FAR RESOURCES LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

MARCH 31, 2013 AND 2012

CHARTERED ACCOUNTANTS
MacKay LLP

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Independent Auditor's Report

To the Shareholders of
Far Resources Ltd.

We have audited the accompanying financial statements of Far Resources Ltd., which comprise the statements of financial position as at March 31, 2013 and March 31, 2012, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Far Resources Ltd. as at March 31, 2013 and March 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Far Resources Ltd. to continue as a going concern.

“MacKay LLP”

Chartered Accountants
Vancouver, British Columbia
July 25, 2013

FAR RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	March 31, 2013	March 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 243,563	$ 700,515
HST receivable	24,428	18,719
Prepaids	28,900	6,190
Total current assets	296,891	725,424
Non-current assets		
Exploration and evaluation assets (Note 4)	276,716	47,473
Total assets	$ 573,607	$ 772,897
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 59,875	$ 58,491
Deferred premium on flow-through shares (Note 11)	-	40,000
Total current liabilities	59,875	98,491
Equity		
Capital stock (Note 6)	1,315,334	1,228,534
Reserves (Note 6)	297,882	358,103
Deficit	(1,099,484)	(912,231)
Total equity	513,732	674,406
Total liabilities and equity	$ 573,607	$ 772,897

Nature and continuance of operations (Note 1)
Subsequent event (Note 13)

Approved and authorized on behalf of the Board on July 25, 2013:

"Leon F. Anderson" Director
Leon F. Anderson

"Keith C. Anderson" Director
Keith C. Anderson

The accompanying notes are an integral part of these financial statements.

FAR RESOURCES LTD.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED MARCH 31

		2013		2012
EXPENSES				
Consulting	$	18,000	$	27,000
Investor relations		11,805		-
Management fees (Note 7)		52,000		69,000
Office		13,478		17,664
Professional fees (Note 7)		78,871		82,933
Rent		30,000		-
Share-based compensation (Note 7)		3,011		139,685
Transfer agent and filing fees		23,072		22,061
Travel		1,448		6,338
Loss before income taxes		(231,685)		(364,681)
OTHER ITEM				
Other income (Note 6 b) iii))		40,000		-
Loss and comprehensive loss for the year	$	(191,685)	$	(364,681)
Basic and diluted loss per common share	$	(0.01)	$	(0.02)
Weighted average number of common shares outstanding		18,525,023		14,620,274

The accompanying notes are an integral part of these financial statements.

FAR RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED MARCH 31

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (191,685)	$ (364,681)
Items not involving cash:		
Share-based compensation	3,011	139,685
Other income	(40,000)	-
Changes in non-cash working capital items:		
Increase in receivables	(5,709)	(18,719)
Increase in prepaid expenses	(22,710)	(6,190)
Increase in accounts payable and accrued liabilities	1,384	21,200
Net cash used in operating activities	(255,709)	(228,705)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(186,243)	(5,500)
Acquisition of exploration and evaluation assets	(15,000)	-
Net cash used in investing activities	(201,243)	(5,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	-	1,025,000
Proceeds from exercise of warrants	-	5,000
Share issuance costs	-	(148,048)
Net cash provided by financing activities	-	881,952
Change in cash and cash equivalents for the year	(456,952)	647,747
Cash and cash equivalents, beginning of year	700,515	52,768
Cash and cash equivalents, end of year	$ 243,563	$ 700,515
Cash and cash equivalents consist of:		
Cash on hand	$ 232,063	$ 690,015
Term deposits	11,500	11,500
	$ 243,563	$ 700,515
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for taxes	$ -	$ -

Supplemental disclosures with respect to cash flow (Note 8)

The accompanying notes are an integral part of these financial statements.

FAR RESOURCES LTD.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Capital Stock					
	Shares	Amount	Subscriptions Received	Reserves	Deficit	Total Equity
Balance, April 1, 2011	8,080,001	$ 385,000	$ 5,000	$ 196,000	$ (547,550)	$ 38,450
Shares issued for:						
Private placements	9,000,000	850,000	(5,000)	-	-	845,000
Flow-through private placement	1,000,000	180,000	-	-	-	180,000
Flow-through premium	-	(40,000)	-	-	-	(40,000)
Debt settlement	126,666	19,000	-	-	-	19,000
Exercise of warrants	100,000	5,000	-	-	-	5,000
Agent's shares	100,000	15,000	-	-	-	15,000
Share issuance costs – cash	-	(148,048)	-	-	-	(148,048)
Share issuance costs – shares	-	(15,000)	-	-	-	(15,000)
Share issuance costs – agent's warrants	-	(42,018)	-	42,018	-	-
Share-based compensation	-	-	-	139,685	-	139,685
Release of founder shares from escrow	-	19,600	-	(19,600)	-	-
Loss and comprehensive loss for the year	-	-	-	-	(364,681)	(364,681)
Balance, March 31, 2012	18,406,667	$ 1,228,534	$ -	$ 358,103	$ (912,231)	$ 674,406
Shares issued for:						
Acquisition of exploration and evaluation assets	200,000	28,000	-	-	-	28,000
Release of founder shares from escrow	-	58,800	-	(58,800)	-	-
Agent's warrants expired	-	-	-	(4,432)	4,432	-
Share-based compensation	-	-	-	3,011	-	3,011
Loss and comprehensive loss for the year	-	-	-	-	(191,685)	(191,685)
Balance, March 31, 2013	18,606,667	$ 1,315,334	$ -	$ 297,882	$ (1,099,484)	$ 513,732

