



NEVADA SUNRISE GOLD CORPORATION

Condensed Interim Consolidated Financial Statements

December 31, 2016

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of interim financial statements, they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these interim financial statements.

NEVADA SUNRISE GOLD CORPORATION**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at December 31, 2016 and September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	December 31, 2016	September 30, 2016
ASSETS		
Current assets		
Cash and cash equivalents – Note 11	\$ 662,230	\$ 1,015,474
Marketable securities – Note 5	950,070	1,063,820
Receivables – Note 4	44,224	187,347
Prepaid expenses and deposits	21,690	52,596
Exploration advances – Note 7(b)	6,499	21,816
	<u>1,684,713</u>	<u>2,341,053</u>
Non-current assets		
Marketable securities – Note 5	879,070	915,320
Reclamation bonds and right of way – Note 8	140,293	112,665
Equipment	1,829	2,003
Exploration and evaluation assets – Note 7 and Schedule 1	4,184,567	3,806,596
	<u>5,205,759</u>	<u>4,836,584</u>
Total assets	<u>\$ 6,890,472</u>	<u>\$ 7,177,637</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 204,173	\$ 244,277
Due to related parties – Note 10	6,488	26,258
	<u>210,661</u>	<u>270,535</u>
Equity		
Share capital – Note 9	17,807,535	17,731,285
Contributed reserves – Note 9	3,086,559	3,086,559
Accumulated other comprehensive income	1,010,721	925,668
Deficit	(15,225,004)	(14,836,410)
	<u>6,679,811</u>	<u>6,907,102</u>
Total equity and liabilities	<u>\$ 6,890,472</u>	<u>\$ 7,177,637</u>

Approved by the Directors:

“Warren Stanyer”

Director

“Michael Sweatman”

Director

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

NEVADA SUNRISE GOLD CORPORATION**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	2016	2015
Expenses		
Accounting and audit – Note 10	\$ 28,500	\$ 20,950
Consulting fees	40,974	43,485
Depreciation	214	214
Directors' fees – Note 10	12,000	12,000
Exploration and evaluation costs – Note 7	59,258	82,124
Foreign exchange (gain) loss	(1,594)	2,257
Insurance	4,944	4,809
Legal – Note 10	8,259	24,865
Management fees and salaries – Note 10	54,400	57,720
Office expenses	13,571	5,355
Rent	6,075	6,075
Shareholder communications	24,145	20,705
Share-based payments – Note 9(e) and 10	-	104,000
Storage	5,134	4,258
Transfer agent and filing fees	3,111	7,490
Travel and entertainment	11,665	3,591
	<u>(270,656)</u>	<u>(399,898)</u>
Other items		
Management fee income – Note 7(k)	31,598	-
Interest income	464	-
Unrealized loss on marketable securities – Note 5	(150,000)	-
	<u>(117,938)</u>	<u>-</u>
Loss for the year	(388,594)	(399,898)
Foreign currency translation adjustment	85,053	139,725
Comprehensive loss for the period	<u>\$ (303,541)</u>	<u>\$ (260,173)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding – basic and diluted	<u>38,046,099</u>	<u>26,257,256</u>

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

NEVADA SUNRISE GOLD CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	2016	2015
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	\$ (388,594)	\$ (399,898)
Items not involving cash:		
Depreciation	214	214
Share-based payments	-	104,000
Unrealized loss on marketable securities	150,000	-
Net changes in non-cash working capital balances:		
Receivables	143,124	(4,526)
Prepaid expenses and deposits	30,906	8,682
Accounts payable and accrued liabilities	(40,104)	(56,539)
Due to related parties	(19,770)	6,127
	<u>(124,224)</u>	<u>(341,940)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Reclamation bonds	(25,240)	-
Exploration and evaluation assets – acquisition costs	(228,951)	(214,689)
	<u>(254,191)</u>	<u>(214,689)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Issuance of common shares, net of share issue costs	8,750	669,617
	<u>8,750</u>	<u>669,617</u>
Effect of foreign exchange on cash and cash equivalents	16,421	29,817
Change in cash and cash equivalents during the period	(353,244)	142,805
Cash and cash equivalents, beginning of the period	1,015,474	376,054
Cash and cash equivalents, end of the period	<u>\$ 662,230</u>	<u>\$ 518,859</u>
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

Supplemental disclosure with respect to cash flows – Note 11

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

NEVADA SUNRISE GOLD CORPORATION**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the three months ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Share Capital		Contributed Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number of Shares	Amount				
Balance as at September 30, 2016	37,996,045	\$ 17,731,285	\$ 3,086,559	\$ 925,668	\$ (14,836,410)	\$ 6,907,102
Exercise of warrants – Note 9	35,000	8,750	-	-	-	8,750
Property acquisition costs – Notes 7 and 9	250,000	67,500	-	-	-	67,500
Foreign currency translation adjustment	-	-	-	85,053	-	85,053
Loss for the period	-	-	-	-	(388,594)	(388,594)
Balance as at December 31, 2016	38,281,045	\$ 17,807,535	\$ 3,086,559	\$ 1,010,721	\$ (15,225,004)	\$ 6,679,811
Balance as at September 30, 2015	23,177,321	\$ 15,185,571	\$ 2,551,192	\$ 1,083,491	\$ (14,747,039)	\$ 4,073,215
Exercise of warrants – Note 9	450,000	67,500	-	-	-	67,500
Exercise of finder's warrants – Note 9	294,000	55,860	(26,460)	-	-	29,400
Private placement – Note 9	4,000,000	600,000	-	-	-	600,000
Less: share issue costs – Note 9	-	(39,991)	12,708	-	-	(27,283)
Property acquisition costs – Notes 7 and 9	300,000	65,000	-	-	-	65,000
Share-based payments – Note 9	-	-	104,000	-	-	104,000
Foreign currency translation adjustment	-	-	-	139,725	-	139,725
Loss for the period	-	-	-	-	(399,898)	(399,898)
Balance as at December 31, 2015	28,221,321	\$ 15,933,940	\$ 2,641,440	\$ 1,223,216	\$ (15,146,937)	\$ 4,651,659

