

**GOLD REACH RESOURCES LTD.**

**(An Exploration Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2008**



**BDO Dunwoody LLP**  
Chartered Accountants and Advisors

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## **AUDITORS' REPORT**

To the Shareholders of  
Gold Reach Resources Ltd.

We have audited the consolidated balance sheets of Gold Reach Resources Ltd. (An Exploration Stage Company) (the "Company") as at March 31, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for the year ended March 31, 2008 and the fifteen months ended March 31, 2007. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and 2007 and the results of its operations and its cash flows for the year ended March 31, 2008 and for the fifteen months ended March 31, 2007 in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, BC  
June 23, 2008

**GOLD REACH RESOURCES LTD.**  
(An Exploration Stage Company)  
**CONSOLIDATED BALANCE SHEETS**

	As at March 31,	
<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>CURRENT</b>		
Cash	\$ 245,276	\$ 711,154
Amounts receivable	187,369	48,755
Subscriptions receivable	-	3,000
Prepaid expenses	11,444	24,150
	444,089	787,059
<b>RESOURCE PROPERTY COSTS</b> (Notes 2 and 9)	5,448,426	3,040,118
<b>EQUIPMENT</b> (Note 3)	45,936	21,984
<b>RECLAMATION BOND</b> (Note 4)	37,400	29,400
	<b>\$ 5,975,851</b>	<b>\$ 3,878,561</b>
<b><u>LIABILITIES</u></b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 352,717	\$ 51,353
Due to related party (Note 7)	150,000	103,591
	502,717	154,944
<b>RECLAMATION LIABILITY</b> (Note 4)	37,400	29,400
	540,117	184,344
<b><u>SHAREHOLDERS' EQUITY</u></b>		
<b>SHARE CAPITAL</b> (Notes 5 and 9)	15,349,582	13,627,678
<b>CONTRIBUTED SURPLUS</b> (Note 5)	589,276	477,268
<b>DEFICIT</b>	(10,503,124)	(10,410,729)
	5,435,734	3,694,217
	<b>\$ 5,975,851</b>	<b>\$ 3,878,561</b>

**Nature of Operations and Ability to Continue as a Going Concern** (Note 1)  
**Subsequent Events** (Note 9)

**On behalf of the Board:**

\_\_\_\_\_  
"Conrad K. Swanson" Director

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"John S. Watt" Director

**GOLD REACH RESOURCES LTD.**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

	<b>For the Year Ended March 31, 2008</b>	<b>For the Fifteen Months Ended March 31, 2007</b>
<b>EXPENSES</b>		
Stock-based compensation (Note 5)	\$ 106,874	\$ 416,992
Management and administration fees (Note 7)	170,420	153,597
Professional fees	36,800	51,178
Consulting fees	11,150	48,850
Transfer agent and filing fees	47,668	47,279
Office	38,557	14,617
Rent	12,150	13,802
Travel and promotion	11,569	14,044
Amortization	9,738	1,783
Investor relations	60,472	73,903
Web design and maintenance	3,958	4,699
	(509,356)	(840,744)
<b>OTHER INCOME:</b>		
Other income	(2,641)	(23,200)
Interest income	(6,320)	(3,782)
<b>LOSS BEFORE INCOME TAXES</b>	(500,395)	(813,762)
Recovery of future income taxes (Note 6)	408,000	695,570
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	(92,395)	(118,192)
<b>DEFICIT - BEGINNING OF THE PERIOD</b>	(10,410,729)	(10,292,537)
<b>DEFICIT - END OF THE PERIOD</b>	(10,503,124)	\$ (10,410,729)
<b>LOSS PER SHARE - BASIC AND DILUTED</b>	\$ -	\$ -
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	70,500,695	46,210,473

**GOLD REACH RESOURCES LTD.**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended March 31, 2008</b>	<b>For the Fifteen Months Ended March 31, 2007</b>
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ 92,395	\$ 118,192
Items not affecting cash:		
Stock-based compensation	106,874	416,992
Amortization	9,738	1,783
Recovery of future income taxes	(408,000)	(695,570)
	<u>(383,783)</u>	<u>(394,987)</u>
Changes in non-cash working capital items:		
Amounts receivable	(138,614)	(21,032)
Prepaid expenses	12,706	(19,641)
Accounts payable and accrued liabilities	(764)	(4,924)
	<u>(504,455)</u>	<u>(440,584)</u>
Cash used in operating activities		
<b>INVESTING ACTIVITIES</b>		
Acquisition of equipment (Note 3)	(33,690)	(23,767)
Resource property exploration costs, net of recoveries (Note 2)	(2,048,680)	(1,402,004)
Resource property acquisition costs (Note 2)	(45,000)	(20,000)
Reclamation bond	(8,000)	(5,000)
	<u>(2,135,370)</u>	<u>(1,450,771)</u>
<b>FINANCING ACTIVITIES</b>		
Share capital issued for cash, net of share issuance costs	2,130,538	2,241,508
Subscription receivable	3,000	22,000
Due to related parties	46,409	7,180
	<u>2,179,947</u>	<u>2,270,688</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(465,878)	379,333
<b>CASH - BEGINNING OF THE PERIOD</b>	<u>711,154</u>	<u>331,821</u>
<b>CASH - END OF THE PERIOD</b>	<u><u>\$ 245,276</u></u>	<u><u>\$ 711,154</u></u>

