

HIGHWAY 50 GOLD CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED**

MARCH 31, 2016 AND 2015

(Unaudited – Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

HIGHWAY 50 GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED – PREPARED BY MANAGEMENT)
EXPRESSED IN CANADIAN DOLLARS

	March 31, 2016	December 31, 2015
ASSETS		
Current		
Cash (Note 3)	\$ 889,123	\$ 1,042,464
Receivables (Note 4)	5,636	4,729
Prepaid expenses (Note 5)	<u>12,098</u>	<u>4,635</u>
	906,857	1,051,828
Equipment (Note 8)	21,697	23,309
Reclamation bonds (Note 6)	114,943	122,155
Exploration and evaluation assets (Note 7)	<u>2,604,866</u>	<u>2,604,866</u>
	<u>\$ 3,648,363</u>	<u>\$ 3,802,158</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 21,019	\$ 4,174
Due to related parties (Note 11)	<u>22,722</u>	<u>-</u>
	<u>43,741</u>	<u>4,174</u>
Shareholders' equity		
Capital stock (Note 10)	5,928,409	5,928,409
Share compensation reserve (Note 10)	1,126,439	1,126,439
Deficit	<u>(3,450,226)</u>	<u>(3,256,864)</u>
	<u>3,604,622</u>	<u>3,797,984</u>
	<u>\$ 3,648,363</u>	<u>\$ 3,802,158</u>

Nature and continuance of operations (Note 1)

Basis of preparation (Note 2)

Subsequent events (Note 15)

On behalf of the Board:

“Gordon P. Leask”

Director

“Megan Cameron-Jones”

Director

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

HIGHWAY 50 GOLD CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31

	2016	2015
EXPENSES		
Accounting and audit	\$ 15,300	\$ -
Amortization (Note 8)	1,612	2,255
Bank charges and interest	255	615
Consulting fees (Note 11)	66,000	67,670
Stock-based compensation (Note 10)	-	276,078
Investor relations and shareholder information	180	542
Legal	1,584	1,443
Office and administration (Note 11)	24,405	30,232
Rent	11,513	6,000
Transfer agent and listing fees	9,466	9,244
	<u>(130,315)</u>	<u>(394,079)</u>
Finance income	1,165	997
Gain (loss) on foreign exchange	<u>(64,212)</u>	<u>155,355</u>
Net loss and comprehensive loss for the period	\$ (193,362)	\$ (237,727)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted	26,697,570	26,697,570

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

HIGHWAY 50 GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED – PREPARED BY MANAGEMENT)
EXPRESSED IN CANADIAN DOLLARS
FOR THE THREE MONTHS ENDED MARCH 31

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (193,362)	\$ (237,727)
Items not affecting cash:		
Amortization	1,612	2,255
Stock-based compensation	-	276,078
Foreign exchange	7,212	(9,133)
Changes in non-cash working capital items:		
Receivables	(907)	12,537
Prepaid expenses	(7,463)	-
Accounts payable and accrued liabilities	16,845	13,117
Due to related parties	<u>22,722</u>	<u>(2,833)</u>
Net cash used in (provided by) operating activities	<u>(153,341)</u>	<u>54,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	<u>-</u>	<u>(516,899)</u>
Net cash used in investing activities	<u>-</u>	<u>(516,899)</u>
Change in cash for the period	(153,341)	(462,605)
Cash, beginning of period	<u>1,042,464</u>	<u>1,913,978</u>
Cash, end of period	<u>\$ 889,123</u>	<u>\$ 1,451,373</u>

Supplemental disclosures with respect to cash flows (Note 12)

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

HIGHWAY 50 GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015

	Number of Shares	Capital Stock	Share Compensation Reserve	Deficit	Total
Balance, December 31, 2014	26,697,570	\$ 5,928,409	\$ 850,361	\$ (2,740,796)	\$ 4,037,974
Stock-based compensation	-	-	276,078	-	276,078
Net loss for the period	-	-	-	(237,727)	(237,727)
Balance, March 31, 2015	26,697,570	\$ 5,928,409	\$ 1,126,439	\$ (2,978,523)	\$ 4,076,325
Balance, December 31, 2015	26,697,570	\$ 5,928,409	\$ 1,126,439	\$ (3,256,864)	\$ 3,797,984
Net loss for the period	-	-	-	(193,362)	(193,362)
Balance, March 31, 2016	26,697,570	\$ 5,928,409	\$ 1,126,439	\$ (3,450,226)	\$ 3,604,622

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

HIGHWAY 50 GOLD CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

1. NATURE AND CONTINUANCE OF OPERATIONS

Highway 50 Gold Corp. (the “Company”) was incorporated on June 9, 2004 under the Business Corporations Act of the Province of British Columbia under the name Tatmar Ventures Inc. The name was changed to Highway 50 Gold Corp. in July 2011. Since incorporation, the Company’s activities have focused on exploration and evaluation assets located in British Columbia and Nevada, USA. The Company’s registered and records office is at Suite 3350, 1055 Dunsmuir Street, Vancouver, BC, V7X 1L2. The Company’s head office is at Suite 2300, 1177 West Hastings Street, Vancouver, BC, V6E 2K3. The common shares of the Company are listed on the TSX Venture Exchange and trade under the symbol “HWY”.