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Far Resources Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia. The Company's head office is located at Suite 2255 William Street, Vancouver, BC, V5L 2S5. The Company's registered and records office is located at Suite 650 – 1188 West Georgia Street, Vancouver, BC, V6E 4A2.

The Company is a mineral exploration company focused on acquiring, exploring and developing resource properties.

On December 8, 2011, the Company completed its initial public offering of 4,000,000 common shares at $0.15 per share for gross proceeds of $600,000 and is now trading on the CNSX under the stock symbol FAT.

Going concern of operations

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at March 31, 2013 the Company has had significant losses. In addition, the Company has not generated revenues from operations. The Company has financed its operations primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. These circumstances cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss and available-for-sale which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

i) Determination of categories of financial assets and financial liabilities; and

ii) Assessment of any indicators of impairment of the carrying value of the Company's exploration and evaluation assets.

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

Share based payments

The fair value of share-based payments is determined using a Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.

Income taxes

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements.

Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash is comprised of cash on hand and cash equivalents. Cash equivalents are short-term, highly liquid holdings that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Mineral properties – exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial assets and liabilities are classified into one of the following categories based on the purpose for which the asset or liability was acquired. The Company's accounting policy for the categories is as follows:

Financial assets

Fair value through profit or loss ("FVTPL") – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables ("LAR") - Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity ("HTM") - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale ("AFS") - Non-derivative financial assets not included the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Financial liabilities

Fair value through profit or loss ("FVTPL") – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities ("OFL") - This category includes all other liabilities, all of which are recognized at amortized cost.

The Company's financial assets and liabilities are classified as follows:

Financial Instruments	Classification
Cash and cash equivalents	LAR
Accounts payable and accrued liabilities	OFL

Impairment

All financial assets except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that do not affect either accounting or taxable loss, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the current and prior periods this calculation proved to be anti-dilutive.

Loss per share is calculated using the weighted average number of common shares outstanding during the year.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-base compensation is transferred to accumulated losses (deficit). The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

Share issue costs

Share issue costs are deferred and charged directly to capital stock on completion of the related financing. If the financing is not completed share issue costs are charged to operations. Costs directly identifiable with the raising of capital will be charged against the related capital stock.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

The Company finances a portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to the investors. At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received as follows:

- Share capital
- Warrant reserve; and
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature

As qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period). Additionally, the Company reverses the liability for the flow-through share premium to income as the expenses are incurred.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

New accounting standards and amendments to existing standards

New and amended standards adopted by the Company

Effective April 1, 2012, the Company adopted the following standards:

- Amendments to IFRS 7, *Financial Instruments: Disclosures* that were issued by the IASB. The application of these amendments has not had any material impact on current and prior year disclosures but may affect disclosures for future transactions or arrangements.

- Amendments to IAS 12, *Income Taxes,* which removed some subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduced a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. There was no impact to the Company arising from the adoption of this standard.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting standards and amendments to existing standards (cont'd…)

New or revised standards and amendments to existing standards not yet effective

The Company has not applied the following new or revised standards and amendments that have been issued but are not yet effective at March 31, 2013:

(i) Effective for annual periods beginning on or after July 1, 2012
- Amendments to IAS 1, *Presentation of Financial Statements*

(ii) Effective for annual periods beginning on or after January 1, 2013
- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*
- New standard IFRS 10, *Consolidated Financial Statements*
- New standard IFRS 11, *Joint Arrangements*
- New standard IFRS 12, *Disclosure of Interests in Other Entities*
- New standard IFRS 13, *Fair Value Measurement*
- Reissued IAS 27, *Separate Financial Statements*
- Reissued IAS 28, *Investments in Associates and Joint Ventures*