Non-cash Transactions – Note 8

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**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

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**(a) Nature of Operations and Ability to Continue as a Going Concern**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Ootsa Lake Resources Ltd. (incorporated on November 9, 2006 pursuant to the Business Corporations Act - British Columbia). All inter-company accounts have been eliminated.

The Company is an exploration stage public company whose shares trade on the TSX Venture Exchange. The Company is engaged principally in the acquisition, exploration and development of resource properties. The recovery of the Company's investment in resource properties and attainment of profitable operations is principally dependent upon financing being arranged by the Company to continue operations, explore and develop the resource properties and the discovery, development and sale of ore reserves. The outcome of these matters cannot presently be determined because they are contingent on future events.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2008, the Company had not yet achieved profitable operations, has accumulated losses of \$10,503,124 since inception, had a working capital deficiency of \$58,628 and expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Certain comparative amounts are for the fifteen months ended March 31, 2007 rather than for the year ended March 31, 2008. This reflects the change in the Company's year end from December 31 to March 31, with the change becoming effective with the year ended March 31, 2007.

**(b) Resource Properties**

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance

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**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**(b) Resource Properties (Continued)**

history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of the Company's knowledge, title to all of its properties are in good standing.

**(c) Changes in Accounting Policies**

On April 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, "Comprehensive Income", Section 3251, "Equity, Section 3855, "Financial Instruments – Recognition and Measurement", Section 3861, "Financial Instruments – Disclosure and Presentation" and Section 3865, "Hedges". Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

- (i) Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated its accounts payable and accrued liabilities and due to related party as other financial liabilities, and amounts receivable as loans and receivables, which are measured at amortized cost.

Section 3251 establishes new standards on the presentation of equity and changes in equity. Separate presentation of the components of equity, including retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves, and the changes therein are required.

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**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**(c) Changes in Accounting Policies (Continued)**

The adoption of these Handbook Sections had no impact on opening deficit.

**(ii) Accounting Policy Choice for Transaction Costs**

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166"). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective November 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

**(iii) Future Accounting Changes**

**Capital Disclosures and financial Instruments – Disclosures and Presentation**

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial instruments – Presentation". These standards are effective for interim and annual financial statements for the Company's reporting period beginning on April 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

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**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**(c) Changes in Accounting Policies (Continued)****(iv) Accounting Changes**

In July 2006, the Accounting Standards Board (“AcSB”) issued a replacement of the CICA Handbook Section 1506, “Accounting Changes”. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company’s results of operations and financial condition will depend on the nature of future accounting changes.

**(d) Equipment and Depreciation**

Equipment is recorded at cost. The Company provides for depreciation using the declining balance method at the following annual rates:

Camp equipment	30%
Office computers	45%
Camp vehicles	35%

Additions during the period are depreciated at one-half the annual rate.

**(e) Asset Retirement Obligations**

Asset Retirement Obligations recognize the liability for legal obligations relating to the retirement of property, plant and equipment and obligations arising from the acquisition, construction, development, or normal operation of those assets. Such costs are recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset where one is identifiable is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the period is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company’s estimate of its ultimate reclamation liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised. As at March 31, 2008 the Company has recorded a reclamation liability of \$37,400.

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**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**(f) Impairment of Long-lived Assets**

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at March 31, 2008.

**(g) Environmental Costs**

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the cost can be reasonably estimated.

**(h) Mining Tax Credits**

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

**(i) Share Capital**

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option and warrant enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

**(j) Basic and diluted loss per Share**

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the year ended March 31, 2008, potentially dilutive common shares (relating to share purchase options and warrants outstanding and conditional share issuances pursuant to the Acquisition and mineral property agreements) totaling 12,396,214 (the 15 month period ended March 31, 2007: 21,277,056) were not included in the computation of loss per share because their effect was anti-dilutive.

