

HIGHWAY 50 GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS
Canadian Dollars

DECEMBER 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Highway 50 Gold Corp.

We have audited the accompanying consolidated financial statements of Highway 50 Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Highway 50 Gold Corp. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Highway 50 Gold Corp.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

April 22, 2014

HIGHWAY 50 GOLD CORP.CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
EXPRESSED IN CANADIAN DOLLARS
AT DECEMBER 31

	2013	2012
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 524,060	\$ 773,395
Receivables (Note 5)	1,926	2,653
Prepaid expenses (Note 6)	<u>21,320</u>	<u>41,036</u>
	547,306	817,084
Equipment (Note 9)	1,839	-
Reclamation bonds (Note 7)	44,311	42,245
Exploration and evaluation assets (Note 8)	<u>1,665,498</u>	<u>1,454,009</u>
	<u>\$ 2,258,954</u>	<u>\$ 2,313,338</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 62,776	\$ 11,894
Due to related parties (Note 12)	<u>335,344</u>	<u>205,666</u>
	<u>398,120</u>	<u>217,560</u>
Shareholders' equity		
Capital stock (Note 11)	3,424,188	3,424,188
Share compensation reserve (Note 11)	668,659	668,659
Deficit	<u>(2,232,013)</u>	<u>(1,997,069)</u>
	<u>1,860,834</u>	<u>2,095,778</u>
	<u>\$ 2,258,954</u>	<u>\$ 2,313,338</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 17)

On behalf of the Board:

“Gordon P. Leask” _____ Director “Megan Cameron-Jones” _____ Director

HIGHWAY 50 GOLD CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

EXPRESSED IN CANADIAN DOLLARS

YEARS ENDED DECEMBER 31

	2013	2012
EXPENSES		
Accounting and audit	\$ 17,850	\$ 23,460
Amortization (Note 9)	204	-
Bank charges and interest	564	2,321
Consulting fees	72,589	75,236
Investor relations and shareholder information	18,557	870
Legal	11,912	7,220
Office and administration	112,226	88,856
Rent	22,410	18,000
Transfer agent and listing fees	12,009	15,093
	<u>(268,321)</u>	<u>(231,056)</u>
Finance income	3,070	752
Gain (loss) on foreign exchange	30,307	(9,530)
Net loss and comprehensive loss for the year	\$ (234,944)	\$ (239,834)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted	19,646,045	19,646,045

HIGHWAY 50 GOLD CORP.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

EXPRESSED IN CANADIAN DOLLARS

YEARS ENDED DECEMBER 31

	Number of Shares	Capital Stock	Share Compensation Reserve	Deficit	Total
Balance, December 31, 2011	19,646,045	\$ 3,424,188	\$ 668,659	\$ (1,757,235)	\$ 2,335,612
Net loss for the year	-	-	-	(239,834)	(239,834)
Balance, December 31, 2012	19,646,045	3,424,188	668,659	(1,997,069)	\$ 2,095,778
Net loss for the year	-	-	-	(234,944)	(234,944)
Balance, December 31, 2013	19,646,045	\$ 3,424,188	\$ 668,659	\$ (2,232,013)	\$ 1,860,834

HIGHWAY 50 GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS
YEARS ENDED DECEMBER 31

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (234,944)	\$ (239,834)
Items not affecting cash:		
Amortization	204	-
Foreign exchange	(2,066)	-
Changes in non-cash working capital items:		
Decrease in receivables	727	7,532
Decrease (Increase) in prepaid expenses	19,716	(10,089)
Increase (decrease) in accounts payable and accrued liabilities	22,942	(2,781)
Increase in due to related parties	<u>129,678</u>	<u>63,428</u>
Net cash used in operating activities	<u>(63,743)</u>	<u>(181,744)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of reclamation bonds	-	(4,892)
Acquisition of equipment	(2,043)	-
Acquisition of exploration and evaluation assets	<u>(183,549)</u>	<u>(284,030)</u>
Net cash used in investing activities	<u>(185,592)</u>	<u>(288,922)</u>
Decrease in cash and cash equivalents for the year	(249,335)	(470,666)
Cash and cash equivalents, beginning of year	<u>773,395</u>	<u>1,244,061</u>
Cash and cash equivalents, end of year	\$ 524,060	\$ 773,395

Supplemental disclosures with respect to cash flows (Note 13)

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EXPRESSED IN CANADIAN DOLLARS

DECEMBER 31, 2013

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. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

These consolidated financial statements were authorized by the board of directors of the Company on April 22, 2014.

