FAR RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian dollars)

JUNE 30, 2014

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the period ended June 30, 2014.

FAR RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)
AS AT

	June 30, 2014	March 31, 2014 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 22,372	$ 19,116
GST receivable	3,627	2,861
Prepaids	-	2,000
Total current assets	25,999	23,977
Non-current assets		
Exploration and evaluation assets (Note 4)	173,638	156,138
Total assets	$ 199,637	$ 180,115
LIABILITIES AND EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 209,228	$ 145,181
Short-term loan payable (Note 6)	37,000	37,000
Total liabilities	246,228	182,181
Deficit		
Capital stock (Note 7)	1,421,534	1,392,134
Reserves (Note 7)	222,814	246,226
Deficit	(1,690,939)	(1,640,426)
Total deficit	(46,591)	(2,066)
Total liabilities and equity	$ 199,637	$ 180,115

Nature and continuance of operations (Note 1)

Approved and authorized on behalf of the Board on August 29, 2014:

"Leon F. Anderson" Director — ***"Keith C. Anderson"*** Director

Leon F. Anderson — *Keith C. Anderson*

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

FAR RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE THREE MONTH PERIOD ENDED JUNE 30

	2014	2013
EXPENSES		
Consulting	$ (2,500)	$ 10,500
Investor relations	1,000	6,000
Management fees (Note 8)	21,000	19,500
Office	1,275	8,553
Professional fees (Note 8)	15,950	21,003
Rent	3,000	7,500
Share-based payments (Notes 7)	5,988	22,754
Transfer agent and filing fees	4,774	4,171
Travel	72	3,461
Loss before other item	(50,559)	(103,442)
OTHER ITEMS		
Interest income	46	-
Loss and comprehensive loss for the period	$ (50,513)	$ (103,442)
Basic and diluted loss per common share	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	18,647,215	18,525,023

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

FAR RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian dollars)
FOR THE THREE MONTH PERIOD ENDED JUNE 30

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (50,513)	$ (103,442)
Items not involving cash:		
Share-based payments	5,988	22,754
Changes in non-cash working capital items:		
Increase in GST receivable	(766)	(2,131)
Decrease (increase) in prepaids	2,000	(6,000)
Increase in accounts payable and accrued liabilities	64,047	14,088
Net cash provided by (used in) operating activities	20,756	(74,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(17,500)	(5,839)
Net cash used in investing activities	(17,500)	(5,839)
Change in cash and cash equivalents for the period	3,256	(80,570)
Cash and cash equivalents, beginning of period	19,116	243,563
Cash and cash equivalents, end of period	$ 22,372	$ 162,993
Cash and cash equivalents consist of:		
Cash on hand	$ 22,372	$ 151,493
Term deposit	-	11,500
	$ 22,372	$ 162,993
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for taxes	$ -	$ -

Supplemental disclosures with respect to cash flow (Note 9)

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

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

	Capital Stock				
	Shares	Amount	Reserves	Deficit	Total Equity
Balance, April 1, 2013	18,606,667	$ 1,315,334	$ 297,882	$ (1,099,484)	$ 513,732
Release of founder shares from escrow	-	29,400	(29,400)	-	-
Fair value reversal of options cancelled	-	-	(3,011)	3,011	-
Share-based payments	-	-	22,754	-	22,754
Loss and comprehensive loss for the period	-	-	-	(103,442)	(103,442)
Balance, June 30, 2013	18,606,667	$ 1,344,734	$ 288,225	$ (1,199,915)	$ 433,044
Balance, April 1, 2014	18,606,667	$ 1,392,134	$ 246,226	$ (1,640,426)	$ (2,066)
Release of founder shares from escrow	-	29,400	(29,400)	-	-
Share-based payments	-	-	5,988	-	5,988
Loss and comprehensive loss for the period	-	-	-	(50,513)	(50,513)
Balance, June 30, 2014	18,606,667	$ 1,421,534	$ 222,814	$ (1,690,939)	$ (46,591)

The accompanying notes are an integral part of these condensed interim 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 Canadian Stock Exchange ("CSE") under the stock symbol FAT.

Going concern of operations

These condensed interim 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 June 30, 2014 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 condensed interim financial statements, including comparatives, have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee (IFRICs). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. Results for the period ended June 30, 2014, are not necessarily indicative of future results.

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

Basis of measurement

These condensed interim 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 condensed interim 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 condensed interim 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.

<u>Significant accounting judgments</u>

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.

<u>Critical accounting estimates</u>

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.

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:

<u>Financial assets</u>

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.

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

Financial instruments (cont'd…)

Financial assets (cont'd…)

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
Short-term loan payable	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 period ended June 30, 2014, 1,738,000 outstanding stock options were not included in the calculation of diluted earnings (loss) per share as their inclusion was anti-dilutive.

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

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 payment 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.

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

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.

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.

When warrants are not exercised at the expiry date the amount previously recognized in the warrants reserve is transferred to accumulated deficit.

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

New accounting standards and amendments to existing standards

New and amended standards adopted by the Company

The following new and amended standards have become effective for the Company's March 31, 2015 reporting period. Adoption of these standards did not result in a significant impact on the Company's financial statements.

