



GOLD REACH RESOURCES LTD.

Condensed Consolidated Financial Statements

(unaudited – prepared by management)

(expressed in Canadian dollars)

For the Nine Months Ended December 31, 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.
February 27, 2017

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

| | As at December 31, 2016 | As at March 31, 2016 |
|---|------------------------------------|---------------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 389,388 | \$ 216,485 |
| GST receivable | 5,483 | 9,690 |
| Other receivable (Note 6) | - | 68,272 |
| Prepaid expenses | 25,309 | 33,225 |
| Total Current Assets | 420,180 | 327,672 |
| Exploration and evaluation costs (Notes 5 and 6) | 21,446,577 | 21,392,173 |
| Equipment and camp buildings (Note 7) | 83,906 | 122,753 |
| Total Non-Current Assets | 21,530,483 | 21,514,926 |
| Total Assets | \$ 21,950,663 | \$ 21,842,598 |
| LIABILITIES | | |
| Current | | |
| Trade and other payables (Note 8) | \$ 152,027 | \$ 265,544 |
| Total Current Liabilities | 152,027 | 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 | 884,027 | 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 | (17,771,061) | (17,016,196) |
| Total Shareholders' Equity | 21,066,636 | 20,955,054 |
| Total Liabilities and Shareholders' Equity | \$ 21,950,663 | \$ 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 Nine Months Ended December 31, 2016 and 2015

| | For the three months ended December 31, | | For the nine months ended December 31, | |
|---|--|---------------------|---|---------------------|
| | 2016 | 2015 | 2016 | 2015 |
| EXPENSES | | | | |
| Amortization | \$ 12,949 | \$ 15,713 | \$ 38,847 | \$ 47,138 |
| Investor relations | 5,665 | 27,625 | 38,898 | 200,843 |
| Management and personnel (Note 9) | 45,162 | 102,689 | 278,869 | 404,165 |
| Office | 9,682 | 12,141 | 31,961 | 42,717 |
| Professional fees | 48,422 | 25,384 | 139,473 | 116,711 |
| Rent | 12,098 | 10,353 | 32,804 | 31,059 |
| Share based payments (Note 9) | - | - | 164,772 | 98,770 |
| Transfer agent and filing fees | 1,429 | 8,080 | 13,166 | 16,084 |
| Travel | 3,731 | 8,572 | 17,418 | 133,821 |
| | (139,138) | (210,557) | (756,208) | (1,091,308) |
| OTHER INCOME (EXPENSE): | | | | |
| Interest income | 34 | - | 34 | 10,481 |
| Miscellaneous income | 373 | 667 | 1,309 | 1,161 |
| Reduction in Part XII.6 tax | - | - | - | 109,948 |
| LOSS BEFORE INCOME TAXES | (138,731) | (209,890) | (754,865) | (969,718) |
| INCOME TAXES | - | - | - | - |
| NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | \$ (138,731) | \$ (209,890) | \$ (754,865) | \$ (969,718) |
| LOSS PER SHARE - BASIC | \$ (0.00) | \$ (0.01) | \$ (0.02) | \$ (0.03) |
| LOSS PER SHARE - DILUTED | \$ (0.00) | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 46,976,040 | 40,600,829 | 46,976,040 | 39,536,383 |

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 Nine Months Ended December 31, 2016 and 2015