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**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**(k) Management's Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**(l) Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable.

**(m) Flow-Through Shares**

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital. In instances where the Company has sufficient tax loss carryforwards or other deductible temporary differences available to offset the renounced tax deduction and is more likely than not able to utilize these losses before expiring, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

**(n) Income Taxes**

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences in the time when income and expenses are recognized in accordance with Company accounting practices and the time they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

**(o) International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March

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31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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**NOTE 2 RESOURCE PROPERTIES**

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**Seel Property**

On May 27, 2004, the Company entered into an Assignment Agreement with Grayd Resources Ltd. ("Grayd") on the Seel Property. The Company could earn a 61% interest by incurring \$1,000,000 in exploration expenditures before December 31, 2006 (completed October 2005). In October 11, 2005, the Company acquired the right and title to Grayd's remaining 39% interest, thereby obtaining a 100% interest in the Seel Property.

Pursuant to the terms of the purchase agreement the Company issued 1,500,000 units of the Company, each unit was comprised of one common share and one share purchase warrant entitling Grayd to purchase an additional common share of the Company at an exercise price of \$0.25 per share for a period of two years, expiring November 4, 2007. In addition, Grayd was required to make a \$10,000 cash payment (paid) to Seel Enterprises Ltd., the original optionor of the property.

In December 2005 and amended in June 2006 and August 2006, the Company entered into an option agreement with Consolidated Abaddon Resources Inc. ("Abaddon") whereby Abaddon became a full 10% Joint Venture interest holder by advancing \$100,000 (received) to the Company in connection with the Phase 1 drilling program on the property and paying their ongoing 10% share of all subsequent exploration and development costs on the property. All provisions for the Company to buy back Abaddon's 10% interest were terminated. As of March 31, 2008, Abaddon is current in payment of their proportionate share of the ongoing exploration program costs.

Grayd retained an option to buy back the 39% interest by spending twice the amount of exploration expenditures incurred by the Company in excess of \$500,000. After receiving notice from the Company in August 2007 that the Company had exceeded previously agreed to threshold expenditure level of \$2,000,000, Grayd subsequently notified the Company in October 2007 that Grayd would not exercise its option.

Seel Enterprises Ltd. retains a 1% Net Smelter Return Royalty on the property. As part of the acquisition terms for the Company acquiring the 100% interest in the property, the Company is obligated to meet the following considerations:

- i) To make aggregate cash payments of \$250,000 in various annual tranches as follows:
    - A. \$10,000 on or before June 6, 2004 (paid by Grayd);
    - B. An additional \$20,000 on or before June 6, 2005 (paid by Grayd);
    - C. An additional \$20,000 on or before June 6, 2006 (paid August 9, 2006);
    - D. An additional \$50,000 on or before June 6, 2007 (90% paid by the Company and 10% paid by Abaddon);
    - E. An additional \$150,000 on or before June 6, 2008 (paid subsequently); and
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**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007****8****NOTE 2 RESOURCE PROPERTIES (Continued)**

ii) To issue common shares in various annual tranches as follows:

- A. 50,000 common shares on or before June 6, 2003 (issued by Grayd);
- B. An additional 50,000 common shares on or before June 6, 2004 (issued by Grayd);
- C. An additional 100,000 common shares on or before June 6, 2005 (issued by Grayd)
- D. An additional 100,000 common shares on or before June 6, 2006 (issued);
- E. An additional 100,000 common shares on or before June 6, 2007 (90% issued by the Company and 10% issued by Abaddon)
- F. An additional 250,000 common shares on or before June 6, 2008 (issued subsequently)

The Company's shares were issued at a price of \$0.05 per common share which was the market value of the shares on the date of the option agreement.

**Ox Lake Property**

On January 3, 2007, the Company and its wholly-owned subsidiary, Ootsa Lake Resources Ltd., acquired a 100% interest in 14 claims totaling approximately 538 hectares known as the "Ox Lake Mineral Property" from Silver Standard Resources Inc. ("Silver") for consideration of 2,000,000 common shares. In addition to the issuance of the 2,000,000 common shares, the Company shall grant to Silver a royalty of 2% of net smelter returns ("NSR") applicable to all minerals produced from the Mineral Claims. The Company shall be entitled at any time to purchase a 1% portion of the NSR from Silver at any time by the payment to Silver of \$500,000 and the Company may purchase the remaining 1% NSR at any time by payment to Silver of an additional \$1,000,000.

