**10. SUBSEQUENT EVENTS**

In late November 2013, the Company received notification from the Canada Revenue Agency ("CRA") of their audit completion of the Company's qualified British Columbia Mineral Exploration Tax Credit ("BCMETC") amounts for the years ended March 31, 2011 through March 31, 2013. This CRA notification is subject to CRA's completion of a formal Notice of Assessment from and the refund process. The Company has accepted the CRA audit results amounting to a refundable BCMETC of \$1,883,834 and it expects receipt of the Notice of Assessment and a refund payment on or before mid January 2014.

Reference is made to Note 9 (c) setting out the exercise during October 2013 of 1,627,400 share purchase warrants and the expiry of 400,000 share purchase warrants on October 17, 2013.

Reference is made to Note 9 (d) setting out the expiry of 18,750 agent's warrants on October 30, 2013.

On October 29, 2013 the Company granted an additional 279,573 stock options to employees, directors, officers and consultants to the Company entitling the holder thereof to purchase common shares of the Company at an exercise price of \$1.30 per common share with an expiry date of October 29, 2018.

On October 29, 2013 the Company cancelled a stock option entitling a former consultant entitling the holder thereof to purchase up to 20,000 common shares of the Company at an exercise price of \$1.41 per common share with an expiry date of October 31, 2017.

On October 30, 2013, 811,075 share purchase warrants with an October 30, 2013 expiry date were not exercised.