At the date of these condensed interim consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on these exploration and evaluation assets is dependent upon the Company being able to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned revenues and is considered to be in the exploration stage.

These condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. Management is of the opinion that the Company has sufficient working capital to fund operations for the next twelve months.

As at March 31, 2016, the Company has working capital of \$863,116.

These condensed interim consolidated financial statements were authorized by the board of directors of the Company on May 19, 2016.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The significant accounting policies applied in these condensed interim consolidated financial statements are based on the IFRS issued and outstanding as of March 31, 2016.

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at December 31, 2015. There unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2015.

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company’s exploration and evaluation assets does not necessarily represent present or future values, and the Company’s exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factor and uncertainties that could impact management’s assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company’s exploration and evaluation assets properties. To the extent that any of management’s assumptions change, there could be a significant impact on the Company’s future financial position, operating results and cash flows.

HIGHWAY 50 GOLD CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

2. BASIS OF PREPARATION (cont'd...)*Functional currencies*

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. That of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Basis of consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 11). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for the entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the entities' functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the entity that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statements of loss and comprehensive loss.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Effective (proposed) for annual periods beginning on or after January 1, 2018:

IFRS 9, *Financial Instruments* - IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

HIGHWAY 50 GOLD CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

3. CASH

	March 31, 2016	December 31, 2015
Cash on deposit	\$ 889,123	\$ 1,042,464
	\$ 889,123	\$ 1,042,464

4. RECEIVABLES

The Company's receivables arise from goods and services tax ("GST") receivable from Canadian government taxation authorities and advances receivable from third parties. These are broken down as follows:

	March 31, 2016	December 31, 2015
GST receivable	\$ 4,982	\$ 4,075
Advances receivable	654	654
	\$ 5,636	\$ 4,729

5. PREPAID EXPENSES

The prepaid expenses for the Company are broken down as follows:

	March 31, 2016	December 31, 2015
Vendor pre-payment	\$ 4,635	\$ 4,635
Insurance pre-payment	7,463	-
	\$ 12,098	\$ 4,635

6. RECLAMATION BONDS

The Company is required to post bonds with the Bureau of Land Management ("BLM") as security towards future site restoration work and will be released to the Company upon satisfactory completion of that work. The bonds posted relate to the Golden Brew and Porter Canyon properties (Note 7).

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

7. EXPLORATION AND EVALUATION ASSETS

	Porter Canyon, Nevada USA	Golden Brew, Nevada USA	Other, Nevada USA	Total
Balance, December 31, 2014	\$ 940,479	\$ 1,040,058	\$ 108,138	\$ 2,088,675
Additions:				
Assays	39,999	-	-	39,999
Field operations	17,858	3,015	-	20,873
Geology	24,671	-	-	24,671
Geophysics	43,939	-	-	43,939
Roads and site preparation	63,842	-	-	63,842
Drilling	300,024	-	-	300,024
Property payments	15,444	-	7,399	22,843
Balance, December 31, 2015 and March 31, 2016	\$ 1,446,256	\$ 1,043,073	\$ 115,537	\$ 2,604,866

Title to exploration and evaluation assets 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 properties. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties is in good standing. The exploration and evaluation assets in which the Company has committed to earn an interest are located in the United States.

Golden Brew Property, Battle Mountain Mining District, Nevada

During the year ended December 31, 2010, the Company executed a mining lease agreement with Genesis Gold Corporation (“Genesis”) on the Golden Brew claims (“Golden Brew Claims”) located in Nevada, USA (the “Genesis Agreement”). The terms of the Genesis Agreement include an initial payment to Genesis of US\$10,000 and subsequent escalating annual lease payments. The Company has an option to acquire a 100% interest in the Golden Brew Claims for the purchase price of US\$2,000,000, subject to a 2% net smelter returns royalty. All lease payments will be applied to the purchase price. The royalty will be reduced to 1% of net smelter returns at such time as the Company has paid US\$4,000,000 to Genesis in royalty payments. The Company negotiated an amendment to the Genesis Agreement whereby the lease payments due January 5, 2014 and 2015 were reduced from US\$50,000 to US\$20,000. During the year ended December 31, 2015, the Company negotiated an amendment to the Genesis Agreement whereby the lease payments due January 5, 2016 and 2017 were reduced from US\$20,000 to US\$10,000.