**Mineral Acquisition, Exploration and Development Costs**

Refer to Notes 2(a) and 2(b) for the detailed resource property costs incurred during the year ended March 31, 2008 and during the fifteen months ended March 31, 2007.

	<b>As at March 31, 2008</b>		
	<b>Acquisition Note 2 (a)</b>	<b>Deferred Exploration Note 2 (a)</b>	<b>Total</b>
Seel Property, British Columbia	\$ 207,000	\$ 3,853,026	\$ 4,060,026
Ox Lake Property, British Columbia	280,000	1,108,400	1,388,400
	<b>\$ 487,000</b>	<b>\$ 4,961,426</b>	<b>\$ 5,448,426</b>
	<b>As at March 31, 2007</b>		
	<b>Acquisition Note 2 (b)</b>	<b>Deferred Exploration Note 2 (b)</b>	<b>Total</b>
Seel Property, British Columbia	\$ 157,500	\$ 2,198,895	\$ 2,356,395
Ox Lake Property, British Columbia	280,000	403,723	683,723
	<b>\$ 437,500</b>	<b>\$ 2,602,618</b>	<b>\$ 3,040,118</b>

**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007****9****NOTE 2 RESOURCE PROPERTIES COSTS (Continued)****Mineral Acquisition, Exploration and Development Costs (Continued)****(a) Resource Property Costs for the Year Ended March 31, 2008**

	<b>Seel</b>	<b>Ox Lake</b>	<b>Total</b>
Property acquisition costs			
Balance, beginning of the year	\$ 157,500	\$ 280,000	\$ 437,500
Cash	45,000	-	45,000
Shares (including obligation to issue shares)	4,500	-	4,500
Balance, end of the year	207,000	280,000	487,000
Deferred exploration and development costs			
Balance, beginning of the year	2,198,895	403,723	2,602,618
Incurred during the year:			
Assaying	20,854	38,652	59,506
Barge	49,890	9,645	59,535
Camp costs	218,392	23,403	241,795
Drill pads	142,958	35,260	178,218
Drilling, blasting and trenching	804,862	350,562	1,155,424
Field costs	102,797	71,613	174,410
Wages and benefits	117,586	85,119	202,705
Fuel	99,631	(695)	98,936
Geological	114,337	25,452	139,789
Geophysics	109,594	11,102	120,696
Insurance	4,770	-	4,770
Mapping	277	234	511
Other	24,556	291	24,847
Permitting and licenses	14,980	-	14,980
Roads	11,301	-	11,301
Safety	5,492	752	6,244
Travel and accommodation	17,724	53,287	71,011
Less: recovery of costs	(205,870)	-	(205,870)
Total expenditures during the year	1,654,131	704,677	2,358,808
Total expenditures, end of the year	3,853,026	1,108,400	4,961,426
Balance, end of the year	\$4,060,026	\$1,388,400	\$5,448,426

**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007****10****NOTE 2 RESOURCE PROPERTIES COSTS (Continued)****Mineral Acquisition, Exploration and Development Costs (Continued)****(b) Resource Property Costs for the Fifteen Months Ended March 31, 2007**

	<b>Seel</b>	<b>Ox Lake</b>	<b>Total</b>
Property acquisition costs			
Balance, beginning of the period	\$ 132,500	\$ -	\$ 132,500
Cash	20,000	-	20,000
Shares (including obligation to issue shares)	5,000	280,000	285,000
Balance, end of the period	157,500	280,000	437,500
Deferred exploration and development costs			
Balance, beginning of the period	1,195,614	-	1,195,614
Incurring during the period:			
Assaying	31,205	11,862	43,067
Barge	41,146	28,010	69,156
Camp costs	27,184	17,086	44,270
Consulting fees	26,342	-	26,342
Drill pads	21,211	49,095	70,306
Drilling, blasting and trenching	542,234	143,032	685,266
Field costs	58,875	11,047	69,922
Filing fees	-	2,226	2,226
Fuel	7,331	8,626	15,957
Geological	162,683	30,782	193,465
Geophysics	150,765	47,825	198,590
Legal fees	-	2,758	2,758
Mapping	3,200	-	3,200
Other	3,616	-	3,616
Permitting and licences	25,841	8,000	33,841
Road clearing	5,788	9,241	15,029
Safety	24,299	13,543	37,842
Travel and accommodation	10,327	20,590	30,917
Less: recovery of costs	(138,766)	-	(138,766)
Total expenditures for the period	1,003,281	403,723	1,407,004
Total expenditures, end of the period	2,198,895	403,723	2,602,618
Balance, end of the period	\$2,356,395	\$ 683,723	\$3,040,118

