

HIGHWAY 50 GOLD CORP.

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

SEPTEMBER 30, 2017 AND 2016

(Unaudited – Prepared by Management)

(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 Chartered 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

AS AT

	September 30, 2017	December 31, 2016
ASSETS		
Current		
Cash (Note 3)	\$ 527,181	\$ 395,344
Receivables (Note 4)	7,599	27,646
Prepaid expenses (Note 5)	5,945	8,041
	<u>540,725</u>	<u>431,031</u>
Equipment (Note 8)	13,390	16,858
Reclamation bonds (Note 6)	109,922	118,863
Exploration and evaluation assets (Note 7)	3,384,842	2,884,722
	<u>\$ 4,048,879</u>	<u>\$ 3,451,474</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 7,095	\$ 13,854
Flow through share premium liability (Note 10)	40,802	-
Due to related parties (Note 12)	63,000	-
	<u>110,897</u>	<u>13,854</u>
Shareholders' equity		
Capital stock (Note 11)	6,908,159	6,067,754
Share compensation reserve (Note 11)	1,212,986	1,190,230
Deficit	(4,183,163)	(3,820,364)
	<u>3,937,982</u>	<u>3,437,620</u>
	<u>\$ 4,048,879</u>	<u>\$ 3,451,474</u>

Nature and continuance of operations (Note 1)

Basis of preparation (Note 2)

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

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
EXPENSES				
Accounting and audit (Note 12)	\$ 9,500	\$ 10,200	\$ 49,700	\$ 48,630
Amortization (Note 8)	1,156	1,613	3,468	4,838
Bank charges and interest	427	422	1,514	1,771
Consulting fees (Note 12)	60,000	60,000	170,000	186,000
Stock-based compensation (Note 11)	13,865	-	22,756	63,791
Investor relations and shareholder information	180	180	906	593
Legal	1,464	-	2,011	17,131
Office and administration (Note 12)	8,688	23,773	45,046	44,529
Rent	13,679	10,924	41,503	33,085
Transfer agent and listing fees	1,812	2,331	15,501	13,624
	(110,771)	(109,443)	(352,405)	(413,992)
Finance income	1,759	859	4,493	3,076
Settlement of flow-through premium liability	9,198	-	9,198	-
Gain (loss) on foreign exchange	(8,907)	818	(24,085)	(67,702)
Net loss and comprehensive loss for the period	\$ (108,721)	\$ (107,766)	\$ (362,799)	\$ (478,618)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding, basic and diluted	30,282,570	27,447,570	29,530,793	26,965,818

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 NINE MONTHS ENDED SEPTEMBER 30

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (362,799)	\$ (478,618)
Items not affecting cash:		
Amortization	3,468	4,838
Settlement of flow-through premium liability	(9,198)	-
Stock-based compensation	22,756	63,791
Foreign exchange	8,941	6,603
Change in non-cash working capital items:		
Receivables	20,047	(17,961)
Prepaid expenses	2,096	(2,489)
Accounts payable and accrued liabilities	(7,669)	4,605
Due to related parties	63,000	-
Net cash used in operating activities	(259,358)	(419,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(499,210)	(267,854)
Net cash used in investing activities	(499,210)	(267,854)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares for cash	917,000	150,000
Share issue costs	(26,595)	(10,655)
Net cash provided by financing activities	890,405	139,345
Change in cash for the period	131,837	(547,740)
Cash, beginning of period	395,344	1,042,464
Cash, end of period	\$ 527,181	\$ 494,724

Supplemental disclosure with respect to cash flows (Note 13)

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

HIGHWAY 50 GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30

	Number of Shares	Capital Stock	Share Compensation Reserve	Deficit	Total
Balance, December 31, 2015	26,697,570	\$ 5,928,409	\$ 1,126,439	\$ (3,256,864)	\$ 3,797,984
Private placement	750,000	150,000	-	-	150,000
Share issue costs	-	(10,655)	-	-	(10,655)
Stock-based compensation	-	-	63,791	-	63,791
Net loss for the period	-	-	-	(478,618)	(478,618)
Balance, September 30, 2016	27,447,570	\$ 6,067,754	\$ 1,190,230	\$ (3,735,482)	\$ 3,522,502
Balance, December 31, 2016	27,447,570	\$ 6,067,754	\$ 1,190,230	\$ (3,820,364)	\$ 3,437,620
Private placements	2,835,000	917,000	-	-	917,000
Share issue costs	-	(26,595)	-	-	(26,595)
Stock-based compensation	-	-	22,756	-	22,756
Flow-through share premium liability	-	(50,000)	-	-	(50,000)
Net loss for the period	-	-	-	(362,799)	(362,799)
Balance, September 30, 2017	30,282,570	\$ 6,908,159	\$ 1,212,986	\$ (4,183,163)	\$ 3,937,982

