

**HIGHWAY 50 GOLD CORP.**

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

**MARCH 31, 2015 AND MARCH 31, 2014**

**(Unaudited – Expressed in Canadian Dollars)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**CONSOLIDATED STATEMENT OF EQUITY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*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 condensed consolidated financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.*

*The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by management. The Company's independent auditor has not performed a review of the accompanying unaudited interim condensed consolidated financial statements in accordance with standards established by the CICA for a review of interim financial statements by an entity's auditor.*

**HIGHWAY 50 GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Un-audited – prepared by management)  
Expressed in Canadian Dollars

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 3)	\$ 1,451,373	\$ 1,913,978
Receivables (Note 4)	13,300	10,837
Due from related party (Note 6)	<u>21,052</u>	<u>36,052</u>
	1,485,725	1,960,867
<b>Equipment</b>	30,076	32,331
<b>Reclamation bonds</b> (Note 5)	108,626	99,493
<b>Exploration and evaluation assets</b> (Note 6)	<u>2,510,985</u>	<u>2,088,675</u>
	<u>\$ 4,135,412</u>	<u>\$ 4,181,366</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 59,087	\$ 140,559
Due to related parties (Note 9)	<u>-</u>	<u>2,833</u>
	59,087	143,392
<b>Shareholders' equity</b>		
Capital stock (Note 8)	5,928,409	5,928,409
Share compensation reserve (Note 7)	1,126,439	850,361
Deficit	<u>(2,978,523)</u>	<u>(2,740,796)</u>
	4,076,325	4,037,974
	<u>\$ 4,135,412</u>	<u>\$ 4,181,366</u>

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

**On behalf of the Board:**

“Gordon P. Leask”

Director

“Megan Cameron-Jones”

Director

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

**HIGHWAY 50 GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Un-audited – prepared by management)  
Expressed in Canadian Dollars  
For the three months ended March 31

	Three months ended March 31, 2015	Three months ended March 31, 2014
<b>EXPENSES</b>		
Amortization (Note 8)	\$ 2,255	\$ 1,219
Bank charges and interest	615	247
Consulting fees	7,670	7,270
Management fees	60,000	28,000
Stock-based compensation (Note 10)	276,078	24,322
Investor relations and shareholder information	542	5,491
Legal	1,443	1,040
Office and administration	30,232	30,468
Rent	6,000	6,065
Transfer agent and listing fees	9,244	7,747
<b>LOSS BEFORE THE FOLLOWING</b>	<u>(394,079)</u>	<u>(111,869)</u>
Finance income	997	534
Gain on foreign exchange	155,355	(11,636)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>\$ (237,727)</u>	<u>\$ (122,971)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ 0.009</u>	<u>\$ (0.005)</u>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<u>26,697,570</u>	<u>22,153,254</u>

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

**HIGHWAY 50 GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Un-audited – prepared by management)  
Expressed in Canadian Dollars  
For the three months ended March 31

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (237,727)	\$ (122,971)
Items not affecting cash:		
Amortization	2,255	1,219
Stock-based compensation	276,078	24,322
Foreign exchange	(9,133)	(2,857)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	12,537	(4,095)
Decrease in prepaid expenses	-	21,275
Increase (decrease) in accounts payable and accrued liabilities	13,117	(32,287)
Increase (decrease) in due to related parties	(2,833)	49,290
Net cash provided by (used in) operating activities	<u>54,294</u>	<u>(66,104)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common shares	-	2,599,999
Share issue costs	-	(77,836)
Net cash provided by financing activities	-	2,522,163
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	-	(30,062)
Acquisition of exploration and evaluation assets	(516,899)	(57,899)
Net cash used in investing activities	<u>(516,899)</u>	<u>(87,961)</u>
<b>Increase (decrease) in cash and cash equivalents for the period</b>	<b>(462,605)</b>	<b>2,368,098</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>1,913,978</u></b>	<b><u>524,060</u></b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,451,373</b>	<b>\$ 2,892,158</b>

Supplemental disclosures with respect to cash flows (Note 12)

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

**HIGHWAY 50 GOLD CORP.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
(Un-audited – prepared by management)  
Expressed in Canadian Dollars  
For the three months ended March 31