**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007**

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**NOTE 3 EQUIPMENT**

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	<b>As at March 31, 2008</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Camp equipment	\$21,442	\$ 8,041	\$13,401
Camp vehicle	3,515	1,042	2,473
Office computers	<u>32,500</u>	<u>2,438</u>	<u>30,062</u>
	<u>\$57,457</u>	<u>\$11,521</u>	<u>\$45,936</u>

	<b>As at March 31, 2007</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Camp equipment	\$21,442	\$1,608	\$19,834
Office computers	<u>2,325</u>	<u>175</u>	<u>2,150</u>
	<u>\$23,767</u>	<u>\$1,783</u>	<u>\$21,984</u>

**NOTE 4 RECLAMATION BOND**

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During the year ended March 31, 2008, the Company posted an additional \$8,000 reclamation bond with the Mining and Minerals Division of the British Columbia Government for an aggregate reclamation bond amount of \$37,400. The bond is to cover the future site restoration costs with respect to the Seel Property claims. All or part of the \$37,400 can be recovered subject to the inspection of the site and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

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**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007**

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**NOTE 5 SHARE CAPITAL & CONTRIBUTED SURPLUS****(a) Authorized**

An unlimited number of common shares without par value.

**(b) Issued and Outstanding Share Capital**

	<u>Number of Shares</u>	<u>Amount</u>
<b>Balance – December 31, 2005</b>	37,296,010	\$ 11,658,910
Issued pursuant to a resource property option agreement	2,000,000	280,000
Issued pursuant to a resource property option agreement	100,000	5,000
Issued for cash – private placement	55,000	5,500
Issued for cash – non flow-through shares	3,157,731	252,618
Issued for cash – flow-through shares	11,132,500	890,600
Issued for cash – flow-through shares	800,000	120,000
Issued for debt settlement – flow-through shares	250,000	20,000
Issued for financing finder's fees	928,250	-
Issued for finder's fee	20,000	-
Issued for cash – exercise of stock options	2,820,000	302,000
Issued for cash – exercise of warrants	5,380,000	720,850
Refund on over-subscription	-	(10,000)
Share issuance costs	-	(97,230)
Recovery of future income tax asset	-	(695,570)
Transfer from contributed surplus on exercise of share purchase options and agent warrants	-	175,000
	<u>63,939,491</u>	<u>13,627,678</u>
<b>Balance – March 31, 2007</b>	63,939,491	13,627,678
Issued for cash – flow through shares	3,800,000	570,000
Issued for cash – flow through shares	6,658,364	998,755
Less: share issue costs	-	(109,827)
Transfer from contributed surplus on exercise of agent warrants	-	2,088
Exercise of warrants	5,941,481	664,388
Issued for mineral properties	90,000	4,500
Recovery of future income tax asset	-	(408,000)
	<u>80,429,336</u>	<u>\$15,349,582</u>
<b>Balance - March 31, 2008</b>	<u>80,429,336</u>	<u>\$15,349,582</u>

**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007****13****NOTE 5 SHARE CAPITAL & CONTRIBUTED SURPLUS (Continued)****Issued and Outstanding Share Capital (Continued)**Year Ended March 31, 2008:

In November 2007, the Company issued 3,800,000 common shares at \$0.15 per share by way of a non-brokered private placement Unit Offering for gross proceeds of \$570,000. The Unit Offering comprised 3,800,000 Flow-Through common shares at \$0.15 per share and 1,900,000 warrants entitling the holder thereof to purchase one share at \$0.25 for every warrant held, at any time up to November 8, 2008.

In December 2007, the Company issued 6,658,364 common shares at \$0.15 per share by way of a non-brokered private placement Unit Offering for gross proceeds of \$998,755. The Unit Offering comprises 6,658,364 flow-through common shares at \$0.25 per share and 3,329,182 warrants entitling the holder thereof to purchase one share at \$0.25 for every warrant held at any time up to December 27, 2008.

Finders' fees were paid to certain finders, as set out below, in cash and non-transferable common share purchase warrants (the "Finders' Warrants"). Each whole Finders' Warrant entitles the holder to purchase one non-flow-through common share of the Company at a purchase price of \$0.25 per share for a period of one year from closing of the Private Placement. A finders' fee was paid to Canaccord Capital Corporation in the amount of \$53,456 and 472,499 Finders' Warrants and to Limited Market Dealer Inc. in the amount of \$12,500 and 166,666 Finders' Warrants. A due diligence fee of \$6,625 plus GST was also paid to Limited Market Dealer Inc.