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 NINE MONTHS ENDED SEPTEMBER 30, 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Highway 50 Gold Corp. (the “Company”) is a Canadian company incorporated in British Columbia. 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 910, 800 West Pender Street, Vancouver, BC, V6C 2V6. 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 its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. As at September 30, 2017, the Company had working capital of \$429,828 and an accumulated deficit of \$4,183,163. These items may cast a significant doubt on the Company’s ability to continue as a going concern. The condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

These condensed interim consolidated financial statements were authorized by the board of directors of the Company on November 28, 2017.

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 September 30, 2017.

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, 2016. These 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, 2016.

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:

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

2. BASIS OF PREPARATION (cont'd...)*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 factors 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.

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 12). 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 operates 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.

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

2. BASIS OF PREPARATION (cont'd...)

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

IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2017. The Company has adopted this policy and it did not have a significant effect on the condensed interim consolidated financial statements.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

3. CASH

	September 30, 2017	December 31, 2016
Cash on deposit	\$ 527,181	\$ 395,344

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:

	September 30, 2017	December 31, 2016
GST receivable	\$ 6,945	\$ 26,992
Advances receivable	654	654
	\$ 7,599	\$ 27,646

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

5. PREPAID EXPENSES

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

	September 30, 2017	December 31, 2016
Insurance pre-payment	\$ 5,945	\$ 8,041

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).

7. EXPLORATION AND EVALUATION ASSETS

	Porter Canyon, Nevada, USA	Golden Brew, Nevada, USA	Monroe, BC, Canada	Other, Nevada, USA	Total
Balance, December 31, 2015	\$ 1,446,256	\$ 1,043,073	\$ -	\$ 115,537	\$ 2,604,866
Additions:					
Acquisition costs	-	-	4,427	-	4,427
Field operations	-	-	6,697	-	6,697
Geology	713	-	5,854	-	6,567
Drilling	-	-	241,149	-	241,149
Property payments	14,211	-	-	6,805	21,016
Balance, December 31, 2016	\$ 1,461,180	\$ 1,043,073	\$ 258,127	\$ 122,342	\$ 2,884,722
Additions:					
Field operations	-	-	52,357	11,250	63,607
Assays	-	-	67	-	67
Geology	(360)	-	25,886	-	25,526
Drilling	(4,843)	(347)	384,166	-	378,976
Property payments	13,846	-	-	49,569	63,415
Exploration tax credit	-	-	(31,471)	-	(31,471)
Balance, September 30, 2017	\$ 1,469,823	\$ 1,042,726	\$ 689,132	\$ 183,161	\$ 3,384,842

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 and Canada.

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**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 payment of US\$10,000 due January 5, 2017 was reduced to US\$5,000 plus another US\$5,000 upon mobilization of a drilling rig to the property.

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 (paid)	5,000
Upon the mobilization of a drill rig to the property (paid)	5,000
On or before January 5, 2018 through January 5, 2019	50,000
On or before January 5, 2020 to January 5, 2025	75,000

In 2014, the Company entered into a definitive Option Agreement with Regulus Resources Inc. (“Regulus”), 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. Regulus and the Company are related parties with common directors.

During the year ended December 31, 2016, Regulus 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 drilling permit process was completed in August 2017 and the Firm Commitment was fulfilled subsequently.

Porter Canyon Property, Lander County, Nevada

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

Monroe Property, Fort Steele Mining Division, British Columbia

During the year ended December 31, 2016, the Company executed an option agreement 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 (commitment met as at December 31, 2016), followed by additional annual optional exploration expenditures totalling \$2.9 million over the next four years. The Company will be the operator on the Property during the course of the Option. The owners of the Monroe property are an officer and directors of the Company.