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

NEVADA SUNRISE GOLD CORPORATION
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION AND EVALUATION ASSETS

For the three months ended December 31, 2016 and for the year ended September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Schedule 1

	Golden Arrow	Roulette	Water Rights	Neptune	Clayton NE	Aquarius	Jackson Wash	Atlantis	Gemini	Total
Balance, September 30, 2015	\$ 3,623,329	\$ 85,518	\$ -	\$ 784	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,709,631
Option payments - cash	-	16,570	228,200	-	-	-	-	-	-	244,770
Option payments - shares	-	-	36,000	47,000	18,000	-	19,000	18,000	-	138,000
Option payments - warrants	-	-	210,000	-	-	-	-	-	-	210,000
Option payments – shares of Advantage Lithium	-	-	142,413	-	-	-	-	-	-	142,413
Lease/royalty payments - cash	66,280	-	-	-	-	-	-	-	-	66,280
Staking/consulting	-	-	-	18,850	2,505	11,148	7,755	10,202	14,734	65,194
Claim maintenance	79,042	26,576	1,401	176,602	35,409	46,397	99,042	42,877	138,020	645,366
Translation adjustment	(88,902)	(1,817)	-	(19)	-	-	-	-	-	(90,738)
Option receipts - cash	-	-	(100,000)	(500,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(1,100,000)
Option receipts - shares	-	-	(308,561)	(216,147)	(166,147)	(166,147)	(166,147)	(262,500)	(194,647)	(1,480,296)
E&E expense recoveries	-	-	-	(69,960)	(11,074)	(25,247)	(52,283)	(53,079)	(161,613)	(373,256)
Gain (loss) on option of E&E	-	-	(209,453)	542,890	221,307	233,849	192,633	344,500	303,506	1,629,232
Balance, September 30, 2016	\$ 3,679,749	\$ 126,847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,806,596
Option payments - cash	33,370	26,697	168,884	-	-	-	-	-	-	228,951
Option payments - shares	-	-	67,500	-	-	-	-	-	-	67,500
Translation adjustment	77,300	2,836	1,384	-	-	-	-	-	-	81,520
Balance, December 31, 2016	\$ 3,790,419	\$ 156,380	\$ 237,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,184,567

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

NEVADA SUNRISE GOLD CORPORATION**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

1. CORPORATE INFORMATION

Nevada Sunrise Gold Corporation (the “Company”) was incorporated under the laws of the Province of British Columbia, Canada on April 3, 2007. On May 15, 2007, the Company acquired all of the issued and outstanding shares of Intor Resources Corporation (“Intor”) by way of a reverse takeover. Intor was incorporated under the laws of the State of Nevada, USA on September 7, 2004.

The Company’s principal business activity is the acquisition, exploration and evaluation of its mineral property assets located in the State of Nevada, USA. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “NEV”.

The Company’s registered office is Suite 1100 - 1111 Melville Street, Vancouver, British Columbia, V6E 3V6.

2. BASIS OF PREPARATION***Statement of Compliance***

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) IAS 34 “Interim Financial Reporting”.

These condensed interim consolidated financial statements do not include all of the information and disclosures required to be included in annual financial statements prepared in accordance with IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended September 30, 2016 and 2015.

These condensed interim consolidated financial statements were authorized for issue on February 28, 2017 by the directors of the Company.

Going Concern

These condensed interim consolidated financial statements are prepared using IFRS applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Future operations are dependent on the Company’s ability to raise additional equity financing and the attainment of profitable operations.

The Company has a history of operating losses and at December 31, 2016, has an accumulated deficit of \$15,225,004. At December 31, 2016, the Company had working capital of \$1,474,032. The Company will require equity financings in order to continue exploration of its exploration and evaluation assets and fund its administrative operations, but believes that it can maintain operations for the next twelve months.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These conditions may cast significant doubt about the Company’s ability to continue as a going concern.

NEVADA SUNRISE GOLD CORPORATION**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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2. BASIS OF PREPARATION (cont'd...)***Principles of Consolidation***

These condensed interim consolidated financial statements incorporate the accounts of the Company and the following subsidiary:

Name of subsidiary	Country of Incorporation	Percentage ownership	Principal Activity
Intor Resources Corporation	USA	100%	Exploration of Mineral Properties

The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies. All intercompany balances and transactions have been eliminated on consolidation.

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as 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. All dollar amounts are expressed in Canadian dollars unless otherwise specified.

Critical Accounting Judgments, Estimates and Assumptions***Critical Judgments***

The preparation of these condensed interim consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 2.

The functional currency of an entity is the currency of the primary economic environment in which an entity operates. The determination of an entity's functional currency requires judgment based on analysis of relevant criteria. The functional currency 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* ("IAS 21").

Estimations and assumptions

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:

i) ***Exploration and Evaluation Assets***

The carrying amount of the Company's exploration and evaluation assets properties 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.

NEVADA SUNRISE GOLD CORPORATION**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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2. BASIS OF PREPARATION (cont'd...)***Critical Accounting Judgments, Estimates and Assumptions (cont'd...)****ii) Share-based Payments*

The estimation of share-based payments includes estimating the inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in equity. Share-based payments expense and share-based share issuance costs are estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

iii) 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 future income tax provisions or recoveries could be affected.

3. SIGNIFICANT ACCOUNTING POLICIES***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on deposit with banks and redeemable investment-grade short-term deposit certificates with maturities within twelve months of the statement of financial position date.

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the straight line basis:

Field equipment

7 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

NEVADA SUNRISE GOLD CORPORATION**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)***Exploration and Evaluation Assets***

All direct costs related to the acquisition of exploration and evaluation assets are capitalized upon acquiring the legal right to explore a property. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to profit or loss as incurred.

Exploration and evaluation costs are expensed as incurred while the Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

Proceeds in the form of cash and/or common shares received, and reimbursements of historical acquisition costs, from a partial sale or option of any interest in a property are credited against the carrying value of the property. When the proceeds exceed the carrying costs, the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests that may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place.

