Interim Consolidated Financial Statements of

BLACKHAWK RESOURCE CORP.

Periods ended March 31, 2013 and 2012

BLACKHAWK RESOURCE CORP.

May 29, 2013

Management's Report to the Shareholders

Management is responsible for the reliability and integrity of these financial statements. The accompanying interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS"). The interim consolidated financial statements are presented in Canadian Dollars.

The accompanying interim consolidated financial statements have been prepared using policies and procedures established by management and reflect fairly the Corporation's financial position, results of operations and changes in financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the interim consolidated financial statements. Management has established and maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of a majority of non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to the Board.

The following interim consolidated financial statements are unaudited.

Signed *"David Antony"*
David Antony, CEO

Signed *"Charidy Lazorko"*
Charidy Lazorko, CFO

BLACKHAWK RESOURCE CORP.

Interim Consolidated Statement of Financial Position
(Unaudited)

As at	March 31, 2013	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 3,591,219	$ 4,069,243
Trade and other receivables (notes 3 and 10(a))	300,449	150,673
Prepaid expenses and deposits	22,160	38,337
	3,913,828	4,258,252
Property, plant and equipment (note 4)	573,056	1,052,076
	$ 4,486,884	**$ 5,310,328**
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (notes 10(b) and 12)	$ 576,449	$ 532,422
Decommissioning liabilities (note 5)	544,201	540,922
	1,120,650	1,073,344
Shareholders' equity		
Share capital (note 6)	6,405,065	6,405,065
Contributed surplus	727,548	680,553
Deficit	(3,766,379)	(2,848,634)
	3,366,234	4,236,984
Contingencies (note 12)		
Subsequent events (note 13)		
	$ 4,486,884	**$ 5,310,328**

See accompanying notes to interim consolidated financial statements.

Approved for issuance by the Board of Directors on May 27, 2013

Signed *"Raymond Antony"*
Raymond Antony, Director

Signed *"Michael Bowie"*
Michael Bowie, Director

BLACKHAWK RESOURCE CORP.

Interim Consolidated Statements of Comprehensive Loss
for the three and nine month period ended March 31, 2013 and 2012
(Unaudited)

	3 Months		9 Months	
	2013	**2012**	**2013**	**2012**
Revenue				
Oil and natural gas revenue	$ 165,261	$ 721,959	$ 573,946	$ 1,958,186
Less: royalties	(14,166)	(243,762)	(79,651)	(574,296)
Other revenue (notes 3 and 4)	3,194	1,815	228,194	262,385
	154,289	480,012	722,489	1,646,275
Expenses				
Depletion	144,257	278,994	475,066	780,883
Write down of property, plant and equipment	–	–	–	427,580
Field operating expenses	108,822	140,933	353,571	505,389
Transportation costs	3,948	17,740	18,522	51,912
General and administrative	56,368	138,612	213,196	348,286
Professional fees	37,502	46,652	70,991	81,443
Stock based compensation (note 6(c))	2,006	92,484	46,995	220,590
Finance costs (note 7)	2,773	28,373	11,893	98,786
Settlement of contingency (note 12)	450,000	–	450,000	–
	805,676	743,788	1,640,234	2,514,869
Loss from continued operations	(651,387)	(263,776)	(917,745)	(868,594)
Discontinued operations	–	1	–	(5,353)
Net comprehensive loss	**$ (651,387)**	**$ (263,775)**	**$ (917,745)**	**$ (873,947)**
Loss per share (note 8):				
Basic	$ (0.03)	$ (0.01)	$ (0.04)	$ (0.04)
Diluted	$ (0.03)	$ (0.01)	$ (0.04)	$ (0.04)

See accompanying notes to interim consolidated financial statements.

BLACKHAWK RESOURCE CORP.

Interim Consolidated Statements of Changes in Equity
(Unaudited)

March 31,		2013		2012
Share capital				
Balance, beginning of period	$	6,405,065	$	6,049,352
Issued pursuant to private placement		–		357,500
Share issue costs		–		(1,787)
Balance, end of period		6,405,065		6,405,065
Contributed surplus				
Balance, beginning of period		680,553		439,174
Stock based compensation (note 6(c))		46,995		220,590
Balance, end of period		727,548		659,764
Deficit				
Balance, beginning of period		(2,848,634)		(3,271,299)
Net loss		(917,745)		(873,947)
Balance, end of period		(3,766,376)		(4,145,246)
Shareholders' equity	**$**	**3,366,234**	**$**	**2,919,583**

See accompanying notes to interim consolidated financial statements.

BLACKHAWK RESOURCE CORP.