(iii) Effective for annual periods beginning on or after January 1, 2014
- Amendments to IAS 32, *Financial Instruments, Presentation*

(iv) Effective for annual periods beginning on or after January 1, 2015
- New standard IFRS 9, *Financial Instruments, Classification and Measurement*

The Company is currently assessing the impact that these standards will have on the Company's financial statements. The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

4. EXPLORATION AND EVALUATION ASSETS

The following exploration expenses were incurred on the exploration and evaluation assets:

	Tchentlo Lake	Silver Switchback	Total
Acquisition costs			
Balance, March 31, 2012	$ 28,260	$ -	$ 28,260
Additions – cash	-	15,000	15,000
Additions – shares	-	28,000	28,000
Balance, March 31, 2013	28,260	43,000	71,260
Exploration costs			
Balance, March 31, 2012	19,213	-	19,213
Geological and consulting	56,695	129,548	186,243
Balance, March 31, 2013	75,908	129,548	205,456
Total balance, March 31, 2013	$ 104,168	$ 172,548	$ 276,716

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd...)

	Tchentlo Lake
Acquisition costs	
Balance, March 31, 2011 and March 31, 2012	$ 28,260
Exploration costs	
Balance March 31, 2011	18,713
Maintenance	500
Balance, March 31, 2012	19,213
Total balance, March 31, 2012	$ 47,473

Tchentlo Lake

During the period from incorporation to March 31, 2013, the Company staked various claims in the Tchentlo Lake Property located approximately 100 kilometres northwest of Fort St. James, British Columbia. The Company holds a 100% interest in the Tchentlo Lake Property comprised of six mineral tenures in two separate claim blocks.

Silver Switchback

On August 20, 2012, the Company entered into an Option Agreement with an individual and a private company ("the Optionors") to purchase a 100% interest, subject to a 3% net smelter return royalty in the Silver Switchback property located southwest of Smithers in central British Columbia (the "Silver Switchback Property").

Pursuant to the agreement, the Company is required to:

i) pay cash of $255,000 over a period of four years, of which $15,000 has been paid;
ii) issue 1,000,000 common shares of the Company over a period of four years, of which 200,000 shares have been issued; and
iii) incur exploration expenses of $200,000 over a period of two years ($129,548 incurred).

The Company is also responsible for keeping the Silver Switchback Property in good standing and, if terminating the option, will return the Silver Switchback Property to the Optionors with a minimum of 12 months assessment work. The Optionors will retain a 3.0% net smelter return royalty, of which the Company may reduce to 1% at anytime for $2,000,000.

The Company has investigated title to its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

(Expressed in Canadian Dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables and accrued liabilities for the Company are broken down as follows:

		March 31, 2013		March 31, 2012
Trade payables	$	4,520	$	7,671
Accrued liabilities		19,500		15,000
Due to related parties (Note 7)		35,855		35,820
Total	$	59,875	$	58,491

6. CAPITAL STOCK AND RESERVES

a) Authorized capital stock:

As at March 31, 2013, the authorized capital stock of the Company was:

i) Unlimited number of common shares without par value;
ii) All issued shares are fully paid; and

b) Issued capital stock:

During the year ended March 31, 2013, the Company issued 200,000 shares at a fair value of $28,000 as part of the purchase price of Silver Switchback Property (Note 4).

During the year ended March 31, 2012, the Company:

i) issued 5,000,000 units at $0.05 for proceeds of $250,000. Each unit consists of one common share and one non-transferable common share purchase warrant which entitles the holder to purchase one common share on or before June 30, 2012 at a price of $0.15.

ii) completed its initial public offering ("IPO") by issuing 4,000,000 common shares at $0.15 per share for gross proceeds of $600,000. In connection with the IPO, the Company:

a) paid share issuance costs of $135,448,
b) issued 400,000 agent's warrants with a fair value of $37,586, and
c) issued 100,000 shares at $0.15 per share as a payment of share issuance costs.

iii) completed a non-brokered private placement, issuing 1,000,000 "flow-through" common shares at $0.18 per share for gross proceeds of $180,000. The common shares were valued at $140,000 with the residual value allocated to the deferred premium on flow-through shares in the amount of $40,000. In connection with the private placement, the Company:

a) paid share issuance costs of $12,600, and
b) issued 70,000 agent's warrants with a fair value of $4,432.

(Expressed in Canadian Dollars)

6. CAPITAL STOCK AND RESERVES (cont'd...)

b) Issued capital stock: (cont'd...)

iv) issued 100,000 shares for warrants exercised.

v) issued 126,666 shares at $0.15 per share to settle debt to a director.