At each reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any 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. 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 profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. Each of the Company's properties are considered to be a separate cash generating unit. 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 so that the increased carrying amount 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.

NEVADA SUNRISE GOLD CORPORATION**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)***Decommissioning and Restoration Provisions***

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets and equipment. The net present value of future rehabilitation costs is capitalized to the related asset 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 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 the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no decommissioning liabilities as at December 31, 2016 and September 30, 2016.

Foreign Currency Translation

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 of the Company is the Canadian dollar and the functional currency of Intor is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

i) Transactions and Balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are determined in foreign amounts are translated at the rate of exchange at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss.

ii) Translation of Subsidiary Results into the Presentation Currency

The Company's presentation currency is in the Canadian dollar.

The results and statements of financial position of the Company's subsidiary with a functional currency that is different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the period end rates of exchange, the results of operations are translated at average rates of exchange for the period, and items of equity are translated at historical rates. The resulting changes are recognized in accumulated other comprehensive income ("AOCI") in equity as a foreign currency translation adjustment.

Share-based Payments

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest.

NEVADA SUNRISE GOLD CORPORATION**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)***Share-based Payments (cont'd...)***

The fair value of the options granted is measured using the Black-Scholes Option Pricing Model which takes into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

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

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous periods.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss Per Share

The Company presents basic and diluted loss per share data 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.

Financial Instruments***i) Financial Assets***

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash and cash equivalents, and marketable securities are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary which are recognized in profit or loss. The Company classifies its reclamation bonds and right of way as held to maturity. No financial assets are classified as available for sale.

NEVADA SUNRISE GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Financial Instruments (cont'd...)

i) Financial Assets (cont'd...)

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired, other than those classified as FVTPL. If such evidence exists, the Company recognizes an impairment loss as follows:

- a) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- b) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss and comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of loss and comprehensive loss.

ii) Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

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(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)***Impairment of non-financial assets***

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any 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 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 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. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and 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.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed reserves.

New Standards Adopted for the Year Ended September 30, 2016

Effective October 1, 2015, the following standards were adopted but did not have a material impact on the condensed interim consolidated financial statements.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9.

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 future accounting periods. 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.

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4. FINANCIAL INSTRUMENTS AND 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 values of the Company's receivables, accounts payable and accrued liabilities and due to related parties approximate their carrying values because of the short-term nature of these instruments. The fair value of the Company's reclamation bonds and right of way also approximate its carrying value.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2016 and September 30, 2016:

	Level 1	Level 2	Level 3
December 31, 2016:			
Cash and cash equivalents	\$ 662,230	\$ -	\$ -
Marketable securities	\$ 1,829,140	\$ -	\$ -
September 30, 2016:			
Cash and cash equivalents	\$ 1,015,474	\$ -	\$ -
Marketable securities	\$ 1,979,140	\$ -	\$ -

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's cash and cash equivalents are held with large financial institutions. The Company's receivables consist of interest receivable on guaranteed investment certificates, goods and services tax receivable from the Government of Canada and exploration expenses incurred on behalf of third parties.

Management believes that credit risk concentration with respect to receivables is remote. The composition of receivables is as follows:

	December 31, 2016	September 30, 2016
Interest receivable	\$ -	\$ 200
Goods and services tax receivable	3,475	4,451
Expenses on behalf of third parties	40,749	182,696
	<u>\$ 44,224</u>	<u>\$ 187,347</u>

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, 2016, the Company had cash and cash equivalents of \$662,230 to settle current liabilities of \$210,661. Management believes the Company has sufficient funds to meet its current liabilities as they become due. See going concern discussion in Note 2.

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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)*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 which are not subject to significant risks in fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. An increase to interest rates by 1% would have an insignificant effect on the Company's operations.

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 US dollars.

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, or ability to obtain equity financing, due to movements in individual equity prices or general movements in the level of the stock market. The Company's marketable securities are subject to price risk. 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, lithium, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The Company operates in the United States and is exposed to exchange risk from changes in the US dollar. At December 31, 2016, a 10% fluctuation in the US dollar against the Canadian dollar would affect comprehensive income or loss by approximately \$17,300. A 10% fluctuation in the fair value of the Company's marketable securities would affect comprehensive income or loss by approximately \$182,900.

5. MARKETABLE SECURITIES

	December 31, 2016	September 30, 2016
Common shares of public companies:		
Fair value, opening	\$ 1,979,140	\$ -
Acquisitions (Schedule 1)	-	1,480,296
Proceeds on disposal	-	(20,280)
Option payment - Exploration and evaluation assets (Schedule 1)	-	(142,413)
Realized loss on disposal	-	(32,220)
Unrealized gain (loss)	(150,000)	693,757
	<hr/> \$ 1,829,140	<hr/> \$ 1,979,140

The Company has determined that it does not hold significant influence in any of its investments. The fair value is determined at each reporting date by reference to the closing price of these common shares. Certain marketable securities with trade restriction dates more than one year from the reporting date are included in non-current assets.

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6. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and evaluation of mineral properties in Nevada, USA. All of the Company's non-current assets are located in the United States.

7. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation asset interests 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 historical title conveyance characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation assets the Company has committed to earn interests in are located in the State of Nevada, USA.

Exploration and evaluation costs for the three months ended December 31, 2016 and 2015 were allocated as follows:

	2016	2015
Golden Arrow	\$ 12,143	\$ 13,856
Kinsley Mountain	16,168	31,388
Roulette	34,043	490
Neptune	-	22,619
Clayton NE	-	895
Jackson Wash	(3,096)	1,944
Atlantis	-	4,954
Gemini	-	5,978
Aquarius	-	-
Clayton Valley - Water Rights	-	-
	\$ 59,258	\$ 82,124

(a) Golden Arrow

The Company has a mining lease and two quitclaim deeds covering certain unpatented, and patented mineral claims which comprise the Golden Arrow property.