Interim Consolidated Statements of Cash Flows for the three and nine month period ended March 31, 2013 and 2012
(Unaudited)

	3 Months		9 Months	
	2013	**2012**	**2013**	**2012**
Cash provided by (used in):				
Operations:				
Loss from continuing operations	$ (651,387)	$ (263,776)	$ (917,745)	$ (868,594)
Items not affecting cash:				
Depletion	144,257	278,994	475,066	780,883
Write down of property, plant and equipment	–	–	–	427,580
Stock based compensation	2,006	92,484	46,995	220,590
Finance costs	2,642	2,825	7,925	8,353
	(502,482)	110,527	387,759	568,812
Change in non-cash operating working capital:				
Decrease (increase) in trade and other receivables	(18,949)	73,612	(149,777)	145,524
Decrease (increase) in prepaid expenses and deposits	(3,487)	4,303	16,177	17,561
Increase (decrease) in trade and other payables	445,620	(38,590)	44,027	(310,559)
	(79,298)	149,852	(477,332)	421,338
Discontinued operations:				
Loss from discontinued operations	–	1	–	(5,353)
	–	1	–	(5,353)
	(79,298)	149,823	(477,332)	415,985
Financing:				
Share subscription proceeds received in advance	–	(357,500)	–	–
Proceeds from private placement	–	357,500	–	357,500
Share issue costs	–	(1,787)	–	(1,787)
Bank debt	–	(125,000)	–	(650,000)
	–	(126,787)	–	(294,287)
Investing:				
Property, plant and equipment	–	(28,711)	(126)	(136,330)
Change in non-cash investing working capital	87	884	(566)	489
	87	(27,827)	(692)	(135,832)
Net change in cash and cash equivalents	(79,211)	(4,761)	(478,024)	(14,134)
Cash and cash equivalents, beginning of period	3,670,430	10,265	4,069,243	19,638
Cash and cash equivalents, end of period	**$ 3,591,219**	**$ 5,504**	**$3,591,219**	**$ 5,504**
Supplemental cash flow information:				
Interest paid	$ –	$ 20,210	$ 3,926	$ 85,282

See accompanying notes to interim consolidated financial statements.

1. General information:

Blackhawk Resource Corp. and its subsidiaries (collectively "Blackhawk" or "the Corporation") was incorporated under the Business Corporations Act (Alberta) on March 25, 1986. The Corporation is primarily engaged in the exploration and production of oil and natural gas in Western Canada. The Corporation's registered office is located at Suite 650, 816 7th Ave SW, Calgary, Alberta, T2P 1A1.

2. Basis of preparation:

The interim consolidated financial statements for the three and nine month periods ended March 31, 2013 and 2012 have been prepared in accordance with International accounting standard ("IAS") 34 - Interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS"). The interim consolidated financial statements are presented in Canadian dollars.

Statement of compliance

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the interim consolidated financial statements are disclosed in the Corporation's June 30, 2012 yearend financials.

The interim consolidated financial statements have been prepared on a historical cost basis with some exceptions in accordance with IFRS, as detailed in the accounting policies set out in the Corporation's June 30, 2012 yearend financials. These policies have been applied consistently for all periods presented in these interim consolidated financial statements.

3. Trade and other receivables:

On November 12, 2012, the Corporation signed a sale agreement in relation to a past investment which was written off in 2009. Under the agreement, the Corporation has sold its interest in the past investment for $225,000, with $75,000 being paid upon the signing of the agreement and $150,000 to be paid in the future. The $225,000 has been included in other revenue for the nine month period ended March 31, 2013.

4. Property, plant and equipment:

CGU	Provost Area, Alberta	Greencourt Area, Alberta	Edson Area, Alberta	Queenstown Area, Alberta	Wood River Area, Alberta	Total
Cost						
June 30, 2011	$9,018,977	$79,419	$ –	$317,423	$427,698	$9,843,517
Additions	140,272	426	21,524	660	8,056	170,938
Disposals	(4,786,171)	–	–	–	–	(4,786,171)
Transfer in from exploration and evaluation	–	–	600,000	–	–	600,000
June 30, 2012	$4,373,078	$79,845	$621,524	$318,083	$435,754	$5,828,284
Additions	–	–	(126)	–	–	(126)
Change in estimate of decommissioning liabilities	(1,766)	(95)	(48)	(120)	(1,799)	(3,828)
March 31, 2013	**$4,371,312**	**$79,750**	**$621,350**	**$317,963**	**$433,955**	**$5,824,330**