- Amendments to IAS 32, *Financial Instruments*: *Presentation*, provide clarification on the application of offsetting rules.

- Amendments to IAS 36, *Impairment of Assets*, clarify the recoverable amount disclosures for non-financial assets, including additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount was based on fair value less costs of disposal.

- Amendments to IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosures of Interests in Other Entities and IAS 27, Separate Financial Statements. The amendments provide for the definition of an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. The amendments also deal with the disclosures required and preparation of separate financial statements of an investment entity.

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 for the Company's June 30, 2014 reporting period:

- New standard IFRS 9, *Financial Instruments*, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company plans to adopt this standard as soon as they become effective for the Company's reporting period.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

During the three month period ended June 30, 2014, the following exploration expenses were incurred on the exploration and evaluation assets:

	Winston Property	Tchentlo Lake	Silver Switchback	Total
Acquisition costs				
Balance, March 31, 2014	$ 50,000	$ 28,260	$ -	$ 78,260
Additions – cash	17,500	-	-	17,500
Additions – shares	-	-	-	-
Balance, June 30, 2014	67,500	28,260	-	95,760
Exploration costs				
Balance, March 31, 2014	-	77,878	-	77,878
Geological and consulting	-	-	-	-
Balance, June 30, 2014	-	77,878	-	77,878
Total balance, June 30, 2014	$ 67,500	$ 106,138	$ -	$ 173,638

During the year ended March 31, 2014, the following exploration expenses were incurred on the exploration and evaluation assets:

	Winston Property	Tchentlo Lake	Silver Switchback	Total
Acquisition costs				
Balance, March 31, 2013	$ -	$ 28,260	$ 43,000	$ 71,260
Additions – cash	50,000	-	17,500	67,500
Additions – shares	-	-	18,000	18,000
Balance, March 31, 2014	50,000	28,260	78,500	156,760
Exploration costs				
Balance, March 31, 2013	-	75,908	129,548	205,456
Geological and consulting	-	2,540	33,056	35,596
BC Mining Tax Credit	-	(570)	(1,303)	(1,873)
Balance, March 31, 2014	-	77,878	161,301	239,179
Write-off of exploration and evaluations assets	-	-	(239,801)	(239,801)
Total balance, March 31, 2014	$ 50,000	$ 106,138	$ -	$ 156,138

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

Tchentlo Lake

During the period from incorporation to June 30, 2014, 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.

During the period ended June 30, 2014, the Company entered into an option agreement with Alchemist Mining Inc. ("Alchemist"), whereby Alchemist may acquire up to 80% undivided interest in the Company's Tchentlo Lake Property (the "Property").

Under the terms of the agreement, Alchemist can earn 51% interest in the Property by:

a) paying $60,500 to the Company over a period of three years;

b) issuing 500,000 common shares of Alchemist to the Company over a period of two years; and

c) incurring $280,000 of expenditures in exploration activities on the Property over a period of three years.

Upon acquisition of the undivided 51% interest in the Property, Alchemist can choose to exercise the following options:

i) form a joint venture with the Company, wherein Alchemist holding a 51% Participating Interest and the Company holding a 49% Participating Interest; and

ii) acquire an additional 29% interest in the Property, increasing its interest to 80% (the "Bump-Up Right") by:

    a) paying $75,000 to the Company over a period of five years;

    b) issuing 500,000 common shares of Alchemist to the Company over a period of five years; and

    c) incurring an additional $575,000 in expenditures on the Property over another two year period.

    In the event Alchemist exercises the Bump-Up Right, a joint venture will be formed with Alchemist holding 80% Participating Interest and the Company holding 20% Participating Interest in the Property.

The agreement is subject to regulatory approval. All share issuances pursuant to the agreement will be subject to a four-month and one day statutory hold period.

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

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 $32,500 has been paid;
ii) issue 1,000,000 common shares of the Company over a period of four years, of which 400,000 shares have been issued; and
iii) incur exploration expenses of $200,000 over a period of two years ($162,604 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.

During the period ended June 30, 2014, the Company terminated the option agreement. The Company wrote-off all associated costs of $239,801 during the year ended March 31, 2014.

Winston Property

On November 5, 2013, the Company entered into a binding, arm's length letter of intent (the "LOI") to acquire an initial 50% interest in and to 217 unpatented and 2 patented mineral claims located in New Mexico, U.S.A. known as the "Winston Property" (the "Property") from Redline Minerals Inc. ("Redline").

Under the LOI, the Company has the option to acquire an initial 50% interest upon completion of the following:

a) Payment of a non-refundable deposit of $10,000 (paid) upon signing of the LOI;
b) Payment of $25,000 (paid) upon completion of a satisfactory site visit and due diligence review;
c) Payment of $15,000 (paid) upon execution of a definitive agreement;
d) Payment of $320,000 over 4 years for $80,000 per year ($17,500 paid);
e) Issuance of 2,500,000 common shares of the Company over 4 years for 500,000 shares per year , with the first tranche due on closing; and
f) Incurring exploration expenditures totaling $1,000,000 over a period of 4 years, of which $200,000 is to be spent in the first year.