Mining Lease

The mining lease agreement is subject to a 3% net smelter royalty, and advance minimum royalty payments US\$25,000 per year, payable on January 1 each year (2016 – paid), for the remainder of the term of the mining lease. The mining lease can be extended year to year at the Company's option by making the advance minimum royalty payments.

The Company may purchase 1% of the net smelter royalty for \$1,000,000 at any time during the remaining term of the mining lease or during any subsequent term.

Quit Claim Deeds

One of the quitclaim deeds includes a 3% net smelter royalty and requires annual advance royalty payments of US\$25,000 (2016 – paid). The Company has the option to buy-down the net smelter royalty from 3% to 1%, in 1% increments, by making a one-time payment of US\$100,000 per 1% increment reduction. If the Company elects to buy-down the net smelter royalty, the annual advance royalty payment will also be reduced proportionately. The other quitclaim deed includes a 1% net smelter royalty.

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**(a) Golden Arrow (continued)**Plan of Operations

On May 11, 2016, the Company received the Golden Arrow Project Plan of Operations Approval from the US Bureau of Land Management for the State of Nevada. The Plan of Operations allows for drilling of up to 240,000 feet (approximately 73,000 metres) over a ten year period. The Company is required to increase the reclamation bond on Golden Arrow to US\$94,011 upon commencement of exploration.

On May 11, 2016, the Company was granted a 10 year right of way to access the Golden Arrow property. The Company paid US\$4,262 to prepay the right of way for the entire 10 year term which begins in July 2016 and carries through to June 2025. The Company is amortizing the right of way on a straight-line basis over the ten year term.

(b) Kinsley Mountain

The Company and Pilot Gold Inc. (“Pilot”) jointly hold a joint venture interest in Kinsley Gold LLC, which holds a mining lease agreement relating to the Kinsley Mountain property. The mining lease agreement has a 3% net smelter royalty on production. The mining lease agreement runs through June 2020, however, Kinsley Gold LLC has the right to terminate the lease with the former related party upon thirty days written notice or to extend the lease beyond 2020 provided it continues to make the required advance minimum royalty payments (2016 – advance minimum royalty obligations met). Per the terms of the mining lease agreement, Kinsley Gold LLC has an obligation to expend a minimum per calendar year of US\$500,000 (2016 – obligation met) annually in exploration, development and mining activities on the Kinsley Mountain property. Pilot is the operator of the joint venture activities undertaken by Kinsley Gold LLC.

At December 31, 2016, the Company had advanced \$6,499 (September 30, 2016 - \$21,816) to Kinsley Gold LLC for exploration on Kinsley Mountain.

At December 31, 2016, the Company’s proportionate interest in Kinsley Gold LLC and the Kinsley Mountain property was 20.94%. The presumption that the Company has significant influence by holding 20% or more of the voting power through the joint venture is overcome due to limitations in policy making processes and decisions. Additionally, the terms of the joint venture agreement do not meet the definition of a joint arrangement.

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**(c) Roulette**

On November 3, 2014, the Company entered into an option agreement to purchase the Roulette gold property located in White Pine County, Nevada. The Company expanded the claim group by way of staking.

For the option to earn a 100% interest in the original claim group, the Company has agreed to pay the vendors cash payments as follows:

Date of Payment	Cash
November 3, 2014	US\$7,500 (paid)
November 3, 2015	US\$12,500 (paid)
November 3, 2016	US\$20,000 (paid)
November 3, 2017	US\$25,000
November 3, 2018	US\$30,000
November 3, 2019	US\$35,000 (or a US\$200,000 buyout as described below)

The Company can elect to pay 50% of any future option payments to the vendors in common shares of the Company but would incur a 20% surcharge in favor of the vendors. On November 3, 2019, the Company has the right to purchase a 100% interest in the original claim group for US\$200,000, subject to a 2.5% net smelter returns royalty (“NSR”). At any time before a decision to commence production, the Company will have the right to purchase 1% of the NSR for US\$1,000,000 and the remaining 1.5% NSR for US\$2,000,000.

(d) Neptune

On September 16, 2015, the Company entered into an option agreement to purchase a 100% interest in the Neptune lithium property located in the Clayton Valley, Esmeralda County, Nevada.

For the option to earn a 100% interest in the property, the Company agreed to issue 1,000,000 common shares of the Company to the vendors as follows:

Date of Payment	Common Shares
October 20, 2015	200,000 common shares (issued at a fair value of \$47,000)
September 16, 2016	300,000 common shares (172,218 common shares of Advantage issued directly to the Optionor representing the fair value equivalent)
September 16, 2017	500,000 common shares

Neptune is subject to a 3% gross overriding royalty (“GOR”). Until September 16, 2018, the Company has the right to purchase 1% of the GOR for US\$1,000,000.

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)*(d) Neptune (continued)*Option Agreement – Option to Resolve Ventures Inc.

On May 3, 2016, the Company entered into a definitive joint venture and option agreement with Resolve Ventures Inc. (“Resolve”) in which Resolve could earn up to a 50% interest in the Neptune lithium property.

Under the terms of the definitive agreement, Resolve could earn an initial 25% interest in Neptune by making cash and share payments to the Company and by financing exploration expenditures as follows:

Description	Cash	Common shares	Exploration expenditure advances
Execution of interim agreement	\$50,000 (received)	-	-
Delivery by the Company of a co-addressed National Instrument 43-101 compliant technical report	\$50,000 (received)	-	-
Execution of the definitive agreement	-	200,000 (received at a fair value of \$50,000)	-
Funds advanced to the Company for exploration expenditures to be incurred by the Company	-	-	\$300,000 (received)

Neptune Option Amendment – Option to Advantage:

The Company entered into an Amendment to Option and Joint Venture Agreement (“Neptune Option Amendment Agreement”) with Resolve and Advantage dated September 27, 2016.