To maintain the mining lease agreement, the Company must make the following lease payments:

	Annual Lease Payments
On January 5, 2010 (paid)	US\$ 10,000
On or before January 5, 2011 (paid)	15,000
On or before January 5, 2012 (paid)	25,000
On or before January 5, 2013 (paid)	35,000
On or before January 5, 2014 (paid)	20,000
On or before January 5, 2015 (paid)	20,000
On or before January 5, 2016 (paid)	10,000
On or before January 5, 2017	10,000
On or before January 5, 2018 through January 5, 2019	50,000
On or before January 5, 2020 to January 5, 2025	75,000

HIGHWAY 50 GOLD CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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

In 2014, the Company entered into a definitive Option Agreement with Regulus Resources Inc. (“Regulus”), a related party, whereby Regulus may acquire a 50% option in the Golden Brew Property (the “Option”). In order to exercise the Option, Regulus must, among other things, spend US\$5,000,000 on exploration expenditures on the project over 5 years, and assume the underlying third party lease payments to Genesis and claim holding costs. Exploration expenditures of US\$500,000 in the first year is a firm commitment subject to a Force Majeure situation. Upon earn-in the parties will form a joint venture on a 50/50 basis.

During the period ended March 31, 2016, Regulus has invoked the Force Majeure clause with respect to Regulus’ obligation to complete exploration expenditures totalling US\$500,000 in Year 1 (the “Firm Commitment”) as a result of unavoidable drilling permitting delays on the property. The Firm Commitment will be due 120 days after the Company receives the final permit allowing the parties to commence drilling. Each subsequent annual exploration expenditure due date will be moved accordingly.

Porter Canyon Property, Lander County, Nevada

During the year ended December 31, 2011, the Company acquired the Porter Canyon claims by staking.

8. EQUIPMENT

	Vehicles	Office Furnishings	Total
Cost			
Balance, December 31, 2014, December 31, 2015 and March 31, 2016	\$ 30,062	\$ 7,939	\$ 38,001
Accumulated amortization			
Balance, December 31, 2014	\$ 4,509	\$ 1,161	\$ 5,670
Amortization	<u>7,666</u>	<u>1,356</u>	<u>9,022</u>
Balance, December 31, 2015	\$ 12,175	\$ 2,517	\$ 14,692
Amortization	<u>1,341</u>	<u>271</u>	<u>1,612</u>
Balance, March 31, 2016	\$ 13,516	\$ 2,788	\$ 16,304
Carrying amounts			
As at December 31, 2015	\$ 17,887	\$ 5,422	\$ 23,309
As at March 31, 2016	\$ 16,546	\$ 5,151	\$ 21,697

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

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

	March 31, 2016	December 31, 2015
Trade payables	\$ 21,019	\$ 4,174
	\$ 21,019	\$ 4,174

All payables and accrued liabilities for the Company fall due within the next 12 months.

HIGHWAY 50 GOLD CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

10. CAPITAL STOCK AND SHARE COMPENSATION RESERVE**Authorized**

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

In February 2015, the Company extended the terms of 7,027,025 common share purchase warrants at \$0.60 (the “Warrants”) issued pursuant to a non-brokered private placement which closed in March 2014. No Warrants issued under the Private Placement have been exercised to date. The TSX Venture Exchange agreed to extend the terms of the Warrants for an additional year to February 28, 2016 and subsequently agreed to extend the terms of the Warrants for an additional year to February 28, 2017.

Stock options

Under the Company’s rolling stock option plan dated June 2, 2005, the Company may grant options, with a maximum term of five years, for up to 10% of the Company’s issued and outstanding common shares, to directors, employees and consultants at exercise prices to be determined by the market value on the date of grant. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted with the exception of options granted in relation to investor relations. Options granted to consultants engaged in investor relations activities must vest no earlier than as to one-quarter upon the grant date and as to a further one-quarter after each of the following three four-month periods.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2014	2,470,000	0.42
Options granted	1,375,000	0.40
Options expired	(1,275,000)	0.35
Options expired	(100,000)	0.48
Options expired	(375,000)	0.61
Options cancelled	(100,000)	0.61
Balance, December 31, 2015 and March 31, 2016	1,995,000	\$ 0.40
Number of options currently exercisable	1,995,000	\$ 0.40
Weighted average fair value of options granted:		\$ 0.20