(Expressed in Canadian dollars)

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

Winston Property (cont'd...)

Upon acquiring the initial 50% interest, the Company will have a further option to acquire up to an additional 30% interest, in increments of 10% per annum, by completing the following:

a) Payment of $240,000 over 3 years for $80,000 per year;
b) Issuance of 1,500,000 common shares of the Company over 3 years for 500,000 shares per year; and
c) Incurring exploration expenditures totalling $1,500,000 over a period of 3 years for $500,000 per year.

The LOI is subject to a number of conditions precedents including the completion of an initial site visit and due diligence review by the Company, the completion of an equity financing by the Company and the receipt of applicable regulatory approvals.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		June 30, 2014		March 31, 2014
Trade payables	$	106,206	$	44,559
Accrued liabilities		1,750		16,500
Due to related parties (Note 8)		101,272		84,122
Total	$	209,228	$	145,181

6. SHORT-TERM LOAN PAYABLE

		June 30, 2014		March 31, 2014
Loan payable on demand, with no interest and no fixed term (Note 8)	$	37,000	$	37,000

7. CAPITAL STOCK AND RESERVES

a) Authorized capital stock:

As at June 30, 2014, the authorized capital stock of the Company was:

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

b) Issued capital stock:

During the period ended June 30, 2014 and 2013, there were no share activities.

(Expressed in Canadian dollars)

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

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

As at June 30, 2014, 975,000 (March 31, 2014 – 1,950,000) 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 CSE, and
ii) the remainder in six equal tranches of 15% (five tranches released) every six months thereafter for a period of 36 months.

c) Stock options:

The Company follows the policies of the CSE 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 for the period ended June 30, 2014 are summarized as follows:

Expiry Date	Exercise Price	March 31, 2014	Granted	Expired / Cancelled	June 30, 2014	Exercisable
November 30, 2016	0.15	1,100,000	-	-	1,100,000	1,100,000
April 8, 2018	0.15	200,000	-	-	200,000	200,000
October 1, 2018	0.15	250,000	-	-	250,000	250,000
May 22, 2019	0.05	-	188,000	-	188,000	188,000
Total		1,550,000	188,000	-	1,738,000	1,738,000
Weighted average exercise price		$ 0.15	$ 0.05	$ -	$ 0.14	$ 0.14
Weighted average remaining contractual life					3.11 years	

Stock option transactions for the period ended June 30, 2013 are summarized as follows:

Expiry Date	Exercise Price	March 31, 2013	Granted	Expired / Forfeited	June 30, 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)	-	-
April 8, 2018	0.15	-	200,000	-	200,000	200,000
Total		1,300,000	200,000	(200,000)	1,300,000	1,300,000
Weighted average exercise price		$ 0.15	$ -	$ -	$ 0.15	$ 0.15
Weighted average remaining contractual life					3.63 years	

(Expressed in Canadian dollars)

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

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

Share-based payments

During the period ended June 30, 2014, the Company granted 188,000 (2013 - 450,000) stock options with a total fair value calculated using the Black-Scholes options pricing model of $5,988 (2013 - $47,741).

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 period:

	June 30, 2014	June 30, 2013
Risk-free interest rate	1.53%	1.24%
Expected life of options	5 years	5 years
Annualized volatility	187.95%	176.88%
Dividends	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

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

8. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

Paid or accrued to:	Nature of transaction	Three Month Period Ended June 30, 2014	Three Month Period Ended June 30, 2013
Key management personnel:			
Directors	Management	$ 6,000	$ 4,500
CEO	Management	15,000	15,000
		$ 21,000	$ 19,500
Related party:			
A firm of which the CFO is a partner	Professional	$ 11,000	$ 14,950

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

	As at June 30 2014	As at March 31, 2014
Due to a firm of which the CFO of the Company is a partner	$ 81,122	$ 70,122
Due to directors of the Company	20,150	14,000
	$ 101,272	$ 84,122

(Expressed in Canadian dollars)

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOW

During the period ended June 30, 2014, significant non-cash transactions included:

a) reclassified fair value of $29,400 from reserves to capital stock as 975,000 founder shares were released from escrow.

b) issued 188,000 stock options with a total fair value of $5,988 as part of share-based payment for consulting work.

During the period ended June 30, 2013, significant non-cash transactions included:

a) reclassified fair value of $29,400 from reserves to capital stock as 975,000 founder shares were released from escrow.

10. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographic information is as follows:

	June 30 2014	March 31, 2014
Exploration and evaluation assets		
Canada	$ 106,138	$ 106,138
United States	67,500	50,000
	$ 173,638	$ 156,138

11. CAPITAL AND FINANCIAL RISK 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 from fiscal year 2014.

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

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.

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 June 30, 2014, the Company had a cash balance of $22,372 (March 31, 2014 – $19,116) to settle current liabilities of $246,228 (March 31, 2014 - $182,181). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company plans to raise money from the equity market to settle the liabilities.

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 June 30, 2014 and March 31, 2014, 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 June 30, 2014 and March 31, 2014, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

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

(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.