2. BASIS OF PREPARATION

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”). 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 below 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:

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

Critical judgements

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.

Key sources of estimation

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.

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 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 consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

HIGHWAY 50 GOLD CORP.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**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 all 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 Canadian dollar 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 Company 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 operations and comprehensive loss.

Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of operations and comprehensive loss during the period in which they are incurred.

The major categories of equipment are amortized as follows:

Office Furnishings - 20% declining balance basis

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of operations and comprehensive loss.

Financial instrumentsFinancial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statement of operations and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of operations and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of operations and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statement of operations and comprehensive loss.

Other financial liabilities: This category includes amounts due to related parties and accounts payables and accrued liabilities which are recognized at amortized cost.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

Exploration and evaluation assets

Costs related to pre-exploration are expensed as incurred while costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit and highly liquid short-term interest bearing variable rate investments which are readily convertible into a known amount of cash.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

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

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Accounting standards adopted during the period

Effective January 1, 2013; the following standards were adopted but have had no material impact on the financial statements.

- i) IFRS 7: New standard to enhance the disclosure required when offsetting financial assets and liabilities;
- ii) IFRS 10: New standard to establish principles for the presentation and preparation of IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement, effective for annual periods beginning on or after January 1, 2013;

HIGHWAY 50 GOLD CORP.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

- iii) IFRS 12: New standard for the disclosure of interest in other entities not within the scope of IFRS 9 / IAS 39; effective for annual periods on or after January 1, 2013;
- iv) IFRS 13: New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013;
- v) IAS 27 (Amendment): As a result of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 27 deals solely with separate financial statements, effective for annual periods beginning on or after January 1, 2013;
- vi) IAS 28 (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the application of the equity method to investments in associates and joint ventures, effective for annual periods beginning on or after January 1, 2013.

New standards and interpretations not yet adopted

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

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements.

- i) IFRS 7 (amended): The amendments to IFRS 7 outlines the disclosure required initially applying the *IFRS 9 Financial Instruments*;
- ii) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018;
- iii) IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.

4. CASH AND CASH EQUIVALENTS

	2013	2012
Cash on deposit	\$ 449,060	\$ 423,395
Liquid short term deposit	<u>75,000</u>	<u>350,000</u>
	\$ 524,060	\$ 773,395

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

HIGHWAY 50 GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. RECEIVABLES

The Company's receivables arise from goods and services tax ("GST") receivable from Canadian government taxation authorities and accrued interest receivable on liquid short term deposits. These are broken down as follows:

	2013		2012	
GST receivable	\$	1,770	\$	2,192
Interest receivable		<u>156</u>		<u>461</u>
	\$	1,926	\$	2,653

6. PREPAID EXPENSES

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

	2013		2012	
Option pre-payment	\$	21,274	\$	34,644
Vendor pre-payments		<u>46</u>		<u>6,392</u>
	\$	21,320	\$	41,036

7. 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 8).

8. EXPLORATION AND EVALUATION ASSETS

	As at December 2013				
	Direct		Written-off		Total
Golden Brew Property	\$	1,040,058	\$	-	\$ 1,040,058
Porter Canyon Property		524,994		-	524,994
Other		<u>568,854</u>		<u>(468,408)</u>	<u>100,446</u>
	\$	2,133,906	\$	(468,408)	\$ 1,665,498

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

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

	As at December 2012					
	Direct		Written-off		Total	
Golden Brew Property	\$	947,664	\$	-	\$	947,664
Porter Canyon Property		424,986		-		424,986
Other		549,767		(468,408)		81,359
	\$	1,922,417	\$	(468,408)	\$	1,454,009

