

# **HARVEST GOLD CORPORATION**

(An Exploration Stage Company)

Consolidated Financial Statements

Years Ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Harvest Gold Corporation:

We have audited the accompanying consolidated financial statements of Harvest Gold Corporation, which comprise the consolidated statements of financial position as at March 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Harvest Gold Corporation as at March 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED ACCOUNTANTS

Vancouver, Canada  
July 29, 2014

**HARVEST GOLD CORPORATION**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in Canadian Dollars)**

	Notes	March 31, 2014	March 31, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 107,609	\$ 201,608
Marketable securities	6	646	880
Receivables	7	1,036	1,168
Prepays		3,904	3,904
<b>Total current assets</b>		<b>113,195</b>	<b>207,560</b>
<b>Non-current assets</b>			
Reclamation bond	9	21,859	21,859
Exploration and evaluation assets	8	603,541	2,272,930
<b>Total non-current assets</b>		<b>625,400</b>	<b>2,294,789</b>
<b>Total assets</b>		<b>\$ 738,595</b>	<b>\$ 2,502,349</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	10,11	\$ 47,784	\$ 51,439
Due to related parties	11	90,307	90,011
<b>Total liabilities</b>		<b>138,091</b>	<b>141,450</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	10,476,249	10,425,946
Reserves	12	1,329,398	1,329,398
Accumulated other comprehensive loss		-	(31,800)
Deficit		(11,205,143)	(9,362,645)
<b>Total shareholders' equity</b>		<b>600,504</b>	<b>2,360,899</b>
<b>Total liabilities and equity</b>		<b>\$ 738,595</b>	<b>\$ 2,502,349</b>

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 8 and 11)

**Subsequent event** (Note 15)

Approved on behalf of the Board:

"Rick Mark", Director

Rick Mark

"Evan Sleeman", Director

Evan Sleeman

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

**HARVEST GOLD CORPORATION**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Expressed in Canadian Dollars )**

	Notes	March 31, 2014	Year ended March 31, 2013
<b>EXPENSES</b>			
Amortization		\$ -	\$ 113
Consulting fees		1,030	1,742
Investor relations		-	2,011
Professional fees		41,091	46,555
Management fees	11	-	48,000
Marketing and corporate communications		-	5,443
Geological consulting and administrative services	11	-	32,200
Office and miscellaneous		6,300	9,604
Property investigation costs		246	22,264
Shareholder communications		7,094	-
Salaries and benefits		4,549	7,268
Transfer agent and regulatory fees		20,826	20,687
		<u>81,136</u>	<u>195,887</u>
<b>OTHER ITEMS</b>			
Foreign currency loss		358	104
Loss on sale of exploration and evaluation asset	8	-	11,007
Impairment of exploration and evaluation assets	8	1,728,970	1
Impairment of marketable securities	6	32,034	-
		<u>1,761,362</u>	<u>11,112</u>
<b>NET LOSS FOR THE YEAR</b>		<u>\$ 1,842,498</u>	<u>\$ 206,999</u>
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>			
Change in fair value of available-for-sale investments	6	-	2,686
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>		<u>\$ 1,842,498</u>	<u>\$ 209,685</u>
<b>Basic and diluted loss per share</b>		<u>\$ 0.24</u>	<u>\$ 0.03</u>
<b>Basic and diluted weighted average of number of common shares outstanding</b>		<u>7,687,188</u>	<u>6,981,325</u>

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

**HARVEST GOLD CORPORATION**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Expressed in Canadian Dollars)**

	Notes	Number of shares	Share capital	Reserves	Accumulated other comprehensive loss	Deficit	Total
<b>Balance at March 31, 2012</b>		6,981,325	\$ 10,425,946	\$ 1,329,398	\$ (29,114)	\$ (9,155,646)	\$ 2,570,584
Net loss for the year		-	-	-	-	(206,999)	(206,999)
Available-for-sale investment	6	-	-	-	(2,686)	-	(2,686)
<b>Balance at March 31, 2013</b>		6,981,325	10,425,946	1,329,398	(31,800)	(9,362,645)	2,360,899
Net loss for the year		-	-	-	-	(1,842,498)	(1,842,498)
Share capital issued private placement	12	1,130,000	56,500	-	-	-	56,500
Share issue costs	12	-	(6,197)	-	-	-	(6,197)
Available-for-sale investment	6	-	-	-	(234)	-	(234)
Impairment of marketable securities	6	-	-	-	32,034	-	32,034
<b>Balance at March 31, 2014</b>		8,111,325	\$ 10,476,249	\$ 1,329,398	\$ -	\$ (11,205,143)	\$ 600,504