As at March 31, 2013, 3,900,000 (March 31, 2012 – 5,850,000) common shares included in capital stock are held in escrow. The shares subject to escrow will be released as follows:

i) 10% (released) upon the issuance of notice of listing of the common shares for trading by the CNSX, and
ii) the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months.

c) Stock options

The Company follows the policies of the CNSX under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of ten years.

Stock option transactions are summarized as follows:

Expiry Date	Exercise Price	March 31, 2012	Granted	Expired / Forfeited	March 31, 2013	Exercisable
November 30, 2016	0.15	1,100,000	-	-	1,100,000	1,100,000
February 19, 2018 *	0.15	-	200,000	-	200,000	-
Total		1,100,000	200,000	-	1,300,000	1,100,000
Weighted average exercise price		$ 0.15	$ 0.15	$ -	$ 0.15	$ 0.15
Weighted average remaining contractual life					3.86 years	

* Cancelled subsequent to the year ended March 31, 2013.

Expiry Date	Exercise Price	March 31, 2011	Granted	Expired / Forfeited	March 31, 2012	Exercisable
November 30, 2016	0.15	1,100,000	-	-	1,100,000	1,100,000
Total		1,100,000	-	-	1,100,000	1,100,000
Weighted average exercise price		$ 0.15	$ -	$ -	$ 0.15	$ 0.15
Weighted average remaining contractual life					4.67 years	

(Expressed in Canadian Dollars)

6. CAPITAL STOCK AND RESERVES (cont'd...)

c) Stock options (cont'd...)

Share-based compensation

During the year ended March 31, 2013, the Company granted 200,000 (2012 - 1,100,000) stock options with a fair value calculated using the Black-Scholes options pricing model of $12,919 (2012 - $139,685) of which $3,011 (2012 - $139,685) was recognized as share-based compensation expense for options vested during the current period.

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in underlying assumptions can materially affect the fair value estimates. The following weighted average assumptions were used for the Black-Scholes valuation of options granted during the year:

	March 31, 2013	March 31, 2012
Risk-free interest rate	1.48%	2.23 %
Expected life of options	4.38 years	5.00 years
Annualized volatility	183.70%	125.00 %
Dividends	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

Annualized volatility is estimated using the historical stock price of the Company.

d) Warrants

Warrant transactions are summarized as follows:

Expiry Date	Exercise Price	March 31, 2012	Granted	Expired	March 31, 2013	Exercisable
June 30, 2012	0.15	6,100,000	-	(6,100,000)	-	-
Total		6,100,000	-	(6,100,000)	-	-
Weighted average exercise price		$ 0.15	$ -	$ 0.15	$ -	$ -

Expiry Date	Exercise Price	March 31, 2011	Granted	Exercised	March 31, 2012	Exercisable
June 30, 2012	0.15	1,200,000	5,000,000	(100,000)	6,100,000	6,100,000
Total		1,200,000	5,000,000	(100,000)	6,100,000	6,100,000
Weighted average exercise price		$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15

(Expressed in Canadian Dollars)

6. CAPITAL STOCK AND RESERVES (cont'd...)

e) Agent's warrants

Agent's warrant transactions are summarized as follows:

Expiry Date	Exercise Price	March 31, 2012	Granted	Expired	March 31, 2013	Exercisable
December 29, 2012	0.18	70,000	-	(70,000)	-	-
December 8, 2013	0.15	400,000	-	-	400,000	400,000
Total		470,000	-	(70,000)	400,000	400,000
Weighted average exercise price		$ 0.15	$ -	$ 0.18	$ 0.15	$ 0.15

Expiry Date	Exercise Price	March 31, 2011	Granted	Expired	March 31, 2012	Exercisable
December 29, 2012	0.18	-	70,000	-	70,000	70,000
December 8, 2013	0.15	-	400,000	-	400,000	400,000
Total		-	470,000	-	470,000	470,000
Weighted average exercise price		$ -	$ 0.15	$ -	$ 0.15	$ 0.15

During the year ended March 31, 2013, the Company issued Nil (2012 – 470,000) agent's warrants with an estimated fair value calculated using the Black-Scholes option pricing model of $Nil (2012 - $42,018).

The following assumptions were used for the Black-Scholes valuation of agent's warrants granted during the year:

	March 31, 2013	March 31, 2012
Risk-free interest rate	-	0.86 %
Expected life of options	-	1.85 years
Annualized volatility	-	125 %
Dividends	-	0.00%
Forfeiture rate	-	0.00%

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

Paid or accrued to:	Nature of transaction		March 31, 2013		March 31, 2012
Key management personnel:					
Directors	Management	$	10,000 (ii)	$	30,000
CEO	Management		42,000		39,000
Directors and officers	Share-based compensation (i)		-		139,685
		$	52,000	$	208,685
Related party:					
A firm of which the CFO is a partner	Professional	$	50,750	$	28,700

(i) Share-based compensation is the fair value of options granted and vested to key management personnel. There were no post employment benefits, termination benefits, or other long-term employment benefits paid to key management in either 2013 or 2012.