	Balance, Dec 31, 2011	Additions	Balance, Dec 31, 2012	Additions	Balance, Dec 31, 2013
Field operations	\$ 202,613	\$ 23,394	\$ 226,007	\$ 82,582	\$ 308,589
Assays	51,753	3,130	54,883	10,486	65,369
Administrative services	14,351	-	14,351	-	14,351
Drilling	612,338	-	612,338	-	612,338
Geology and mapping	157,207	7,699	164,906	928	165,834
Geophysics	168,556	-	168,556	-	168,556
Roads and linecutting	45,047	-	45,047	-	45,047
Acquisition	577,677	82,366	660,043	117,493	777,536
Exploration tax credit	(23,714)	-	(23,714)	-	(23,714)
	1,805,828	116,589	1,922,417	211,489	2,133,906
Less: write-offs	(468,408)	-	(468,408)	-	(468,408)
	\$ 1,337,420	\$ 116,589	\$ 1,454,009	\$ 211,489	\$ 1,665,498

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 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.

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

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

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	20,000
On or before January 5, 2016 through January 5, 2019	50,000
Each anniversary thereafter	75,000

Porter Canyon Property, Lander County, Nevada

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

9. EQUIPMENT

	Office Furnishings
Cost	
Balance, December 31, 2012	\$ -
Additions	<u>2,043</u>
Balance December 31, 2013	2,043
Accumulated amortization	
Balance, December 31, 2012	\$ -
Amortization	<u>204</u>
Balance December 31, 2013	204
Carrying amounts	
As at December 31, 2012	\$ -
As at December 31, 2013	<u>\$ 1,839</u>

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

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10. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

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

	2013	2012
Trade payables	\$ 52,717	\$ 11,894
Accrued liabilities	<u>10,059</u>	<u>-</u>
	<u>\$ 62,776</u>	<u>\$ 11,894</u>

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

11. CAPITAL STOCK AND SHARE COMPENSATION RESERVE

Authorized

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

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, 2011 and December 31, 2012 and December 31, 2013	1,850,000	0.42
Number of options currently exercisable	1,850,000	\$ 0.42

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

At December 31, 2013, the following incentive stock options were outstanding to directors, officers and employees:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
1,275,000	\$ 0.35	January 25, 2015	1,275,000
100,000	0.48	September 10, 2015	100,000
<u>475,000</u>	0.61	December 2, 2015	<u>475,000</u>
1,850,000			1,850,000

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, 2011	2,988,793		\$ 0.63
Warrants expired	(1,149,750)	July 9, 2012	0.60
Finders warrants expired	<u>(94,043)</u>	July 9, 2012	0.60
Balance, December 31, 2012	1,745,000		
Warrants expired	<u>(1,745,000)</u>	Nov 19, 2013	0.65
Balance, December 31, 2013	-	-	\$ -

12. 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
Tatmar Ventures (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.

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

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

During the year ended December 31, 2013, 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 to the Company. For the year ended December 31, 2013, Eagle Putt was paid \$24,000 (year ended December 31, 2012 - \$24,000). Amounts paid to Eagle Putt are classified as consulting fees in the consolidated statements of operations and comprehensive loss.

At December 31, 2013, the Company owed \$5,267 (December 31, 2012 - \$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 year ended December 31, 2013, Rangefront was paid \$24,000 (year ended December 31, 2012 - \$24,000). Amounts paid to Rangefront are classified as consulting fees in the consolidated statements of operations and comprehensive loss.

At December 31, 2013, the Company owed \$10,009 (December 31, 2012 - \$Nil) to Rangefront.

- c) Cerro Rico Management Corp. ("Cerro Rico") is a private company controlled by Megan Cameron-Jones, a director and an officer to the Company. For the year ended December 31, 2013, Cerro Rico was paid \$24,259 (year ended December 31, 2012 - \$25,474) for management services. Amounts paid to Cerro Rico are classified as consulting fees in the consolidated statements of operations and comprehensive loss. The Company also paid or accrued \$66,734 (year ended December 31, 2012 - \$64,216) to Cerro Rico for expenses classified in the consolidated statements of operations and comprehensive loss as office and administrative and \$8,410 (year ended December 31, 2012 - \$18,000) for rent.

At December 31, 2013, the Company owed \$320,068 (December 31, 2012 - \$205,666) to Cerro Rico.