4. Property, plant and equipment (continued):

CGU	Provost Area, Alberta	Greencourt Area, Alberta	Edson Area, Alberta	Queenstown Area, Alberta	Wood River Area, Alberta	Total
Accumulated depletion						
June 30, 2011	$(4,108,449)	$(57,263)	$ –	$(145,574)	$(213,999)	$(4,525,285)
Expense	(1,243,439)	(13,311)	(146,066)	(26,444)	(52,331)	(1,481,591)
Impairment	(1,104,827)	–	(470,258)	–	–	(1,575,085)
Disposal	2,805,753		–	–	–	2,805,753
June 30, 2012	$(3,650,962)	$(70,574)	$(616,324)	$(172,018)	$(266,330)	$(4,776,208)
Expense	(415,265)	(2,716)	(849)	(24,665)	(31,571)	(475,066)
March 31, 2013	**$(4,066,227)**	**$(73,290)**	**$(617,173)**	**$(196,683)**	**$(297,901)**	**$(5,251,274)**
Net book value						
June 30, 2012	$722,116	$9,271	$5,200	$146,065	$169,424	$1,052,076
March 31, 2013	**$305,085**	**$6,460**	**$4,177**	**$121,280**	**$136,054**	**$573,056**

On May 8, 2012, the Corporation sold one of its Provost properties with a net book value of $1,980,419 and decommissioning liabilities of $37,765 for gross proceeds of $6,000,000, resulting in a gain on sale of $4,054,140. The Corporation also incurred legal fees of $3,206 in relation to the transaction.

On July 27, 2011, the Corporation signed a purchase and sale agreement related to its Bodo properties. The properties were to be sold in two concurrent arms length transactions for total gross proceeds of $6,800,000 with an effective date of July 1, 2011. The transaction was terminated on December 7, 2011 due to certain conditions not being met by the purchaser and a non-refundable deposit of $250,000 was included in other revenue for the nine month period ended March 31, 2012.

5. Decommissioning liabilities:

	March 31, 2013	June 30, 2012
Balance, beginning of period	$540,922	$528,255
Additions	–	9,719
Disposals	–	(37,765)
Finance cost	7,925	11,047
Revision of estimates	(4,646)	29,666
Balance, end of period	**$544,201**	**$540,922**

The Corporation estimates the total undiscounted amount of cash flow required to settle its decommissioning liabilities as at March 31, 2013 is approximately $576,188 (June 30, 2012 - $577,478), which is expected to be incurred over the next year to 15 years. An inflation factor of 3% per annum was applied to determine the expected future costs and an average risk free rate of 1.28% was used to calculate the present value of the estimated future decommissioning liabilities at March 31, 2013 (June 30, 2012 – 1.26%).

6. Share capital:

a.) Authorized:

Unlimited number of common voting shares and preferred shares

b.) Issued:

	Number of Shares	Amount
Balance, June 30, 2011	60,039,144	6,049,352
Issued pursuant to private placement	6,500,000	357,500
Share issue costs	–	(1,787)
Stock consolidation	(44,359,438)	–
Balance, June 30, 2012 and March 31, 2013	**22,179,706**	**$6,405,065**

On March 7, 2012, the Corporation completed a private placement in the amount of $357,500 through a subscription for 6,500,000 common shares (2,166,667 post consolidated shares) at $0.055 per common share ($0.165 per post consolidated share). Share issuance costs of $1,787 were also incurred.

On April 5, 2012, the Corporation completed a consolidation of its common shares on the basis of one (1) new post-consolidation common share for every three (3) pre-consolidated common share.

c.) Stock options:

The Corporation has implemented a stock option plan for Directors, Officers, employees, and consultants. The exercise price of each option approximates the market price for the common shares on the date the option was granted. Options granted under the plan generally vest over an eighteen month period from the date of the grant and expire five years after the grant date. The maximum number of common shares to be issued upon the exercise of options granted under the plan is 2,217,970 (June 30, 2012 –2,217,970) common shares. The details of this plan are as follows:

	March 31, 2013		June 30, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	1,828,334	$0.32	495,000	$0.39
Granted	–	–	1,666,667	$0.30
Expired	(266,667)	$0.30	(333,333)	$0.33
Options outstanding, end of period	**1,561,667**	**$0.32**	**1,828,334**	**$0.32**
Options exercisable, end of period	**1,561,667**	**$0.32**	**1,295,000**	**$0.33**

6. Share capital (continued):

The following table summarizes information about stock options outstanding and exercisable at March 31, 2013:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.30	191,667	0.90 years	$0.30
$0.45	61,667	1.10 years	$0.45
$0.45	175,000	1.42 years	$0.45
$0.30	933,333	3.69 years	$0.30
$0.30	200,000	3.94 years	$0.30
	1,561,667	**3.02 years**	**$0.32**