| | For the nine months ended December 31, | |
|--|---|--------------|
| | 2016 | 2015 |
| CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (754,865) | \$ (969,718) |
| Items not affecting cash: | | |
| Share based payments | 164,772 | 98,770 |
| Amortization | 38,847 | 47,138 |
| | (551,246) | (823,810) |
| Changes in non-cash working capital items: | | |
| Taxes recoverable | 4,207 | (2,615) |
| Other receivable | 68,272 | 300,000 |
| Prepaid expenses | 7,916 | (42,644) |
| Trade and other payables | (113,517) | 21,735 |
| Settlement payable | 110,000 | - |
| Cash used in operating activities | (474,368) | (547,334) |
| INVESTING ACTIVITIES | | |
| Investment in exploration and evaluation assets | (51,270) | (1,470) |
| Acquisition costs of exploration and evaluation assets | (3,134) | (399,299) |
| Acquisition of equipment | - | (4,866) |
| Cash used in investing activities | (54,404) | (405,635) |
| FINANCING ACTIVITIES | | |
| BC mining exploration tax credit | - | 35,712 |
| Proceeds from share issuance | 719,250 | 966,380 |
| Share issue costs | (17,575) | (21,928) |
| Cash provided by financing activities | 701,675 | 980,164 |
| NET INCREASE IN CASH | 172,903 | 27,195 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD | 216,485 | 464,415 |
| CASH AND CASH EQUIVALENTS - END OF THE PERIOD | \$ 389,388 | \$ 491,610 |

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 Nine Months Ended December 31, 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 |
| Issued for cash – non-flow through shares | 2,669,884 | 453,880 | - | - | 453,880 |
| Share issue costs | - | (21,928) | - | - | (21,928) |
| Stock based compensation | - | - | 98,770 | - | 98,770 |
| Net loss and comprehensive loss for the period | - | - | - | (969,718) | (969,718) |
| Balance, December 31, 2015 | 41,304,974 | \$ 33,597,307 | \$ 4,194,367 | \$ (16,900,926) | \$ 20,890,748 |
| 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 | - | - | - | (754,865) | (754,865) |
| Balance, December 31, 2016 | 46,976,040 | \$ 34,382,068 | \$ 4,455,629 | \$ (17,771,061) | \$ 21,066,636 |

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 Nine Months ended December 31, 2016 and December 31, 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 nine months ending December 31, 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 December 31, 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 February 27, 2017.

(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 Nine Months ended December 31, 2016 and December 31, 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 December 31, 2016 the Company had not yet achieved profitable operations, had accumulated losses of \$17,771,061 since inception, had working capital of \$268,152 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 Nine Months ended December 31, 2016 and December 31, 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 nine months ended December 31, 2016.

5. RECLAMATION BONDS

Included in Mineral Exploration and Evaluation Costs as at December 31, 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 December 31, 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 Nine Months ended December 31, 2016 and December 31, 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 Nine Months ended December 31, 2016 and December 31, 2015

6. MINERAL PROPERTIES (continued)

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

| | For the nine months ended December 31, 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 |
| Incurred during the period: | | |
| Barge | 700 | 180 |
| Preliminary economic assessment | - | 263,075 |
| Geology | 6,750 | 199,335 |
| Consulting fees – First Nations | 25,000 | 10,000 |
| Field costs | 1,629 | 2,094 |
| Travel | 7,772 | 2,611 |
| Assaying | 2,902 | 916 |
| Camp costs | 3,439 | 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 | 51,270 | 388,462 |
| Balance, end of the period | 20,296,407 | 20,245,137 |
| Total deferred costs, end of the period | \$ 21,446,577 | \$ 21,392,173 |

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2016 and December 31, 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 December 31, 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 | 2,784 | 6,774 | 26,826 | 2,463 | 38,847 |
| Disposals | - | - | - | - | - |
| Balance at December 31, 2016 | <u>\$ 34,122</u> | <u>\$ 95,957</u> | <u>\$ 147,845</u> | <u>\$ 13,962</u> | <u>\$ 291,886</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 December 31, 2016 | <u>\$ 7,402</u> | <u>\$ 26,618</u> | <u>\$ 30,993</u> | <u>\$ 18,893</u> | <u>\$ 83,906</u> |

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2016 and December 31, 2015

8. TRADE AND OTHER PAYABLES

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

| | As at December 31, 2016 | As at March 31, 2016 |
|---|------------------------------------|---------------------------------|
| Trade payables | \$ 27,682 | \$ 70,435 |
| Amounts due to related parties (Note 9 (d)) | 2,345 | 3,192 |
| Management fees accrued (Note 9 (e)) | 110,000 | 25,917 |
| Bonus payable | - | 150,000 |
| Accrued expenses | 12,000 | 16,000 |
| | \$ 152,027 | \$ 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 nine months ended December 31, 2016 the following amounts were paid. All comparative amounts are for the nine months ended December 31, 2015.