At March 31, 2016, the following incentive stock options were outstanding to directors, officers and employees:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
620,000	\$ 0.41	October 14, 2019	620,000
<u>1,375,000</u>	0.40	February 3, 2020	<u>1,375,000</u>
1,995,000			1,995,000

HIGHWAY 50 GOLD CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

10. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd...)**Stock-based compensation**

The Company recognizes compensation expense for all stock options and warrants granted using the fair value-based method of accounting. During the period ended March 31, 2016, the Company recognized \$Nil (2015 - \$276,078) in stock-based compensation expense with respect to options vested during the period. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended March 31, 2016 and 2015:

	2016	2015
Expected forfeiture rate	-	0%
Risk-free interest rate	-	0.64%
Expected life of options	-	5 Years
Annualized volatility	-	68%
Dividend	-	0%
Weighted average fair value per option	-	\$0.20

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2014	7,179,625	\$ 0.60
Finders' Units expired	(24,500)	0.60
Finders' Options expired	(128,100)	0.45
Balance, December 31, 2015 and March 31, 2016	7,027,025	\$ 0.60

At March 31, 2016, the following share purchase warrants were issued and outstanding:

Number of Warrants Outstanding	Exercise Price	Expiry Date
7,027,025	\$ 0.60	February 28, 2017*

*During to the period ended March 31, 2016, the expiry date was extended from February 28, 2016 to February 28, 2017.

11. RELATED PARTY TRANSACTIONS

The condensed interim consolidated financial statements include the financial statements of the Company and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Highway 50 Gold (US) Inc.	Nevada, USA	100%	Mineral exploration

All transactions with related parties are in the normal course of operations and are measured at their fair value as determined by management.

HIGHWAY 50 GOLD CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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

During the period ended March 31, 2016, the Company entered into the following transactions with related parties:

- a) Eagle Putt Ventures Inc. (“Eagle Putt”) is a private company controlled by Mr. Gordon P. Leask, a director and officer of the Company. For the three months ended March 31, 2016, Eagle Putt incurred \$30,000 (2015 - \$30,000) and are classified as consulting fees in the condensed interim consolidated statements of operations and comprehensive loss. At March 31, 2016, the Company owed \$Nil (December 31, 2015 - \$Nil) to Eagle Putt.
- b) Rangefront Exploration Corp. (“Rangefront”) is a private company controlled by Mr. John M. Leask, a director to the Company. For the three months ended March 31, 2016, Rangefront incurred \$30,000 (2015 - \$30,000) and are classified as consulting fees in the condensed interim consolidated statements of operations and comprehensive loss. At March 31, 2016, the Company owed \$Nil (December 31, 2015 - \$Nil) to Rangefront.
- c) Cerro Rico Management Corp. (“Cerro Rico”) is a private company controlled by Megan Cameron-Jones, a director and a former officer to the Company. For the three months ended March 31, 2016, Cerro Rico incurred \$6,000 (2015 - \$6,000) for management services and are classified as consulting fees in the condensed interim consolidated statements of operations and comprehensive loss. The Company also incurred \$12,000 (2015 - \$15,000) to Cerro Rico for expenses classified in the condensed interim consolidated statements of operations and comprehensive loss as office and administrative. At March 31, 2016, the Company owed \$20,485 (December 31, 2015 - \$Nil) to Cerro Rico.
- d) Cross Davis & Co. LLP (“Cross Davis”) is an accounting firm of which Scott Davis, an officer of the Company is a partner. For the three months ended March 31, 2016, Cross Davis incurred \$2,130 (2015 - \$Nil) and are classified as office and administrative fees in the condensed interim consolidated statements of operations and comprehensive loss. At March 31, 2016, the Company owed \$2,237 (December 31, 2015 - \$Nil) to Cross Davis.

Amounts payable to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2016 and 2015 are as follows:

	Other Payments	Share-based Benefits	Total
March 31, 2016			
Chief Executive Officer	\$ 30,000	\$ -	\$ 30,000
Chief Financial Officer	2,130	-	2,130
Executive directors	<u>36,000</u>	-	<u>36,000</u>
	<u>\$ 68,130</u>	<u>\$ -</u>	<u>\$ 68,130</u>
March 31, 2015			
Chief Executive Officer	\$ 30,000	\$ 80,314	\$ 110,314
Chief Financial Officer	-	10,039	10,039
Executive directors	36,000	135,529	171,529
Non-executive directors	<u>-</u>	<u>40,157</u>	<u>40,157</u>
	<u>\$ 66,000</u>	<u>\$ 266,039</u>	<u>\$ 332,039</u>

HIGHWAY 50 GOLD CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no significant non-cash transaction for the three months ended March 31, 2016 (2015 - \$45,074 in accounts payable and accrued liabilities related to exploration and evaluation assets).