	Number of Shares	Capital Stock	Share Compensation Reserve	Deficit	Total
<b>Balance, December 31, 2013</b>	19,646,045	\$ 3,424,188	\$ 668,659	\$ (2,232,013)	\$ 1,860,834
Shares issued for:					
Private placement	7,027,025	2,599,999	-	-	2,599,999
Finders' units	24,500	-	-	-	-
Private placement expense	-	(77,836)	-	-	(77,836)
Share-based compensation	-	-	24,322	-	24,322
Net loss for the period	-	-	-	(122,971)	(122,971)
<b>Balance, March 31, 2014</b>	26,697,570	\$ 5,946,351	\$ 692,981	\$ (2,354,984)	\$ 4,284,348
<b>Balance, December 31, 2013</b>	19,646,045	\$ 3,424,188	\$ 668,659	\$ (2,232,013)	\$ 1,860,834
Shares issued for:					
Private placement	7,027,025	2,599,999	-	-	2,599,999
Finders' units	24,500	-	-	-	-
Finders' options	-	(17,261)	17,261	-	-
Private placement expense	-	(78,517)	-	-	(78,517)
Stock-based compensation	-	-	164,441	-	164,441
Net loss for the year	-	-	-	(508,783)	(508,783)
<b>Balance, December 31, 2014</b>	26,697,570	5,928,409	850,361	(2,740,796)	4,037,974
Stock-based compensation	-	-	276,078	-	276,078
Net gain for the period	-	-	-	(237,727)	(237,727)
<b>Balance, March 31, 2015</b>	26,697,570	\$ 5,928,409	\$ 1,126,439	\$ (2,978,523)	\$ 4,076,325

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

## HIGHWAY 50 GOLD CORP.

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

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#### 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.

At the date of these 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 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 following the date of the audit report.

These consolidated financial statements were authorized by the board of directors of the Company on May 27, 2015.

#### 2. BASIS OF PREPARATION

These 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”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The 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 consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements.

The preparation of these 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 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.

## HIGHWAY 50 GOLD CORP.

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

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

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 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 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.

**HIGHWAY 50 GOLD CORP.**

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

**3. CASH**

	March 31, 2015	December 31, 2014
Cash on deposit	\$ 1,451,373	\$ 1,913,978

**4. RECEIVABLES**

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

	March 31, 2015	December 31, 2014
GST receivable	\$ 8,665	\$ 10,837
Credits receivable	4,635	-
	\$ 13,300	\$ 10,837

**5. 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).

**6. 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	38,807	-	-	38,807
Field operations	8,390	-	-	8,390
Geology	24,671	-	-	24,671
Geophysics	43,939	-	-	43,939
Roads and site preparation	6,479	-	-	6,479
Drilling	300,024	-	-	300,024
Balance, March 31, 2015	\$ 1,362,789	\$ 1,040,058	\$ 108,138	\$ 2,510,985



**HIGHWAY 50 GOLD CORP.**

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

	Porter Canyon, Nevada USA	Golden Brew, Nevada USA	Other, Nevada USA	Total
Balance, December 31, 2013	\$ 524,994	\$ 1,040,058	\$ 100,446	\$ 1,665,498
Additions:				
Assays	27,979	-	-	27,979
Field operations	71,501	-	1,430	72,931
Geology	23,701	-	-	23,701
Roads and site preparation	52,451	-	-	52,451
Drilling	203,391	-	-	203,391
Property payments	36,462	-	6,262	42,724
Balance, December 31, 2014	\$ 940,479	\$ 1,040,058	\$ 108,138	\$ 2,088,675

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. During the prior year, 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.

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 through January 5, 2019	50,000
Each anniversary thereafter	75,000

**HIGHWAY 50 GOLD CORP.**

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

**6. 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. Upon earn-in the parties will form a joint venture on a 50/50 basis. In addition, as an integral part of the grant of the Option, Regulus subscribed for \$740,000 worth of units in the Company’s private placement which closed in February 2014 (Note 9).

**Porter Canyon Property, Lander County, Nevada**

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

**7. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

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

	March 31, 2015	December 31, 2014
Trade payables	\$ 53,087	\$ 140,559
Accrued liabilities	6,000	-
	<u>\$ 59,087</u>	<u>\$ 140,559</u>

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

**8. 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.

**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.

**HIGHWAY 50 GOLD CORP.**

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

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

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

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2013	1,850,000	\$ 0.42
Options granted	100,000	0.48
Options granted	620,000	0.41
Options expired	<u>(100,000)</u>	0.48
Balance, December 31, 2014	2,470,000	0.42
Options granted	1,375,000	0.40
Options expired	<u>(1,275,000)</u>	0.35
Balance, March 31, 2015	2,570,000	\$ 0.44
Number of options currently exercisable	2,570,000	\$ 0.44
Weighted average fair value of options granted during the year:		\$ 0.20

At March 31, 2015, the following incentive stock options were outstanding to directors, officers and employees:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
100,000	0.48	July 30, 2015	100,000
475,000	0.61	December 2, 2015	475,000
620,000	0.41	October 14, 2019	620,000
<u>1,375,000</u>	0.40	February 3, 2020	<u>1,375,000</u>
2,570,000			2,570,000

**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 three months ended March 31, 2015, the Company recognized \$Nil (three months ended March 31, 2014 - \$24,322) in stock-based compensation expense with respect to options vested during the period.