For the nine month period ended March 31, 2013, the Corporation recorded stock based compensation expense of $46,995 (2012 - $220,590). For the three month period ended March 31, 2013, the Corporation recorded stock based compensation expense of $2,006 (2012 - $92,484). The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	2013
Risk-free interest rate	1.39%
Expected life of options	5 years
Expected volatility	173.85%
Forfeiture rate	16.00%
Dividend yield	0.00%
Weighted average fair value per option	$0.06

7. Finance costs

The Corporation's finance costs consists of the following:

Three months ended March 31,	**2013**	**2012**
Bank fees	$131	$5,416
Interest expenses	–	20,210
Interest income	–	(78)
Accretion of decommissioning liabilities	2,642	2,825
Finance costs	**$2,773**	**$28,373**

7. Finance costs (continued):

Nine months ended March 31,	2013	2012
Bank fees	$603	$6,851
Interest expenses	3,926	85,282
Interest income	(561)	(1,700)
Accretion of decommissioning liabilities	7,925	8,353
Finance costs	**$11,893**	**$97,786**

8. Per share amounts:

The number of shares that would have been included in the computation of diluted earnings per share would have been as follows:

Three months ended March 31,	2013	2012
Weighted average shares outstanding, basic	22,179,706	22,179,706
Weighted average shares outstanding, diluted	22,179,706	22,179,706

Nine months ended March 31,	2013	2012
Weighted average shares outstanding, basic	22,179,706	20,930,314
Weighted average shares outstanding, diluted	22,179,706	20,930,314

In calculating diluted loss per common share for the period ended March 31, 2013 and 2012, the Corporation excluded 1,561,667 (2012 – 2,161,667) stock options as the exercise price is greater than the average market price of the common shares for the period.

9. Key management compensation and related party transactions:

a.) Key management compensation

Key management personnel are composed of the Corporation's Directors and Officers as set out in its information circular.

For the nine month period ended March 31, 2013, the Corporation incurred consulting fees of $100,000 (2012 – $133,309) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the statement of comprehensive loss. The Corporation also incurred $31,157 (2012 - $107,154) in stock based compensation for options issued to key management. At March 31, 2013, no consulting fees remained outstanding (2012 – $57,933).

For the three month period ended March 31, 2013, the Corporation incurred consulting fees of $28,500 (2012 – $65,840) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the statement of comprehensive loss. The Corporation also incurred $2,006 (2012 - $82,017) in stock based compensation for options issued to key management. At March 31, 2013, no consulting fees remained outstanding (2012 – $57,933).

For the nine month period ended March 31, 2013, the Corporation incurred consulting fees of $12,738 (2012 – $Nil) paid to companies which are controlled by former key management of the Corporation, which are included in general and administrative on the statement of comprehensive loss. The Corporation also incurred $11,087 (2012 - $Nil) in stock based compensation for options issued to former key management. At March 31, 2013, no consulting fees remained outstanding (2012 – $Nil).

For the three month period ended March 31, 2013, the Corporation incurred consulting fees of $Nil (2012 – $Nil) paid to companies which are controlled by former key management of the Corporation, which are included in general and administrative on the statement of comprehensive loss. The Corporation also incurred $Nil (2012 - $Nil) in stock based compensation for options issued to former key management. At March 31, 2013, no consulting fees remained outstanding (2012 – $Nil).

9. Key management compensation and related party transactions (continued):

b.) Related party transactions

During the nine month period ended March 31, 2013, the Corporation incurred legal costs of $18,210 (2012 - $39,952) with a law firm in which the Corporate secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided. Of the legal services provided, $Nil were included in trade and other payables at March 31, 2013 (2012 - $6,726).

During the three month period ended March 31, 2013, the Corporation incurred legal costs of $6,999 (2012 - $16,986) with a law firm in which the Corporate secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided. Of the legal services provided, $Nil were included in trade and other payables at March 31, 2013 (2012 - $6,726).

10. Financial instruments:

The carrying values of the Corporation's financial instruments by category were as follows:

March 31, 2013				
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**	**Total**
Cash and cash equivalents	$ –	$3,591,219	$ –	$3,591,219
Trade and other receivables	–	300,449	–	300,449
Trade and other payables	–	–	(576,449)	(576,449)
	$ –	**$3,891,668**	**$(576,449)**	**$3,315,219**

June 30, 2012				
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**	**Total**
Cash and cash equivalents	$ –	$4,069,243	$ –	$4,069,243
Trade and other receivables	–	150,672	–	150,672
Trade and other payables	–	–	(532,422)	(532,422)
	$ –	**$4,219,915**	**$(532,422)**	**$3,687,493**

The carrying value of the Corporation's financial instruments approximate their fair value due to the short term nature of these instruments.