For the three months ended March 31	2016	2015
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

13. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of exploration and evaluation assets in North America. Geographical information is as follows:

	Total Assets	Equipment	Exploration and Evaluation Assets	Reclamation Bonds	Other Assets
March 31, 2016					
Canada	\$ 912,008	\$ 5,151	\$ -	\$ -	\$ 906,857
United States	<u>2,736,355</u>	<u>16,546</u>	<u>2,604,866</u>	<u>114,943</u>	<u>-</u>
	\$ 3,648,363	\$ 21,697	\$ 2,604,866	\$ 114,943	\$ 906,857
December 31, 2015					
Canada	\$ 1,057,250	\$ 5,422	\$ -	\$ -	\$ 1,051,828
United States	<u>2,744,908</u>	<u>17,887</u>	<u>2,604,866</u>	<u>122,155</u>	<u>-</u>
	\$ 3,802,158	\$ 23,309	\$ 2,604,866	\$ 122,155	\$ 1,051,828

14. FINANCIAL AND CAPITAL RISK MANAGEMENT

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.

The fair value of the Company's receivables, prepaid expenses, accounts payable and accrued liabilities, and due to related parties approximate carrying value, which is the amount payable on the condensed interim consolidated statements of financial position. The Company's other financial instrument, cash, under the fair value hierarchy, are based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at large Canadian financial institutions in interest bearing accounts. The Company has no investment in asset backed commercial paper.

HIGHWAY 50 GOLD CORP.

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14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

The Company's receivables consist mainly of tax credits due from the government of Canada and advances receivable from third parties. As such, the Company does not believe it is subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2016, the Company had a cash balance of \$889,123 to settle current liabilities of \$43,741. Management believes that it has sufficient funds to meet its current liabilities as they become due.

Market risk

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

a) Interest rate risk

The Company has cash balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in United States dollars ("US\$"). A 10% fluctuation in the US\$ against the Canadian dollar would affect net comprehensive loss for the period by approximately \$89,000.

c) Price risk

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

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

HIGHWAY 50 GOLD CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED – PREPARED BY MANAGEMENT)****EXPRESSED IN CANADIAN DOLLARS****FOR THE THREE MONTHS ENDED MARCH 31, 2016**

15. SUBSEQUENT EVENTS

Subsequent to the period ended March 31, 2016, the Company:

1. executed an option agreement with Eagle Putt Ventures Inc. (“Eagle Putt”) to earn an undivided 50% interest in the 1,282 hectare Monroe property (the “Property”) located in the Fort Steele Mining Division, southeast British Columbia. In order to exercise the option (the “Option”), the Company has made a firm commitment to spend an initial \$100,000 in exploration expenditures on the Property in the first year, followed by additional annual optional exploration expenditures totalling \$2.9 million over the next four years. No other consideration is required to exercise the Option. The Company will be the operator on the Property during the course of the Option. Upon exercise of its Option to earn a 50% undivided interest in the Property, the Company and Eagle Putt will form a joint venture to further advance the exploration and development of the Property. The Monroe property is owned 50/50 by Gordon P. Leask, President, Chief Executive Officer and a director of the Company and John M. Leask a director of the Company, and is held in trust for them by Eagle Putt, a private corporation owned by Gordon Leask. Given the non-arm’s length nature of the transaction, the Company will seek approval to the grant of the Option by way of resolution from the disinterested shareholders of the Company. Messrs. Gordon Leask and John Leask will be excluded from voting on the shareholder resolution to approve the grant of the Option to the Company. The Option is also subject to the acceptance of the TSX Venture Exchange.
2. has arranged a non-brokered private placement of up to 500,000 flow-through common shares (each a “Share”) of the Company at a purchase price of \$0.20 per share to raise gross proceeds of up to \$100,000 (the “Flow-Through Offering”). Insiders of the Company will be participating in the Flow-Through Offering. All securities issued to purchasers under the Flow-Through Offering will be subject to a four-month hold period from the closing date of the Flow-Through Offering, pursuant to applicable securities legislation and the policies of the TSX Venture Exchange (the “Exchange”). The Flow-Through Offering is subject to the acceptance of the Exchange and is also subject to the receipt of acceptance from the Exchange to the Option Agreement.
3. announced that 350,000 incentive stock options have been granted to directors, officers and employees at a price of \$0.25 per share for a five-year period, pursuant to its Stock Option Plan.