The Neptune Option Amendment Agreement amends and supersedes the Company's option agreement with Resolve dated May 3, 2016. Pursuant to the May 3, 2016 option agreement, Resolve had the right to earn up to a 50% interest in the Neptune property. Resolve fulfilled its obligations of for the initial 25% earn-in on the Neptune property. Pursuant to the Neptune Option Amendment Agreement, Resolve agreed to terminate its right to a second-stage earn-in where it could have increased its interest to 50%. The Neptune Option Amendment Agreement granted Advantage the option to earn up to a 50% interest in the Neptune property, with the Company and Resolve each retaining a 25% interest. Upon Advantage exercising its option to earn a 50% interest, a three-way joint venture would be formed.

To earn a 50% interest in the Neptune property, Advantage must fulfill the following obligations:

- Incur total exploration expenditures of \$700,000, as follows: a minimum of \$100,000 before July 29, 2017; a minimum aggregate of \$300,000 before July 29, 2018; and a minimum aggregate of \$700,000 before July 29, 2019;
- Exercise its initial option agreement with the Company for the five lithium properties (see Note 8(k)) one of which is the Neptune property;
- Make annual common share payments to the underlying owner of the property, either by direct issuance of Advantage's common shares, or by reimbursing the Company with Advantage common shares, should the Company issue its shares to the underlying owner, at the underlying owner's option.

If the Neptune Option Amendment Agreement is terminated prior to the Advantage earn-in date, Resolve can resume its right to the second-stage option and regain the right to earn a 50% interest in the Neptune property.

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)*(e) Clayton NE*

On December 3, 2015, the Company entered into an option agreement to purchase a 100% interest in the Clayton NE lithium property located in the Clayton Valley, Esmeralda County, Nevada. Refer to Note 8(k) for details of the option of Clayton NE to Advantage by the Company.

For the option to purchase a 100% interest in the property, the Company agreed to issue 500,000 common shares of the Company to the vendor as follows:

Date of Payment	Common Shares
December 3, 2015	100,000 common shares (issued at a fair value of \$18,000)
December 3, 2016	150,000 common shares (34,865 common shares of Advantage subsequently issued directly to the Optionor representing the fair value equivalent)
December 3, 2017	250,000 common shares

The property is subject to a 3% gross overriding royalty (“GOR”). The Company has the right to purchase 1% of the GOR for US\$1,000,000 on or by December 3, 2018.

(f) Jackson Wash

On December 17, 2015, the Company entered into an option agreement to purchase a 100% interest in the Jackson Wash lithium property located in the Jackson Valley, Esmeralda County, Nevada. Refer to Note 8(k) for details of the option of Jackson Wash to Advantage by the Company.

For the option to purchase a 100% interest in the property, the Company agreed to issue 500,000 common shares of the Company to the vendor as follows:

Date of Payment	Common Shares
December 17, 2015	100,000 common shares (issued at a fair value of \$19,000)
December 17, 2016	150,000 common shares (32,887 common shares of Advantage subsequently issued directly to the Optionor representing the fair value equivalent)
December 17, 2017	250,000 common shares

The property is subject to a 3% GOR. Until December 17, 2018, the Company has the right to purchase 1% of the respective GOR for US\$1,000,000.

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)*(g) Atlantis*

On February 11, 2016, the Company entered into an option agreement for an option to purchase a 100% interest in the Atlantis lithium property located in the Fish Valley, Esmeralda County, Nevada.

For the option to purchase a 100% interest in the property, the Company agreed to issue 500,000 common shares of the Company to the vendor as follows:

Date of Payment	Common Shares
February 11, 2016	100,000 common shares (issued at a fair value of \$18,000)
February 11, 2017	150,000 common shares (issued at a fair value of \$39,000)
February 11, 2018	250,000 common shares

The property is subject to a 3% GOR. Until the third anniversary of the agreement, the Company has the right to purchase 1% of the respective GOR for US\$1,000,000.

Option Agreement - American Lithium Corp.

On March 14, 2016, the Company entered into a property option agreement with a private company, which was later acquired by American Lithium Corp., (“American Lithium”) (the “Optionee”) for an option to earn an 80% interest in the Atlantis lithium property, by making payments of cash and issuing common shares to the Company, by incurring exploration expenditures on the property, and by meeting certain other conditions, as follows:

Details of Commitments of the Optionee	Cash	Common shares	Expenditure Commitments
Reimbursement to the Company for acquisition expenditures	\$53,079 (US\$48,050) (received)	-	-
Upon recording of additional claims staked by the Company	\$100,000 (received)	-	-
On or before March 14, 2017	-	-	US\$100,000
On or before March 14, 2018	-	-	US\$250,000
On or before March 14, 2019	-	-	US\$650,000
March 21, 2016	-	250,000 (received at a fair value of \$262,500)	-
March 21, 2018	-	500,000	-
March 21, 2019	-	500,000	-

Should American Lithium not make future common share payments to the Company or not incur the required exploration and evaluation expenditures, the property option agreement will terminate without notice. Any shortfalls in exploration expenditures in any year may be paid to the Company in cash to keep the option in good standing. Any excess amounts of exploration expenditures incurred in a year can be applied to future years.

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**(h) Gemini**

The Company owned a 100% interest in a group of mineral claims known as the Gemini lithium property (“Gemini”). These claims were acquired by way of staking. Gemini is located in the Lida Valley, Esmeralda County, Nevada. Refer to Note 8(k) for details of the option of Gemini to Advantage Lithium by the Company.

On January 20, 2016, the Company entered into an interim agreement with Eureka Resources Inc. (“Eureka”), a public company with directors and officers in common with the Company, to sell a 50% participating interest in the Gemini.

Pursuant to the terms of the interim agreement, Eureka had the right to acquire a 50% participating interest in Gemini by reimbursing the Company for 50% of the Gemini acquisition and evaluation costs (\$96,794 received). In addition, Eureka would issue the Company 500,000 common shares, with 300,000 shares to be issued on receipt of regulatory acceptance of the agreement (acceptance was received on June 6, 2016, common shares were received with a fair value of \$28,500) and 200,000 to be issued on June 6, 2017.