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

**HARVEST GOLD CORPORATION**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in Canadian Dollars)**

	Year ended	
	March 31, 2014	March 31, 2013
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (1,842,498)	\$ (206,999)
Items not affecting cash		
Amortization	-	113
Loss on sale of exploration and evaluation asset	-	11,007
Impairment of exploration and evaluation asset	1,728,970	1
Impairment of marketable securities	32,034	-
	<u>(81,494)</u>	<u>(195,878)</u>
Changes in non-cash working capital items:		
Receivables	132	17,114
Trade payables and accrued liabilities	(3,778)	29,544
Due to related parties	296	(25,959)
Net cash used in operating activities	<u>(84,844)</u>	<u>(175,179)</u>
<b>FINANCING ACTIVITIES</b>		
Private placement proceeds, net share issuance costs	<u>50,303</u>	<u>-</u>
Net cash provided by financing activities	<u>50,303</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	(64,977)	(63,804)
Option payments received	5,519	15,000
Proceeds from sale of exploration and evaluation assets	-	225,000
Net cash provided by (used in) investing activities	<u>(59,458)</u>	<u>176,196</u>
<b>CHANGE IN CASH</b>	(93,999)	1,017
<b>CASH - BEGINNING</b>	<u>201,608</u>	<u>200,591</u>
<b>CASH - ENDING</b>	<u>\$ 107,609</u>	<u>\$ 201,608</u>
<b>Supplemental cash flow information:</b>		
Exploration and evaluation asset expenditures in trade payables and accrued liabilities	\$ 123	\$ -

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

# HARVEST GOLD CORPORATION

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

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## 1. NATURE AND CONTINUANCE OF OPERATIONS

Harvest Gold Corporation (the “Company”) was incorporated on June 28, 2005 under the laws of British Columbia and began trading on the TSX Venture Exchange (“TSX-V”) on December 13, 2005. The Company’s head office, principal address and registered and records office is suite 301 – 260 West Esplanade, North Vancouver, B.C., V7M 3G7.

The Company’s principal business activities include the exploration of natural resource properties. The recovery of the Company’s investment in resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has not earned any revenues to date and is considered to be in the exploration stage.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. The ability of the Company to continue operations as a going concern is ultimately dependent upon achieving profitable operations. To date, the Company has not generated profitable operations from its resource activities and will need to invest additional funds in carrying out its planned exploration, development and operational activities. These uncertainties cast significant doubt about the Company’s ability to continue as a going concern.

The exploration and evaluation properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and cover administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if there is sufficient geologic or economic potential and if adequate financial resources are available to do so.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial statements were authorized for issue on July 29, 2014 by the Board of Directors of the Company.

### **Statement of compliance with International Financial Reporting Standards**

The consolidated financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

### **Basis of preparation**

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, which unless otherwise noted, is the Company’s functional currency.

### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Harvest Gold Corporation (US). All intercompany transactions and balances have been eliminated upon consolidation.

# HARVEST GOLD CORPORATION

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgement in the process of applying the accounting policies.

On an on-going basis, management evaluates its estimates and assumptions in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include stock-based awards and payments, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

### Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses;
- the classification of financial instruments; and
- the determination of the functional currency of the Company and its subsidiary.

### Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiary is the Canadian dollar.

### Transactions and balances:

Foreign currency transactions are translated into their functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

# HARVEST GOLD CORPORATION

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances.

Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events for exploration and evaluation asset impairment are defined in *IFRS 6 Exploration and evaluation of mineral resources* and are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive loss in the period the new information becomes available.

### Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

Changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

# HARVEST GOLD CORPORATION

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### Impairment of assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs and for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

### Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

# HARVEST GOLD CORPORATION

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### Financial instruments (cont'd)

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

### Loss per share

Basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings / loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. If the calculation results in an anti-dilutive effect then only basic income or loss per share is presented.

### Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it arises in a business combination, or from items recognized directly in equity or other comprehensive loss/income.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the asset and liability method of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

# HARVEST GOLD CORPORATION

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share based payments are reflected in share-based payments reserve, until exercised. Upon exercise shares are issued from treasury and the amount reflected in share-based payments reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to an employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

### Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Proceeds received on the issuance of units, consisting of common shares and warrants are allocated to share capital.

# HARVEST GOLD CORPORATION

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a portion of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is offset from the flow-through proceeds and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

## 3. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2014 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, are not expected to have a material effect on the Company's future results and financial position:

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- b) Amendments to IAS 32 "Financial Instruments: Presentation" (Amended); and
- c) IFRS 21 "Levies" (New; interpretation of IAS 37).

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

## 4. CAPITAL MANAGEMENT

The Company manages its capital structure, which consists of share and working capital, and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing cash and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and nature of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended March 31, 2014. The Company is not exposed to externally imposed capital requirements.

# HARVEST GOLD CORPORATION

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Notes to the Consolidated Financial Statements

For the year ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

## 5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Financial instruments

Financial assets included in the statements of financial position are as follows:

	March 31,		March 31,	
	2014		2013	
Cash	\$	107,609	\$	201,608
Marketable securities		646		880
	\$	108,255	\$	202,488

Financial liabilities included in the statements of financial position are as follows:

	March 31,		March 31,	
	2014		2013	
Trade payables	\$	4,284	\$	1,439
Due to related parties		90,307		90,011
	\$	94,591	\$	91,450

The fair value of the Company's financial assets and liabilities approximates their carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data

Cash is classified as a level 1 input. The Company does not have any derivative financial assets or liabilities.

### Risk management

The Company is exposed in varying degrees to a variety of financial instrument related risk. Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Company's credit risk is primarily attributable to cash and receivables. Cash is held with reputable chartered banks and one reputable Canadian brokerage house, all of which are closely monitored by management. Financial instruments included in receivables consist primarily of HST/GST recoverable from the Canadian government and interest earned on investments. Management believes that the credit risk concentration with respect to financial instruments included in cash and receivables is minimal.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2014, the Company held cash of \$107,609 (March 31, 2013 - \$201,608), and had current liabilities of \$138,091 (March 31, 2013 - \$141,450). All of the Company's liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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## 5. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (cont'd)

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and no interest bearing debt, therefore interest rate risk is nominal.

### Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies will affect the Company's operations and financial results. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

### 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. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## 6. MARKETABLE SECURITIES

	March 31, 2014		
	Shares	Fair Value	Original Cost
Company:			
Grandview Gold Inc.	50,000	\$ 250	\$ 23,500
Gunpoint Exploration Ltd.	1,800	396	9,180
	51,800	\$ 646	\$ 32,680
	March 31, 2013		
	Shares	Fair Value	Original Cost
Company:			
Grandview Gold Inc.	50,000	\$ 250	\$ 23,500
Gunpoint Exploration Ltd.	1,800	630	9,180
	51,800	\$ 880	\$ 32,680

During the year ended March 31, 2014 the Company recognized an impairment loss of \$32,034 (March 31, 2013 – unrealized loss of \$2,686) on its marketable securities, which are classified as available-for-sale, which has been recorded in net loss.

## 7. RECEIVABLES

The Company's receivables consist of GST/HST receivable due from the Government of Canada.