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

8. EQUIPMENT

		Vehicles		Office Furnishings		Total
Cost						
Balance, December 31, 2015, 2016, and September 30, 2017	\$	30,062	\$	7,939	\$	38,001
Accumulated amortization						
Balance, December 31, 2015	\$	12,175	\$	2,517	\$	14,692
Amortization		5,366		1,085		6,451
Balance, December 31, 2016	\$	17,541	\$	3,602	\$	21,143
Amortization		2,817		651		3,468
Balance, September 30, 2017	\$	20,358	\$	4,253	\$	24,611
Carrying amounts						
As at December 31, 2016	\$	12,521	\$	4,337	\$	16,858
As at September 30, 2017	\$	9,704	\$	3,686	\$	13,390

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

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

		September 30, 2017		December 31, 2016
Trade payables	\$	7,095	\$	13,854

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

10. FLOW-THROUGH SHARE PREMIUM LIABILITY

		Issued in May 2017		Total
Balance at December 31, 2016	\$	-	\$	-
Liability incurred on flow-through shares issued		50,000		50,000
Settlement of flow-through share premium liability on expenditures incurred		(9,198)		(9,198)
Balance at September 30, 2017	\$	40,802	\$	40,802

During the period ended September 30, 2017, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be \$50,000 (December 31, 2016 - \$Nil).

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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

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

During the period ended September 30, 2017, the Company:

- a) Closed a non-brokered private placement of 1,835,000 flow-through common shares of the Company at a purchase price of \$0.20 per share for gross proceeds of \$367,000. Share issuance costs of \$9,983 were paid in relation to the private placement. The premium received on the flow-through shares issued was determined to be \$Nil.
- b) Closed a non-brokered private placement of 1,000,000 units at a purchase price of \$0.55 per unit for gross proceeds of \$550,000. Each unit consists of one flow-through common share and one non-flow-through common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one non-flow-through common share at a purchase price of \$0.60 per share for a period of one year from the date of the closing. The Company paid \$16,612 of share issuance costs and recorded a premium received on flow-through shares of \$50,000 in relation to the private placement.

During the year ended December 31, 2016, the Company closed a non-brokered private placement of 750,000 flow-through common shares of the Company at a purchase price of \$0.20 per share to raise gross proceeds of \$150,000. Share issuance costs of \$10,655 were paid in relation to the private placement.

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, 2015	1,995,000	\$ 0.40
Options granted	350,000	0.25
Options expired	(320,000)	0.40
Balance, December 31, 2016	2,025,000	\$ 0.38
Options granted	75,000	0.53
Balance, September 30, 2017	2,100,000	\$ 0.38

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

11. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd...)

At September 30, 2017, the following incentive stock options were outstanding to directors, officers and employees:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
75,000	\$ 0.53	May 2, 2019	-
500,000	0.41	October 14, 2019	500,000
1,175,000	0.40	February 3, 2020	1,175,000
<u>350,000</u>	0.25	May 6, 2021	<u>350,000</u>
2,100,000			2,025,000

The weighted average remaining life of the stock options is 2.45 years.

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 September 30, 2017, the Company recognized \$22,756 (2016 - \$63,791) 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 periods ended September 30, 2017 and 2016:

	2017	2016
Expected forfeiture rate	0%	0%
Risk-free interest rate	0.67%	0.72%
Expected life of options	2 Years	5 Years
Annualized volatility	145%	109%
Dividend	0%	0%
Weighted average fair value per option	\$0.37	\$0.18

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2015 and 2016	7,027,025	\$ 0.60
Warrants granted	<u>1,000,000</u>	0.60
Balance, September 30, 2017	8,027,025	\$ 0.60

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

11. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd...)

At September 30, 2017, the following share purchase warrants were issued and outstanding:

Number of Warrants Outstanding	Exercise Price	Expiry Date
7,027,025	\$ 0.60	February 28, 2018
<u>1,000,000</u>	0.60	May 10, 2018
8,027,025		

12. 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.