On May 4, 2016, the companies signed an addendum to the interim agreement that in the event that one of the companies divests of its 50% interest in Gemini, the remaining company would become the operator at Gemini by default.

On September 21, 2016, the Company entered into a Definitive Joint Venture Agreement with Eureka, with both parties’ initial Participating Interests at 50% each.

(i) Aquarius

The Company owns a 100% interest in certain placer claims which make up the Aquarius lithium property. These claims were acquired by way of staking. Aquarius is located in the Clayton Valley, Esmeralda County, Nevada. Refer to Note 8(k) for details of the option of Aquarius to Advantage Lithium by the Company.

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)*(j) Water Rights*Option of Water Rights from Vendors:

On March 16, 2016, the Company signed a definitive water rights purchase agreement for the option to purchase a 100% interest in water right Permit 44411 (the "Permit") in the Clayton Valley, Nevada. The pre-existing water right allows for 1,770 acre/feet of water use for mining and milling per year. Refer to Note 8(k) for details of the option of the water rights to Advantage Lithium by the Company.

In consideration for the option to purchase the water rights, the Company agreed to pay the vendors a combination of cash, common shares, and share purchase warrants as follows:

Date of Payment	Cash	Common Shares	Share Purchase Warrants
March 30, 2016	US\$125,000 (paid) ⁽¹⁾	200,000 (issued with a fair value of \$36,000) ⁽¹⁾	2,250,000 (issued)
December 21, 2016	US\$150,000 (paid)	250,000 (issued)	n/a
December 21, 2017	US\$175,000	300,000	n/a
December 21, 2018	US\$200,000	350,000	n/a
December 21, 2019	US\$300,000	400,000	n/a
December 21, 2020	US\$350,000	500,000	n/a
Total	US\$1,300,000	2,000,000	2,250,000

⁽¹⁾ US\$75,000 of this cash payment, and the 200,000 common shares issued will be refundable to the Company, should the Company's ability to use the water rights to its fullest extent be restricted by any regulation or statute.

The 2,250,000 share purchase warrants were issued with the following terms:

Number of Warrants	Exercise Price	Expiry Date
750,000	\$0.50	March 30, 2018
750,000	\$0.70	March 30, 2019
750,000	\$1.00	March 30, 2020

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)*(j) Water Rights (continued)*

The fair value of the share purchase warrants was calculated as \$210,000 using the Black-Scholes Option Pricing Model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the warrant.

Risk-free interest rate	1.50%
Expected life of warrants	3 years
Annualized volatility	125%
Dividend rate	0%

On August 31, 2016, the Company signed a consent agreement with Advantage and the vendors of the water right, whereby the vendors consented to assign the terms of the original water right option agreement to Advantage for consideration as follows:

Description	Cash	Common shares
August 31, 2016	\$62,500 (paid)	-
Transfer of Advantage Lithium Corp., common shares by the Company	-	258,932 (transferred with a fair value of \$142,413)

On November 29, 2016, the state engineer's office of the Nevada Division of Water Resources (“NDWR”) issued a ruling of forfeiture against the Permit, citing lack of beneficial use for a period of five years. The Company filed an appeal on December 29, 2016 with the NDWR.

As a result of the NDWR ruling of forfeiture of the Permit, and the subsequent appeal filed by the Company, the Company’s ability to use the water right is uncertain, consequently, the Company and Advantage are currently re-negotiating the option of water rights agreement detailed below:

Option of Water Rights to Advantage Lithium Corp.:

The Company granted Advantage the option to acquire a 100% interest in the Permit, exercisable for a period of 120 days after the later of the date that Advantage exercises the Initial Option and the date that the Nevada State engineer approves the application to transfer the place of use and point of diversion of the Permit to the Aquarius property.

In order to maintain the water rights option, Advantage shall:

- Make all water rights cash payments required to be made until the exercise of the water rights option;
- Pay all legal and other costs associated with the application to transfer the place of use and point of diversion of the Permit;
- Pay all legal and other costs required to maintain the Permit.

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

(j) Water Rights (continued)

Option of Water Rights to Advantage Lithium Corp.: (continued)

In order to exercise the water rights option, Advantage shall pay the Company an amount equal to the sum of (with no due date specified):

- The water rights cash payments made by the Company prior to the grant of the water rights option;
- The value of the water rights share payments issued by the Company before the exercise of the water rights option (which shall be established by multiplying the number of shares issued by the 20-day volume-weighted average price immediately prior to the date such water rights share payments were made);
- The legal and other costs incurred by the Company to acquire and make the application to transfer the location of the Permit;
- \$200,000 (U.S.), payable in cash or a calculated value in Advantage shares, at Advantage's option.

After exercise of the water rights option, Advantage shall be solely responsible for making all remaining water rights cash payments and water rights share payments.

(k) Option Agreement - Advantage Lithium Corp.

On June 16, 2016, the Company signed a Letter of Intent to grant an option to Advantage Lithium to earn working interests in five of its lithium exploration projects located in Esmeralda County, Nevada.

Initial Option:

Advantage will be granted an Initial Option to earn the following interests, (collectively, the "Optioned Properties"):

- 51% of the Company's interest in Clayton NE property (subject to the Clayton NE underlying option) (Note 8(e));
- 51% of the Company's interest in the Jackson Wash property (subject to the Jackson Wash underlying option) (Note 8(f));
- 50% of the Gemini property (subject to the terms of the joint venture agreement with Eureka Resources Inc. and to the Company retaining a 2% GOR for divesting its interest) (Note 8(h)).
- 51% of the Aquarius property (subject to the Company retaining a 3% gross overriding royalty ("GOR") for divesting its interest) (Note 8(i)); and

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)***(k) Option Agreement - Advantage Lithium Corp. (continued)******Initial Option - Consideration:***

Advantage (the “Optionee”) will earn its interests in the Optioned Properties by making the following cash and share payments to the Company and by incurring exploration expenditures on the properties as follows:

Details of Proceeds / Expenditure commitments of the Optionee	Cash	Common shares	Expenditure commitment
June 16, 2016	\$600,000 (received)	-	-
4.9% of the issued and outstanding common shares of Advantage (subject to certain hold periods)	-	2,071,447 (received with a fair value of \$1,139,296)	-
Minimum exploration expenditures (to include claim maintenance fees for all of the properties that are payable or become payable), by June 16, 2018 (the “Initial Expenditures”)	-	-	\$1,500,000 ⁽¹⁾

(1) There is no specific property allocation requirement relating to the expenditure commitment.