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## 8. EXPLORATION AND EVALUATION ASSETS

	United States of America		Canada		Total
	Rosebud Gold Mine	RW Claims	Hunt Property	Rice Lake Claims	
<b>Acquisition</b>					
Balance, March 31, 2012	\$ 482,479	\$ -	\$ 1	\$ 49,000	\$ 531,480
Acquisition costs - cash	49,645	-	-	-	49,645
Sale of property	-	-	-	(49,000)	(49,000)
Balance, March 31, 2013	532,124	-	1	-	532,125
<b>Exploration</b>					
Balance, March 31, 2012	1,704,392	38,797	-	185,465	1,928,654
Claim fees	8,216	-	-	-	8,216
Consulting services	-	-	-	1,520	1,520
Equipment and supplies	-	-	-	22	22
Option payments	-	(15,000)	-	-	(15,000)
Storage rental	4,401	-	-	-	4,401
Sale of property	-	-	-	(176,000)	(176,000)
Balance, March 31, 2013	1,717,009	23,797	-	11,007	1,751,813
Impairment	-	-	(1)	(11,007)	(11,008)
<b>Total, March 31, 2013</b>	<b>\$ 2,249,133</b>	<b>\$ 23,797</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,272,930</b>
<b>Acquisition</b>					
Balance, March 31, 2013	\$ 532,124	\$ -	\$ -	\$ -	\$ 532,124
Acquisition costs - cash	53,139	-	-	-	53,139
Balance, March 31, 2014	585,263	-	-	-	585,263
<b>Exploration</b>					
Balance, March 31, 2013	1,717,009	23,797	-	-	1,740,806
Claim fees	8,327	-	-	-	8,327
Licenses and fees	1,290	-	-	-	1,290
Storage rental	2,344	-	-	-	2,344
Option payments	-	(5,519)	-	-	(5,519)
Balance, March 31, 2014	1,728,970	18,278	-	-	1,747,248
Impairment	(1,728,970)	-	-	-	(1,728,970)
<b>Total, March 31, 2014</b>	<b>\$ 585,263</b>	<b>\$ 18,278</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 603,541</b>

Title to mining claims 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 conveyancing history characteristic of many mining claims. The Company has investigated title to all of its mineral claims and, to the best of its knowledge, title to all of its claims are in good standing.

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## 8. EXPLORATION AND EVALUATION ASSETS (cont'd)

### Rosebud Gold Mine Property, Nevada, USA

On November 16, 2006, the Company signed a letter of intent to acquire a 100% interest in certain mining claims comprising the Rosebud Gold Mine Property located in Nevada, USA. As consideration, the Company paid US\$320,000 (CDN \$350,104) and issued 60,000 common shares, at a fair value of \$81,000.

Upon earning a 100% interest, on December 15, 2011, the Company is obligated on an annual basis to pay an advance royalty payment of US\$50,000 until the property is placed into production and is to be recovered from any actual future mineral production royalty payments. During the year ended March 31, 2014, the Company paid CDN \$53,139 (March 31, 2013 – CDN \$49,645) in advance royalties on the Rosebud Gold Mine Property.

The Rosebud Gold Mine Property is subject to a 3% Net Smelter Royalty (“NSR”), which the Company has the option to purchase 1.5% of the NSR for \$2,250,000.

During the year ended March 31, 2014, the Company had no planned exploration program for the Rosebud Gold Mine Property and recognized an impairment loss of \$1,728,970.

### RW Claims, Nevada, USA

On November 19, 2010, the Company staked certain mining claims comprising the RW Claims located in Eureka County, Nevada.

On January 1, 2012, the Company entered into a mining lease and option to purchase agreement with Kinetic Gold (US) Inc. (“Kinetic”), whereby Kinetic agreed to lease the RW Claims for a period of 5 years. On September 5, 2013 there was an amendment to the Mining Lease and Option to Purchase the RW Claims extending the period to 6 years as follows:

<b>Date</b>	<b>Payment</b>	
Upon execution of the agreement	US \$10,000	(CDN \$9,991 received)
On or before January 1, 2013	US \$15,000	(CDN \$15,000 received)
On or before January 1, 2014 amended	US \$5,000	(CDN \$5,519 received)
On or before January 1, 2015 amended	US \$20,000	
On or before January 1, 2016 amended	US \$20,000	
On or before January 1, 2017 amended	US \$30,000	
On or before January 1, 2018 amended	US \$40,000	

At the end of the amended term to 6 years, Kinetic will have paid the Company \$140,000 (the “Purchase Price”) to acquire a 100% interest in the RW Claims. Alternatively, Kinetic has the option, at any time during the 5 year term, to purchase a 100% interest in the RW Claims by paying the Company the Purchase Price.