The fair value of the Finders' Warrants issued by the Company, in connection with the private placement, of \$7,223 which has been included in share issuance costs, has been estimated on the date of issuance using the Black-Scholes option valuation method with the following assumptions:

	<u>March 31, 2008</u>
Weighted average fair value of warrants granted	\$0.011
Risk-free interest rate	3.90%
Expected life	1 year
Expected volatility	78%
Expected dividend yield	0.00%

15 Month Period Ended March 31, 2007:

In March 2006 the Company completed a private placement consisting of 55,000 common shares at \$0.10 per share for net proceeds of \$5,500.

In September 2006 the Company completed a private placement consisting of 11,382,500 Flow-Through Units (the "Flow-Through Units") and 2,657,731 Non Flow-Through Units (the "Non Flow-Through Units"), netting the Company gross proceeds of \$1,123,218.

In settlement of \$20,000 in debts owed to two directors, 250,000 of the 11,382,500 Flow Through Units were issued. The balance of 11,132,500 Flow Through Units with gross proceeds of \$890,600 together with the \$20,000 from the loan proceeds from the two directors will be used on Qualifying Expenses as that term is defined in the Income Tax Act (Canada) to finance the exploration and development of the Issuer's Seel Property. The gross proceeds of \$212,618 will be used for general corporate purposes.

**NOTE 5 SHARE CAPITAL & CONTRIBUTED SURPLUS (Continued)****Issued and Outstanding Share Capital (Continued)**

Pursuant to the terms of the private placement, each Flow-Through Unit consists of one flow-through share and one warrant entitling the holder thereof to purchase one flow-through share at a price of \$0.12 for a period of one year. The Non Flow-Through Units consist of one non flow-through common share and one warrant entitling the holder thereof to purchase one non flow-through common share at a price of \$0.10 for a period of one year. In addition the Company has issued the following finder's fees in connection with this offering:

- 1) 928,250 common shares in Agent Units
- 2) 270,000 Agent Unit Warrants at an exercise price of \$0.12 per share with an expiry date of August 25, 2007
- 3) 15,000 Agent Unit Warrants at an exercise price of \$0.12 per share with an expiry date of August 25, 2007
- 4) 460,750 Agent Unit Warrants at an exercise price of \$0.10 per share with an expiry date of September 14, 2007
- 5) 285,000 Agent B Warrants at an exercise price of \$0.10 per share with an expiry date of August 25, 2007
- 6) 541,000 Agent B Warrants at an exercise price of \$0.10 per share with an expiry date of September 14, 2007
- 7) 20,000 common shares in lieu of a cash payment of additional finder's fees of \$1,600
- 8) \$8,020 in cash payments as additional finder's fees

The fair value of the agent warrants issued by the Company, in connection with the private placement, of \$57,170, which has been included in share issuance costs, has been estimated on the date of the issuance using the Black-Scholes option valuation method with the following assumptions:

	<u>March 31, 2007</u>
Weighted average fair value of warrants granted	\$0.036
Risk-free interest rate	2.88% - 2.93%
Expected life	1 year
Expected volatility	95%
Expected dividend yield	0.00%

In October 2006, the Company issued 500,000 units by way of a Private Placement of non-flow-through units for net proceeds of \$40,000 which had the same terms and conditions as the earlier non-flow-through units offered during September 2006. The non-flow-through units consist of one non-flow-through common share and one warrant entitling the holder thereof to purchase one non flow-through common share at a price of \$0.10 for a period of one year.

In January 2007 the Company completed a private placement consisting of 800,000 flow-through units at \$0.15 per unit for net proceeds of \$120,000. Each unit consists of one flow-through share and one warrant entitling the holder thereof to purchase one non-flow-through common share at a price of \$0.30 for a period of one year.

**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007****15****NOTE 5 SHARE CAPITAL & CONTRIBUTED SURPLUS (Continued)****Issued and Outstanding Share Capital (Continued)**

Proceeds from the private placements of units for the year ended March 31, 2008 and the 15 month period ended March 31, 2007 have been allocated 100% to share capital and none to the warrants.

**(c) Stock Purchase Options**

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants to a maximum of 10% of the Company's issued and outstanding share capital.