During the three months ended December 31, 2016, the Company earned management fee income of \$31,598 (2015 - \$Nil) in connection with the management of Advantage’s expenditure commitments.

Subject to Advantage meeting all requirements of the Initial Option, Advantage will have earned its interests in the Optioned Properties. Thereafter, Advantage will have the option to either form a joint venture with the Company in respect of the optioned projects or to proceed with the Second Option.

Second Option:

Once Advantage has exercised the Initial Option, it will have the right to increase its interests in the optioned properties to 70% interest by completing, by June 16, 2020, exploration expenditures of \$3,000,000, (aggregate expenditures in combination with the Initial Expenditures, with no specified allocations to each of the Optioned Properties). Thereafter, the parties will form a 70/30 joint venture.

Gemini Option:

In connection with the Initial Option, the Company and Advantage will agree to make the expenditures required to be made by the Company in order for it to maintain its interest in the Gemini joint venture with Eureka (Note 8(h)), with any such expenditures being deemed to be Initial Expenditures. Provided that Advantage has made sufficient expenditures to maintain the Company’s interest in the Gemini joint venture, upon exercise of the Initial Option by Advantage, the Company will assign to Advantage the Company’s interest in the Gemini joint venture in consideration for a 2% GOR in the same form as that provided by the Company to the underlying vendor in the Neptune property agreement (Note 8(d)).

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8. RECLAMATION BONDS AND RIGHT OF WAY

At December 31, 2016 and September 30, 2016, the Company has posted reclamation bonds on various properties with the Nevada Bureau of Land Management as a guarantee of exploration site restoration. In addition, the Company has prepaid a right of way for the Golden Arrow property.

	December 31, 2016	September 30, 2016
Golden Arrow – Note 8(a)	\$ 24,239	\$ 23,743
Golden Arrow – right of way – Note 8(a)	5,441	5,469
Neptune – Note 8(d)	24,367	23,867
Jackson Wash – Note 8(f)	24,508	24,004
Clayton NE – Note 8(e)	24,087	23,593
Gemini – Note 8(h)	12,240	11,989
Aquarius – Note 8(i)	25,411	-
	<u>\$ 140,293</u>	<u>\$ 112,665</u>

9. SHARE CAPITAL AND CONTRIBUTED RESERVES

a) Authorized:

Unlimited common shares without par value

b) Issued:

Three Months Ended December 31, 2016:

During the three months ended December 31, 2016, the Company issued 35,000 common shares at \$0.25 per share pursuant to the exercise of 35,000 share purchase warrants for proceeds of \$8,750

During the three months ended December 31, 2016, the Company issued 250,000 common shares with a fair value of \$67,500 for property acquisition costs on the Clayton Valley water right.

Year Ended September 30, 2016:***Private Placements***

- i) On November 6, 2015, the Company issued 4,000,000 units at \$0.15 per unit for gross proceeds of \$600,000. Each unit contained one common share and one warrant entitling the holder to purchase an additional common share at \$0.25 until November 6, 2018.

In connection with the private placement, the Company paid finders' fees of \$8,288, and issued 55,250 finders' warrants with a fair value of \$12,708. Each finder's warrant entitles the holder to purchase one unit with the same terms as the private placement units at \$0.165 until November 6, 2018.

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9. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)

The fair value of the finders' warrants issued was calculated using the Black-Scholes Option Pricing Model using the assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the warrant.

Risk-free interest rate	1.25%
Expected life of warrants	3 years
Annualized volatility	179%
Dividend rate	0%
Weighted average fair value per warrant	\$0.23

ii) On February 24, 2016, the Company issued 1,130,000 units at \$0.18 per unit for gross proceeds of \$203,400. Each unit contained one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase an additional common share at \$0.30 until February 24, 2018. The Company paid finders' fees of \$6,480.

iii) On March 18, 2016, the Company issued 1,135,833 units at \$0.18 per unit for gross proceeds of \$204,450. Each unit contained one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase an additional common share at \$0.30 until September 18, 2017.

In connection with the private placement, the Company paid finders' fees of \$7,457 and issued 41,430 finders' warrants with a fair value of \$3,729. Each finder's warrant entitles the holder to purchase one unit with the same terms as the private placement units at \$0.18 until September 18, 2017.

The fair value of the finders' warrants issued was calculated using the Black-Scholes Option Pricing Model using the assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the warrant.

Risk-free interest rate	1.00%
Expected life of warrants	1.5 years
Annualized volatility	95%
Dividend rate	0%
Weighted average fair value per warrant	\$0.09

iv) On April 20, 2016, the Company issued 1,664,166 units at \$0.18 per unit for gross proceeds of \$299,550. Each unit contained one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase an additional common share at \$0.30 until October 20, 2017. In connection with the private placement, the Company paid finders' fees of \$5,400 and issued 30,000 finders' warrants with a fair value of \$3,300. Each finder's warrant entitles the holder to purchase one unit with the same terms as the private placement units at \$0.18 until October 20, 2017.

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9. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)

The fair value of the finders' warrants issued was calculated using the Black-Scholes Option Pricing Model using the assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the warrant.

Risk-free interest rate	1.00%
Expected life of warrants	1.5 years
Annualized volatility	90%
Dividend rate	0%

- v) On June 16, 2016, the Company issued 2,500,000 units at \$0.20 per unit for gross proceeds of \$500,000. Each unit contained one common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.32 until June 16, 2018.

In connection with all the private placements completed during the year, the Company incurred filing and legal fees of \$27,293.