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 year ended December 31, 2013 and 2012 are as follows:

	2013	2012
Consulting fees	\$ 72,259	\$ 73,474

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The significant non-cash transaction for the year ended December 31, 2013 included \$28,271 (2012 - \$331) in accounts payable and accrued liabilities related to exploration and evaluation assets.

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13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd...)

For the year ended December 31	2013	2011
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
December 31, 2013					
Canada	\$ 549,145	\$ 1,839	\$ -	\$ -	\$ 547,306
United States	1,709,809	-	1,665,498	44,311	-
	\$ 2,258,954	\$ 1,839	\$ 1,665,498	\$ 44,311	\$ 547,306
December 31, 2012					
Canada	\$ 817,084	\$ -	\$ -	\$ -	\$ 817,084
United States	1,496,254	-	1,454,009	42,245	-
	\$ 2,313,338	\$ -	\$ 1,454,009	\$ 42,245	\$ 817,084

15. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Net loss before income taxes	\$ (234,944)	\$ (239,834)
Expected income recovery	(60,000)	(60,000)
Change in statutory, foreign tax, foreign exchange rates and other	(20,000)	(9,000)
Change in unrecognized deductible temporary differences	80,000	69,000
Income tax recovery	\$ -	\$ -

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

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15. INCOME TAXES (cont'd...)

The Canadian income tax rate increased during the year due to changes in the law that increased corporate income tax rates in Canada. The significant components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	2013	2012
Deferred tax assets (liabilities):		
Exploration and evaluation assets	\$ 133,000	\$ 125,000
Share issue costs	5,000	10,000
Non-capital losses available for future periods	<u>349,000</u>	<u>272,000</u>
Net deferred tax liabilities	487,000	407,000
Unrecognized income tax assets	(487,000)	(407,000)
	\$ -	\$ -

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	Dec 31, 2013	Expiry Dates	Dec 31, 2012	Expiry Dates
Exploration and evaluation assets	\$ 266,000	N/A	\$ 255,000	N/A
Share issuance costs	20,000	2034	40,000	2034
Non-capital losses available for future periods	<u>1,341,000</u>	2014 – 2033	<u>1,086,000</u>	2014 – 2032
	\$ 1,627,000		\$ 1,381,000	

Tax attributes are subject to review, and potential adjustment, by tax authorities.

16. 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 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.

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16. 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 and cash equivalents are 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 December 31, 2013, the Company had a cash and cash equivalent balance of \$524,060 to settle current liabilities of \$398,120. 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 and interest-bearing investments. The interest earned on the investments approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2013, the Company had a total of \$75,000 in investment-grade short-term deposit certificates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because of the short-term nature of these investments.

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 \$40,000.

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.

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16. 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.

17. SUBSEQUENT EVENTS

On February 28, 2014, the Company completed a non-brokered private placement raising gross proceeds of \$2,600,000 (the "Offering") through the sale of 7,027,025 units (each a "Unit") at a purchase price of \$0.37 per Unit. Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share of the Company (a "Warrant Share") at an exercise price of \$0.60 per Warrant Share until February 28, 2015. In connection with the Offering, the Company paid cash finder's fees of \$38,332 and issued 24,500 Units to Finders. In addition, the Company also issued finder's options exercisable until February 28, 2015 entitling the finder to acquire up to 128,100 common shares at a purchase price of \$0.45.

Further to the Company's press release dated December 20, 2013 in which it announced that it had entered into a Letter of Intent with Regulus Resources Inc. ("Regulus") with respect to a proposed grant of an option (the "Option") to Regulus to acquire a 50% option in the Company's Golden Brew project, the Company has entered into a definitive Option Agreement with Regulus dated February 19, 2014 with respect to 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 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 purchased 2,000,000 Units in the Offering for proceeds of \$740,000 under the Offering. The transaction is considered to be non-arms length under the rules of the TSX Venture Exchange by virtue of the fact that two of the directors of Regulus, John Leask and Gordon Leask, are also directors of Highway 50. This transaction was unanimously approved by the three other Regulus Board members, all of whom are independent of Highway 50, with John Leask and Gordon Leask both abstaining.

On April 1, 2014, C. Victor Chevillon resigned from the Board of Directors.