A summary of the Company's option transactions for the year ended March 31, 2008 and the 15 month period ended March 31, 2007 are as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life (years)</u>
Balance, December 31, 2005	2,925,000	\$0.11	
Granted	6,330,075	\$0.13	
Exercised	(2,820,000)	\$0.11	
Forfeited	<u>(250,000)</u>	\$0.14	
Balance, March 31, 2007	6,185,075	\$0.13	1.72
Granted	1,570,000	\$0.15	
Forfeited	<u>(1,477,208)</u>	\$0.14	
Balance outstanding, March 31, 2008	<u>6,277,867</u>	\$0.13	1.24
Balance exercisable, March 31, 2008	<u>6,277,867</u>	\$0.13	

As at March 31, 2008, there are 6,277,867 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Price</u>	<u>Expiry Date</u>
1,087,867	\$0.10	September 7, 2008
1,050,000	\$0.15	October 30, 2008
355,000	\$0.15	January 8, 2009
1,150,000	\$0.15	March 5, 2009
50,000	\$0.15	March 29, 2009
1,445,000	\$0.15	November 8, 2009
100,000	\$0.15	January 2, 2010
500,000	\$0.10	October 6, 2010
<u>540,000</u>	\$0.10	January 30, 2011
<u>6,277,867</u>		

**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007**

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**NOTE 5 SHARE CAPITAL & CONTRIBUTED SURPLUS (Continued)****Stock Purchase Options (Continued)**

During the year ended March 31, 2008, the Company issued the following additional stock options:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,470,000	\$0.15	November 8, 2009
<u>100,000</u>	\$0.15	January 2, 2010
<u>1,570,000</u>		

The fair value is measured at the grant date and charged immediately to earnings (cliff-vested) with a corresponding increase in contributed surplus. Consideration paid to the Company on exercise of all options is credited to share capital.

The Company recognized \$106,874 (fifteen months ended March 31, 2007: \$416,992) of stock-based compensation expense for stock options granted during the periods.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-valuation model with the following assumptions:

	<u>For the Year Ended March 31, 2008</u>	<u>For the Fifteen Months Ended March 31, 2007</u>
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	78% to 85%	55% to 85%
Exercise price	\$0.15	\$0.10 to \$0.15
Risk-free interest rate	3.65% to 4.03%	2.0% to 3.0%
Expected life of options	2 years	2 to 5 years

**(d) Contributed Surplus**

Details of contributed surplus account are as follows:

	<u>For the Year Ended March 31, 2008</u>	<u>For the Fifteen Months Ended March 31, 2007</u>
Balance, beginning of period	\$ 477,268	\$ 178,106
Stock-based compensation	106,873	416,992
Agent warrants	7,223	57,170
Transfer from contributed surplus on exercise of finders' fee warrants	(2,088)	-
Exercise of stock options and agent warrants	-	(175,000)
Balance, end of period	<u>\$ 589,276</u>	<u>\$ 477,268</u>

**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007**

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**NOTE 5 SHARE CAPITAL & CONTRIBUTED SURPLUS (Continued)****(e) Share Purchase Warrants**

A summary of the Company's warrants as at March 31, 2008 and for the fifteen months ended March 31, 2007 are as follows:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life (years)</u>
Balance, December 31, 2005	10,639,000	\$0.22	
Issued	14,266,981	\$0.13	
Exercised	(5,380,000)	\$0.13	
Expired/cancelled	<u>(4,434,000)</u>	\$0.21	
Balance, March 31, 2007	15,091,981	\$0.11	0.47
Issued	5,868,347	\$0.25	
Exercised	(5,941,481)	\$0.11	
Expired/cancelled	<u>(9,150,500)</u>	\$0.15	
Balance outstanding, March 31, 2008	<u>5,868,347</u>	\$0.25	0.70
Balance exercisable, March 31, 2008	<u>5,868,347</u>	\$0.25	

As at March 31, 2008, there are 5,868,347 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Price</u>	<u>Expiry Date</u>
1,900,000	\$0.25	November 8, 2008
<u>3,968,347</u>	\$0.25	December 27, 2008
<u>5,868,347</u>		

**(f) Escrow Shares**

At March 31, 2008, there were 64,154 common shares (2007 – 64,154) held in escrow by the Company's transfer agent. The release of these shares is subject to regulatory approval.