During the period ended September 30, 2017, the Company entered into the following transactions with related parties:

- 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 period ended September 30, 2017, Eagle Putt charged \$80,000 (2016 - \$90,000) which are classified as consulting fees in the condensed interim consolidated statements of loss and comprehensive loss and charged \$11,200 (2016 - \$Nil) which are classified as geological fees in the condensed interim consolidated statements of financial position. At September 30, 2017, the Company owed \$31,500 (December 31, 2016 - \$Nil) to Eagle Putt. During the year ended December 31, 2016, the Company entered into an agreement with Eagle Putt, as disclosed in Note 7.
- Rangefront Exploration Corp. (“Rangefront”) is a private company controlled by Mr. John M. Leask, a director to the Company. For the period ended September 30, 2017, Rangefront charged \$80,000 (2016 - \$90,000) which are classified as consulting fees in the condensed interim consolidated statements of loss and comprehensive loss and charged \$8,800 (2016 - \$nil) which are classified as geological fees in the condensed interim consolidated statements of financial position. At September 30, 2017, the Company owed \$31,500 (December 31, 2016 - \$Nil) to Rangefront.
- Megan Cameron-Jones, a director and former officer of the Company, charged \$10,000 (2016 – \$6,000) for management services and are classified as consulting fees in the condensed interim consolidated statements of loss and comprehensive loss. The Company also incurred \$Nil (2016 - \$12,000) to Cerro Rico Management Corp. (“Cerro Rico”), a private company controlled by Megan Cameron-Jones for expenses classified in the condensed interim consolidated statements of loss and comprehensive loss as office and administration. At September 30, 2017, the Company owed \$Nil (December 31, 2016 - \$Nil) to Megan Cameron-Jones and \$Nil (December 31, 2016 - \$Nil) to Cerro Rico.
- Cross Davis & Co. LLP (“Cross Davis”) is an accounting firm of which Scott Davis, an officer of the Company is a partner. For the period ended September 30, 2017, Cross Davis incurred \$27,000 (2016 - \$20,130) and are classified as accounting fees in the condensed interim consolidated statements of loss and comprehensive loss. At September 30, 2017, the Company owed \$Nil (December 31, 2016 - \$Nil) to Cross Davis.

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

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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

The remuneration of directors and other members of key management personnel during the period ended September 30, 2017 and 2016 are as follows:

	Other Payments	Share-based Benefits	Total
September 30, 2017			
Chief Executive Officer	\$ 91,200	\$ -	\$ 91,200
Chief Financial Officer	27,000	-	27,000
Executive directors	98,800	-	98,800
	<u>\$ 217,000</u>	<u>\$ -</u>	<u>\$ 217,000</u>
September 30, 2016			
Chief Executive Officer	\$ 90,000	\$ -	\$ 90,000
Chief Financial Officer	20,130	9,113	29,243
Executive directors	96,000	36,452	132,452
	<u>\$ 206,130</u>	<u>\$ 45,565</u>	<u>\$ 251,695</u>

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the period ended September 30, 2017, there was \$910 included in exploration and evaluation assets which relates to accounts payable and accrued liabilities and \$50,000 was recorded as a flow-through share premium liability in relation to a private placement (Note 11).

There was no significant non-cash transaction for the period ended September 30, 2016.

For the period ended September 30	2017	2016
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

14. 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
September 30, 2017					
Canada	\$ 1,233,543	\$ 3,686	\$ 689,132	\$ -	\$ 540,725
United States	2,815,336	9,704	2,695,710	109,922	-
	<u>\$ 4,048,879</u>	<u>\$ 13,390</u>	<u>\$ 3,384,842</u>	<u>\$ 109,922</u>	<u>\$ 540,725</u>
December 31, 2016					
Canada	\$ 693,495	\$ 4,337	\$ 258,127	\$ -	\$ 431,031
United States	2,757,979	12,521	2,626,595	118,863	-
	<u>\$ 3,451,474</u>	<u>\$ 16,858</u>	<u>\$ 2,884,722</u>	<u>\$ 118,863</u>	<u>\$ 431,031</u>

HIGHWAY 50 GOLD CORP.

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EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

15. 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, accounts payable and accrued liabilities, and due to related parties approximate carrying value, which are the amounts on the condensed interim consolidated statements of financial position. The Company's other financial instrument, cash, under the fair value hierarchy, is 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.

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 September 30, 2017, the Company had a cash balance of \$527,181 to settle current liabilities of \$110,897. 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 \$4,000.

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.

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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EXPRESSED IN CANADIAN DOLLARS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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

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.