- (a) Management consulting fees and director fees of \$210,763 (2015 - \$302,902) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.
- (b) Geological consulting fees of \$5,500 (2015 - \$16,967) were paid to Companies controlled by directors or officers of the Company.
- (c) Administration fees of \$18,825 (2015 - \$38,025) were paid to Companies controlled by a directors or officers of the Company.
- (d) Included in accounts payable and accrued liabilities at December 31, 2016 is \$2,345 (2015 - \$74,403) 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.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2016 and December 31, 2015

9. RELATED PARTY TRANSACTIONS (continued)

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 nine months ended December 31, | | | |
|--|---|---------|-------------|---------|
| | 2016 | | 2015 | |
| Geological consulting fees – mineral property costs | \$ | 5,500 | \$ | 16,967 |
| Professional fees - administration | | 18,825 | | 38,025 |
| Management and administration | | 207,763 | | 302,902 |
| | \$ | 232,088 | \$ | 357,894 |
| Key management personnel compensation: | | | | |
| Management fees | \$ | 232,088 | \$ | 357,894 |
| Non-key management personnel compensation: | | | | |
| Directors' fees | \$ | 3,000 | \$ | - |
| Key management personnel compensation comprised of: | | | | |
| Short term employee benefits | \$ | 232,088 | \$ | 357,894 |
| Share-based payments | | 138,257 | | 98,770 |
| | \$ | 370,345 | \$ | 456,664 |

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2016 and December 31, 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 – December 31, 2016 | 46,976,040 | \$ 34,382,068 |

Transactions during the Nine Months Ended December 31, 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 Nine Months ended December 31, 2016 and December 31, 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, December 31, 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 Nine Months ended December 31, 2016 and December 31, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Share Purchase Warrants (continued):

As at December 31, 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, December 31, 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 nine months ending December 31, 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 Nine Months ended December 31, 2016 and December 31, 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.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2016 and December 31, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued):

A summary of the Company's option transactions for the nine months ended December 31, 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, December 31, 2016 | 4,525,821 | \$0.53 | 2.62 |

The weighted average share price of options exercised, as at the date of exercise, during the nine months ended December 31, 2016 was \$0.11.

GOLD REACH RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2016 and December 31, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued):

As at December 31, 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 nine months ending December 31, 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

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2016 and December 31, 2015

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(g) Contributed Surplus:

During the nine months ended December 31, 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, \$164,773 (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 nine months ended December 31, 2016 | For the year ended March 31, 2016 |
|-------------------------------------|--|--|
| Balance, beginning of period | \$ 4,286,857 | \$ 4,095,597 |
| Stock-based compensation - expensed | 168,772 | 191,260 |
| Balance, end of period | <u>\$ 4,455,629</u> | <u>\$ 4,286,857</u> |

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 - \$21,066,636 (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 Nine Months ended December 31, 2016 and December 31, 2015

12. SEGMENTED INFORMATION

During the nine months ended December 31, 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 nine months ended December 31, 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 three months in fiscal 2017 are \$11,694 and for each fiscal year thereafter, are as follows:

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

15. SUBSEQUENT EVENTS

On January 3, 2017, Stock Options entitling the holders thereof to acquire 923,000 common shares at \$0.60 per share expired unexercised.

On January 17, 2017, the Company granted 793,000 stock options which are exercisable at any time prior to January 17, 2022 with an exercise price of \$0.12.