**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007****18****NOTE 6 FUTURE INCOME TAX**

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<u>2008</u>	<u>2007</u>
Loss for the year before income taxes	\$ <u>500,395</u>	\$ <u>813,762</u>
Statutory tax rate	<u>33.47%</u>	<u>34.12%</u>
Expected income tax recovery	\$ 168,000	\$ 278,000
Stock-based compensation	(36,000)	\$ (142,000)
Non- deductible portion of meals and entertainment	(2,000)	(1,000)
Effect of change in tax rate	(344,000)	-
Change in valuation allowance	<u>622,000</u>	<u>560,570</u>
Future income tax recovery	<u>\$ 408,000</u>	<u>\$ 696,570</u>

The significant components of the Company's net future income tax assets and liabilities are as follows:

	<u>2008</u>	<u>2007</u>
Future income tax assets		
Share issue costs	\$ 34,000	\$ 22,000
Equipment	3,000	1,000
Mineral properties and related deferred exploration	191,000	786,000
Capital losses carried forward	1,000	1,000
Non-capital losses carried forward	<u>443,000</u>	<u>516,000</u>
	672,000	1,326,000
Valuation allowance for future income tax assets	<u>(672,000)</u>	<u>(1,326,000)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

At March 31, 2008, the Company has accumulated Canadian exploration and development expenditures of approximately \$6,184,000 and non-capital losses of approximately \$1,703,000 which are available to reduce taxable income of future years.

**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007****19****NOTE 6 FUTURE INCOME TAX (Continued)**

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The non-capital losses expire as follows:

2008	\$	284,000
2009		177,000
2010		198,000
2011		202,000
2015		336,000
2026		84,000
2027		<u>423,000</u>
	\$	<u>1,703,000</u>

Flow-through Shares

During the year ended March 31, 2008, the Company issued a total of 6,658,364 (for the 15 months ended March 31, 2007: 12,182,500) flow-through common shares at \$0.15-\$0.20 per share for proceeds of \$998,755 (for the 15 months ended March 31, 2007: \$1,054,600). The funds raised in connection with the flow-through shares must be spent on qualified mineral exploration and are restricted to Canadian Exploration Expenditures as defined in the Canadian Income Tax Act. The expenditures are renounced in favour of investors subscribing for flow-through shares and the amounts are not available to the Company for income tax purposes. During the year ended March 31, 2008, the Company renounced \$1,568,755 (for the 15 months ended March 31, 2007: \$2,038,600) of qualifying expenditures. The Company recorded a recovery of future income tax assets with a corresponding reduction in share capital of \$408,000 (for the 15 months ended March 31, 2007: \$695,570) with respect to the renunciation.

**NOTE 7 RELATED PARTY TRANSACTIONS**

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- (a) During the year ended March 31, 2008, management and director fees of \$135,070 (for the 15 months ended March 31, 2007: \$153,597) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company
- (b) During the year ended March 31, 2008, administration fees of \$35,350 (for the 15 months ended March 31, 2007: \$48,850) and rent of \$12,150 (for the 15 months ended March 31, 2007: \$13,802) were paid to a Company controlled by a director or officer of the Company.
- (c) Included in accounts payable and accrued liabilities is \$Nil (March 31, 2007: \$2,000) owing to a director of the Company for unpaid director's fees.
- (d) Due to related parties at March 31, 2008 of \$150,000 (for the 15 months ended March 31, 2007: \$103,591) is payable to a company with director(s) or officer(s) in common. The amount is unsecured, non-interest bearing and has no specified term of repayment.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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**GOLD REACH RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2008 AND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2007****20**

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**NOTE 8 NON-CASH TRANSACTIONS**

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Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

During the year ended March 31, 2008:

- (a) the Company issued 90,000 common shares pursuant to a resource property option agreement at \$0.05 per share;
- (b) the Company issued 639,165 agent's warrants at the fair value of \$7,223 as a cost of completing a security offering;
- (c) the Company recorded a reclamation liability of \$8,000; and
- (d) included in accounts payable and accrued liabilities was \$302,128 which was included in resource property costs.

During the fifteen months ended March 31, 2007:

- (a) the Company issued 2,000,000 common shares pursuant to a resource property option agreement at \$0.14 per share; and
- (b) the Company issued 100,000 common shares pursuant to a resource property option agreement at \$0.05 per share;
- (c) the Company issued 250,000 common shares in payment of advances payable owing in the amount of \$20,000 to directors of the company; and
- (d) the Company recorded a reclamation liability of \$5,000.

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**NOTE 9 SUBSEQUENT EVENTS**

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Subsequent to March 31, 2008:

- (a) the Company issued 1,000,000 Flow-Through common shares at \$0.10 per share for proceeds of \$100,000; and
- (b) The Company acquired Abaddon's 10% interest in the Seel Property by issuing 1,000,000 common shares of the Company. The Company now has a 100% interest in the Seel Property, subject to a 2% royalty. Pursuant to the agreement, the Company has assumed Abaddon's proportionate share of option payments due to Seel Enterprises Ltd.

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**NOTE 10 COMPARATIVE FIGURES**

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Certain of the comparative figures have been reclassified to conform to current year's presentation.

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