Kinetic will also pay a 2% NSR to the Company from the production or sale of minerals from the RW Claims.

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(An Exploration Stage Company)

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## 8. EXPLORATION AND EVALUATION ASSETS (cont'd)

### Hunt Property, Manitoba, Canada

By an option agreement, effective June 28, 2005, the Company acquired a 100% interest in certain claims comprising the Hunt Property located in Manitoba, Canada.

During the year ended March 31, 2013, management decided not to carry on any further exploration work on the Hunt Property and, accordingly, recorded an impairment charge of \$1.

### Rice Lake Claims, Manitoba, Canada

By an option agreement dated June 23, 2008, the Company acquired a 100% interest in certain claims comprising the Rice Lake Claims located in Manitoba, Canada. As consideration, the Company paid \$5,000 and issued 20,000 common shares at a fair value of \$44,000.

During the year ended March 31, 2013, the Company sold its 100% interest in the Rice Lake Claims pursuant to a property purchase agreement with San Gold Corporation ("San Gold") for consideration of \$225,000 (received). A further \$225,000 is due upon San Gold undertaking commercial production of the Rice Lake Claims.

## 9. RECLAMATION BOND

As of March 31, 2014, the Company has a reclamation bond issued with the Nevada Division of Minerals in the amount of US\$20,449 (CDN \$21,859) (March 31, 2013 – CDN \$21,859) to guarantee reclamation of the environment of the Rosebud Gold Mine Property.

## 10. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2014	March 31, 2013
Trade payables	\$ 4,284	\$ 1,439
Accrued liabilities	43,500	50,000
	<u>\$ 47,784</u>	<u>\$ 51,439</u>

## 11. RELATED PARTY TRANSACTIONS

Related party transactions are measured at their exchange amounts, which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

### a. Contractual commitments with related parties

- i. On January 1, 2008, and as amended on September 1, 2009, the Company entered into a management agreement with an officer and director to fulfil the role as Chief Executive Officer for a period of 5 years for a monthly rate of \$4,000 per month. Effective April 1, 2013 no further fees, until further notice, will be accrued under this agreement.
- ii. On August 1, 2012, the Company entered into an employee agreement with an officer and director to fulfil the role of Chief Operating Officer for a period of 12 months for a monthly rate of \$4,000 per month. Effective April 1, 2013 no further fees, until further notice, will be accrued under this agreement.

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## 11. RELATED PARTY TRANSACTIONS (cont'd)

### b. Transactions with related parties

The Company incurred expenditures for various services provided by a director of the Company during the year ended March 31, 2014 as follows:

- i. The Company paid or accrued \$Nil (March 2013 - \$48,000) in management fees to the CEO who is also a director of the Company.

The Company paid or accrued \$Nil (March 2013 - \$32,000) in consulting fees to the Chief Operating Officer. As of March 31, 2014, included in due to related parties was \$90,307 (March 2013 - \$90,011), owing to a company that has common directors, for shared administration costs.

As of March 31, 2014, included in trade payables and accrued liabilities was \$32,000 (March 2013 - \$32,000), owing for fees owing to the Chief Executive Officer and Chief Operating Officer.

These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

### c. Transactions with key management personnel

	March 31, 2014	March 31, 2013
Management fees	\$ -	\$ 48,000
Salaries and benefits	4,537	6,000
Geological consulting - expensed	-	32,000
	<u>\$ 4,537</u>	<u>\$ 86,000</u>

## 12. SHARE CAPITAL

### Authorized

Unlimited number of common shares without par value.

### Issued and outstanding

The Company, on August 15, 2013, closed a non-brokered private placement of units for gross proceeds of \$56,500. The Company issued 1,130,000 units at a price of \$0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one share at a price of \$0.10 per share until August 14, 2015. The Company incurred share issuance costs of \$6,197 relating to the private placement.