**HIGHWAY 50 GOLD CORP.**

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

**8. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd...)****Warrants**

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

	Number of Warrants	Expiry Date	Weighted Average Exercise Price
Balance, December 31, 2013	-		
Warrants granted	7,027,025	Feb 28, 2015 <sup>(1)</sup>	\$ 0.60
Finders' Units granted	24,500	Feb 28, 2015	0.60
Finders' Options granted	128,100	Feb 28, 2015	0.45
Balance, December 31, 2014	7,179,625		\$ 0.60
Finders' Units expired	(24,500)		0.60
Finders' Options expired	(128,100)		0.45
Balance, March 31, 2015	7,027,025		\$ 0.60

<sup>(1)</sup> Expiry date extended by twelve months subsequent to December 31, 2014.**9. RELATED PARTY TRANSACTIONS**

The 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 three months ended March 31, 2015, 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, 2015, Eagle Putt was paid \$30,000 (three months ended March 31, 2014 - \$14,000). Amounts paid to Eagle Putt are classified as management fees expense.

At March 31, 2015, the Company owed \$Nil (March 31, 2014 - \$19,967) to Eagle Putt.

- b) Rangefront Exploration Corp. ("Rangefront") is a private company controlled by Mr. John M. Leask, a director of the Company. For the three months ended March 31, 2015, Rangefront was paid \$30,000 (three months ended March 31, 2014 - \$14,000). Amounts paid to Rangefront are classified as management fees expense.

At March 31, 2015, the Company owed \$Nil (March 31, 2014 - \$23,598) to Rangefront.

**HIGHWAY 50 GOLD CORP.**

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

**9. RELATED PARTY TRANSACTIONS (cont'd...)**

- c) Cerro Rico Management Corp. ("Cerro Rico") is a private company controlled by Megan Cameron-Jones, a director and an officer of the Company. For the three months ended March 31, 2015, Cerro Rico was paid \$6,000 (three months ended March 31, 2014 – \$6,000) for management services. Amounts paid to Cerro Rico are classified as consulting fees expense. The Company also paid or accrued \$15,000 (three months ended March 31, 2014 - \$15,000) to Cerro Rico classified as office and administrative expense.

At March 31, 2015, the Company owed \$Nil (three months ended March 31, 2014 - \$341,069) to Cerro Rico.

- d) During the prior year, the Company entered into an agreement with Regulus Resources Inc., a company with common directors, as disclosed in Note 6.

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

Cerro Rico has a balance owing to the Company as at March 31, 2015 of \$21,052, consisting of an amount of GST charged to the Company on services provided to the Company which was subsequently denied by Canada Revenue Agency.

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, 2015 and 2014 are as follows:

	Salaries	Other Payments	Share-based Benefits	Total
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	-	-	40,157	40,157
	\$ -	\$ 66,000	\$ 266,039	\$ 332,039
March 31, 2014				
Chief Executive Officer	-	14,000	-	\$ 14,000
Chief Financial Officer	-	-	-	-
Executive directors	-	20,000	-	20,000
Non-executive directors	-	-	-	-
	\$ -	\$ 34,000	\$ -	\$ 34,000

**HIGHWAY 50 GOLD CORP.**

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

**10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

The significant non-cash transaction for the three months ended March 31, 2015 included \$45,074 (three months ended March 31, 2014 - \$17,914) in accounts payable and accrued liabilities related to exploration and evaluation assets.

For the three months ended March 31	2015	2014
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

**11. 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, 2015					
Canada	\$ 1,492,164	\$ 6,439	\$ -	\$ -	1,485,725
United States	<u>2,643,248</u>	<u>23,637</u>	<u>2,510,985</u>	<u>108,626</u>	<u>-</u>
	\$ 4,135,412	\$ 30,076	\$ 2,510,985	\$ 108,626	\$ 1,485,725
December 31, 2014					
Canada	\$ 1,967,645	\$ 6,778	\$ -	\$ -	1,960,867
United States	<u>2,213,721</u>	<u>25,553</u>	<u>2,088,675</u>	<u>99,493</u>	<u>-</u>
	\$ 4,181,366	\$ 32,331	\$ 2,088,675	\$ 99,493	\$ 1,960,867

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

## HIGHWAY 50 GOLD CORP.

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Un-audited – prepared by management)

Expressed in Canadian Dollars

For the three months ended March 31

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## 12. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

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 interest receivable on short-term investments held by the Company's bank. 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, 2015, the Company had a cash balance of \$1,451,373 to settle current liabilities of \$59,087. 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 cash equivalents 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 \$125,000.

#### 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.

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**12. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

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.