Financial risk factors

a.) Credit risk:

The Corporation is subject to credit risk in its cash and cash equivalents and trade and other receivables. At March 31, 2013, the Corporations trade and other receivables of $300,449 (June 30, 2012 - $150,673) consisted of $58,575 (June 30, 2012 - $59,392) due from petroleum marketers, $34,753 (June 30, 2012 - $35,520) due from joint venture partners, $150,000 due from a past investment that has been sold and $57,121 (June 30, 2012 - $55,760) of other receivables.

The Corporation's receivables are normally collected within a 60-90 day period. Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Corporation has not experienced any collection issues with its petroleum and natural gas marketers. The Corporation attempts to mitigate the risk from joint-venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint-venture partners as disagreements occasionally arise that increases the potential for non-collection.

10. Financial instruments (continued):

The Corporation does not typically obtain collateral from petroleum and natural gas marketers or joint-venture partners. The Corporation is also exposed to credit risk with regards to its customers refusing payment.

Cash and cash equivalents, when outstanding, consist of cash bank balances and short-term deposits maturing in 90 days or less. The Corporation manages the credit exposure related to short term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return. The maximum credit risk exposure associated with the Corporation's financial assets is the carrying value.

b.) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

The following are the contractual maturities of financial liabilities as at March 31, 2013:

Financial Liabilities	< One Year	> One Year
Trade and other payables	$576,449	$ –
Total	**$576,449**	**$ –**

The following are the contractual maturities of financial liabilities as at June 30, 2012:

Financial Liabilities	< One Year	> One Year
Trade and other payables	$532,422	$ –
Total	**$532,422**	**$ –**

c.) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rates that will affect the Corporation's comprehensive loss or the value of financial instruments. The objective of market risk management is to control market risk exposures within acceptable limits, while maximizing returns.

- Interest rate risk is the risk that future cash flows will fluctuate as a result in changes in market interest rates. The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation's bank balances. The Corporation has not entered into any interest rate swaps or financial contracts to date.

11. Capital disclosures:

In the definition of capital, the Corporation includes shareholders' equity. The Corporation`s objectives when managing capital is to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or engage in debt financing.

12. Contingencies:

On December 14, 2012, the Corporation received notice of a statement of claim that was filed in regards to the Provost area property, which had been sold earlier in 2012. On May 28, 2013, the Corporation settled the claim for $450,000, and have accrued this amount in trade and other payables.

13. Subsequent events:

On April 3, 2013, the Corporation ("Blackhawk") entered into an interim agreement as to the terms of a proposed business combination (the "Transaction") with Global Royalty Corp ("GRC").

Pursuant to the Transaction, the Corporation shall undertake a consolidation of its share capital prior to closing whereby Blackhawk shareholders will receive up to one new Blackhawk share ("New Share") for every 4.436 Blackhawk shares currently held. This ratio may be adjusted due to certain closing conditions. All currently issued and outstanding dilutive securities of Blackhawk shall be consolidated on the same basis. GRC shareholders will exchange their shares of GRC for approximately 30,433,596 New Shares of Blackhawk, subject to adjustment based on any shares issued for cash by GRC prior to the closing of the Transaction. Dilutive securities of GRC will be exchanged for new dilutive securities of Blackhawk using the same exchange ratio as applicable to the GRC common shares. On a post closing basis, this will result in 3,420,000 warrants exercisable at US$0.73 until December 22, 2015 and 31,635 warrants exercisable at $1.02 until April 15, 2014. The exercise prices for GRC warrants are subject to adjustment based on the issue price of any additional shares issued for cash by GRC prior to closing of the Transaction. In addition, at closing of the Transaction, $1,150,000 principal amount of GRC Convertible Debentures currently outstanding shall mature, at which time debenture holders may convert into New Shares at a conversion price of $1.02 or be redeemed for cash.

The Transaction will proceed subject to additional customary closing conditions including, but not limited to, negotiation and execution of a definitive agreement, receipt of all required board of director, shareholder and regulatory approvals, and the completion of a concurrent financing of in an amount to be determined in consultation with the Corporation and GRC's financial advisors.

On May 28, 2013, the Corporation settled the claim for $450,000 as described in note 12, and have accrued this amount in trade and other payables for the period ended March 31, 2013.