During the year ended March 31, 2013, the Company did not issue any shares.

# HARVEST GOLD CORPORATION

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## 12. SHARE CAPITAL (cont'd)

### Warrants

A continuity schedule of the Company's outstanding warrants is as follows:

	March 31, 2014		March 31, 2013	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of the year	-	\$ -	1,375,080	\$ 0.20
Issued	1,130,000	\$ 0.10	-	\$ -
Cancelled / expired	-	\$ -	(1,375,080)	\$ 0.20
Outstanding, end of the year	1,130,000	\$ 0.10	-	\$ -

The weighted average remaining life of warrants at March 31, 2014 is 1.37 years.

### Options

A continuity schedule of the Company's outstanding stock options is as follows:

	March 31, 2014		March 31, 2013	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of the year	251,933	\$ 1.31	451,433	\$ 1.30
Forfeited / expired	(24,000)	\$ 1.20	(199,500)	\$ 1.29
Outstanding, end of the year	227,933	\$ 1.32	251,933	\$ 1.31

The following summarizes information about stock options outstanding and exercisable at March 31, 2014:

Number outstanding	Number exercisable	Expiry date	Exercise price	Weighted average remaining contractual life (years)
22,500	22,500	May 14, 2014	\$ 1.20	0.12
91,433	91,433	June 1, 2015	\$ 1.50	1.17
114,000	114,000	January 24, 2016	\$ 1.20	1.82
227,933	227,933			1.39

During the years ended March 31, 2014 and 2013, the Company did not issue any stock options.

### Reserves

The share-based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

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## 13. SEGMENTED INFORMATION

The Company operates in one reportable operating segments, being exploration and development of resource properties. Summarized financial information for the geographic segments, the Company operates in are as follows:

	March 31, 2014	March 31, 2013
Total assets		
Canada	\$ 129,997	\$ 193,799
United States	608,598	2,308,550
	<u>\$ 738,595</u>	<u>\$ 2,502,349</u>
Exploration and evaluation assets		
Canada	\$ -	\$ -
United States	603,541	2,272,930
	<u>\$ 603,541</u>	<u>\$ 2,272,930</u>
Total loss		
Canada	\$ (109,402)	\$ (201,110)
United States	(1,733,096)	(5,889)
	<u>\$ (1,842,498)</u>	<u>\$ (206,999)</u>

## 14. INCOME TAX

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	March 31, 2014	March 31, 2013
Net loss	\$ (1,842,498)	\$ (206,999)
Statutory tax rate	26%	25%
Expected income tax recovery	(479,049)	(51,750)
Permanent differences	90	(52,949)
Non-deductible items	(1,611)	-
Impact of tax rate changes	(193,409)	(6,111)
Change in valuation allowance	673,979	110,810
Deferred income tax recovery	<u>\$ -</u>	<u>\$ -</u>

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## 14. INCOME TAX (cont'd)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	March 31, 2014	March 31, 2013
Exploration and evaluation assets	\$ 1,360,912	\$ 739,095
Non-capital losses	1,290,765	1,233,683
Tax basis of investments in excess of book value	4,164	3,975
Share issuance costs	8,221	13,330
Equipment	1,673	1,673
	<u>2,665,735</u>	<u>1,991,756</u>
Valuation allowance	<u>(2,665,735)</u>	<u>(1,991,756)</u>
Net deferred tax asset	\$ -	\$ -

The tax pools relating to the significant deductible temporary differences expire as follows:

	Exploration and evaluation assets	Non-capital losses	Share issuance costs
2015	\$ -	\$ -	\$ 27,900
2026	-	151,433	1,239
2027	-	389,334	1,239
2028	-	446,659	1,242
2029	-	417,721	-
2030	-	1,886,830	-
2031	-	511,929	-
2032	-	265,632	-
2033	-	202,863	-
2034	-	141,192	-
No expiry	<u>5,287,821</u>	<u>-</u>	<u>-</u>
	\$ 5,287,821	\$ 4,413,593	\$ 31,620

## 15. SUBSEQUENT EVENT

On May 14, 2014, 22,500 stock options expired, unexercised.