(ii) During the year ended March 31, 2013, the Company reversed $8,000 of directors' fees accrued in 2012.

The amounts due to related parties included in accounts payable and accrued liabilities are as follows:

		March 31, 2013		March 31, 2012
Due to a firm of which the CFO of the Company is a partner	$	21,855	$	13,640
Due to directors of the Company (iii)		14,000		22,180
	$	35,855	$	35,820

(iii) During the year ended March 31, 2013, the Company issued Nil (2012 - 126,666) shares at $Nil (2012 - $0.15) per share to settle debt to a director. The debt was non-interest bearing and payable on demand.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOW

During the year ended March 31, 2013, significant non-cash transactions included:

a) $3,213 of exploration and evaluation expenditures in accounts payable;

b) fair value of $58,800 reclassified from reserves to capital stock as 1,950,000 founder shares were released from escrow;

c) fair value of $4,432 reclassified from reserves to deficit for 70,000 agent's warrants expired; and

d) issuance of 200,000 shares with a fair value of $28,000 for acquisition of exploration and evaluation assets.

During the year ended March 31, 2012, significant non-cash transactions included:

a) $3,213 of exploration and evaluation assets in accounts payable;

b) $42,018 of agent's warrants fair value as part of share issuance costs;

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOW (cont'd…)

c) $19,000 of debt to a related party settled through issuance of common shares;

d) shares issued as share issuance costs at a total value of $15,000; and

9. SEGMENTED INFORMATION

The Company operates in one industry segment, being exploration and development of mineral properties in British Columbia.

10. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. capital stock, reserves and deficit).

The Company sets the amount of capital in proportion to risk. The Company 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 Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. The Company's overall strategy remains unchanged during the amount fiscal year.

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major Canadian financial institutions.

10. CAPITAL AND FINANCIAL RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2013, the Company had a cash balance of $243,563 (March 31, 2012 – $700,515) to settle current liabilities of $59,875 (March 31, 2012 – $98,491). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company's cash and cash equivalents do not have significant exposure to interest. As of March 31, 2013 and 2012, the Company did not have any investments.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at March 31, 2013, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. COMMITMENT

In connection with the issuance of flow-through common shares in December 2011, the Company had a commitment to incur $180,000 of qualifying flow-through expenditures by December 2012. As at March 31, 2013 this commitment has been fulfilled.

(Expressed in Canadian Dollars)

12. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2013	2012
Loss before taxes for the year	$ (191,685)	$ (354,181)
Canadian federal and provincial income tax rates	25.00%	26.13%
Expected income tax recovery based on the above rates	$ 47,921	$ 95,273
Effect of change in tax rates	1,841	(2,531)
Non-deductible items	(1,907)	(36,493)
Tax benefit not realized	(47,855)	(56,249)
Deferred income tax recovery	$ -	$ -

The significant components of the Company's deferred income tax assets and liabilities, using a Canadian basic statutory rate of 26% are as follows:

	March 31, 2013	March 31, 2012
Non-capital losses	$ 207,000	$ 152,000
Cumulative exploration and development expenses	(46,000)	-
Share issuance costs	23,000	30,000
	184,000	182,000
Unrecognized deferred tax assets	(184,000)	(182,000)
Net deferred tax assets	$ -	$ -

At March 31, 2013, the Company has accumulated non-capital losses of approximately $795,000 (2012 - $605,000) which may be available to offset future income for income tax purposes which expire over the next twenty years. If not utilized, the non-capital losses expire as follows:

2026	$ 71,000
2027	73,000
2028	53,000
2029	50,000
2030	30,000
2031	207,000
2032	97,000
2033	214,000
	$ 795,000

12. INCOME TAXES (cont'd…)

In addition, there are resource-related expenditures of approximately $97,000 which may be used to offset future taxable resource income indefinitely, subject to annual rates prescribed by the Canadian Income Tax Act. Deferred tax benefits, which may arise as a result of these losses, have not been recognized in these financial statements as it is not probable that the Company will generate future taxable income against which to utilize the temporary differences.

13. SUBSEQUENT EVENT

Subsequent to March 31, 2013, the Company granted 200,000 stock options to a consultant. The options are exercisable on or before April 8, 2018 at a price of $0.15 per share.