Warrants Exercised

During the year ended September 30, 2016, the Company issued 3,055,875 common shares pursuant to the exercise of share purchase warrants as follows:

- 2,650,000 common shares at \$0.15 per share for proceeds of \$397,500
- 365,875 common shares at \$0.25 per share for proceeds of \$91,469
- 40,000 common shares at \$0.30 per share for proceeds of \$12,000

Options Exercised

During the year ended September 30, 2016, the Company issued 312,500 common shares pursuant to the exercise of stock options as follows:

- 100,000 common shares at \$0.17 per share for proceeds of \$17,000
- 100,000 common shares at \$0.175 per share for proceeds of \$17,500
- 52,500 common shares at \$0.19 per share for proceeds of \$9,975
- 60,000 common shares at \$0.22 per share for proceeds of \$13,200

Finder's Warrants Exercised

During the year ended September 30, 2016, the Company issued 320,350 common shares pursuant to the exercise of finder's warrants as follows:

- 294,000 common shares at \$0.10 per share for proceeds of \$29,400
- 5,875 common shares at \$0.165 per share for proceeds of \$969
- 20,475 common shares at \$0.18 per share for proceeds of \$3,686

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9. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)*Property Option Payments*

During the year ended September 30, 2016, the Company issued 700,000 common shares for property acquisition costs as follows:

- 200,000 common shares with a fair value of \$47,000 for the Neptune property (Note 8(d)).
- 100,000 common shares with a fair value of \$18,000 for the Clayton NE property (Note 8(e)).
- 100,000 common shares with a fair value of \$19,000 for the Jackson Wash property (Note 8(f)).
- 100,000 common shares with a fair value of \$18,000 for the Atlantis property (Note 8(g)).
- 200,000 common shares with a fair value of \$36,000 for the Clayton Valley water right (Note 8(j)).

c) Finders' Warrants:

At December 31, 2016, there were 100,330 finders' warrants outstanding entitling the holders thereof the right to purchase one unit comprising one common share and one common share purchase warrant with exercise terms equivalent to the financings to which they were related, for each finders' warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
20,955	\$0.18	September 18, 2017
49,375	\$0.165	November 6, 2018
30,000	\$0.18	October 20, 2017

Finders' warrant transactions and the number of finders' warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2015	438,200	\$ 0.18
Warrants exercised	(320,350)	0.11
Warrants expired	(144,200)	0.35
Warrants issued	126,680	0.17
Balance at September 30, 2016 and December 31, 2016	100,330	\$ 0.17

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9. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)

d) Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2015	6,855,000	\$ 0.28
Warrants exercised	(3,055,875)	0.16
Warrants expired	(1,894,000)	0.15
Warrants issued – private placements	8,465,000	0.28
Warrants issued – acquisition of exploration and evaluation assets (Note 8(j))	2,250,000	0.73
Warrants issued – exercise of finders' warrants	320,350	0.16
Balance at September 30, 2016	12,940,475	\$ 0.41
Warrants exercised	(35,000)	0.25
Balance at December 31, 2016	12,905,475	\$ 0.41

At December 31, 2016, there were 12,905,475 warrants outstanding and exercisable entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
1,500,000	\$0.50	March 20, 2017
1,105,000	\$0.50	May 13, 2017
567,917	\$0.30	September 18, 2017
832,083	\$0.30	October 20, 2017
545,475	\$0.30	February 24, 2018
750,000	\$0.50	March 30, 2018
2,500,000	\$0.32	June 16, 2018
3,605,000	\$0.25	November 6, 2018
750,000	\$0.70	March 30, 2019
750,000	\$1.00	March 30, 2020

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9. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)

e) Options

The Company has a stock option plan whereby it may grant options to employees, directors, officers, consultants and certain other service providers. The maximum number of options that may be granted under the plan is 10% of the issued and outstanding common shares. Options are exercisable for a maximum of 10 years. The exercise price of the options is set in accordance with the policies of the TSX Venture Exchange. Stock options are subject to vesting requirements as determined by the Company's Board of Directors.

The fair value of options vested during the year ended September 30, 2016, was \$387,900 (2015 - \$134,000). The fair value of stock options was calculated using the Black-Scholes Option Pricing Model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the option.

	Year Ended September 30, 2016	Year Ended September 30, 2015
Risk-free interest rate	1.43%	1.70%
Expected life of options	5 years	5 years
Annualized volatility	153%	139%
Dividend rate	0%	0%
Weighted average fair value per option	\$0.276	\$0.268

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

	Number of Options	Weighted Average Exercise Price
Balance at September 30, 2015	2,240,000	\$ 0.36
Options cancelled	(30,000)	0.22
Options exercised	(312,500)	0.18
Options granted	1,405,000	0.30
Balance at September 30, 2016 and December 31, 2016	3,302,500	\$ 0.35
Exercisable at September 30, 2016 and December 31, 2016	3,302,500	\$ 0.35

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9. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)

e) Options (continued)

At December 31, 2016, there were 3,302,500 options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Shares	Exercise Price	Expiry Date
70,000	\$0.50	March 13, 2017
120,000	\$0.50	May 10, 2017
130,000	\$0.50	December 4, 2017
50,000	\$0.50	August 29, 2018
10,000	\$0.50	October 28, 2018
657,500	\$0.19	January 30, 2019
650,000	\$0.50	May 20, 2019
200,000	\$0.50	October 8, 2019
100,000	\$0.17	September 10, 2020
430,000	\$0.22	November 23, 2020
100,000	\$0.185	February 8, 2021
785,000	\$0.37	September 6, 2021

The weighted average remaining life of the outstanding stock options is 3.24 years.

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10. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of its Chief Executive Officer, Chief Financial Officer and Corporate Secretary.

Remuneration attributed to key management personnel or companies controlled by key management personnel during the three months ended December 31, 2016 and 2015 is summarized as follows:

	2016		2015
Accounting fees	\$ 19,000	\$	16,200
Management fees and salaries	54,400		57,720
Share-based payments	-		32,000
	\$ 73,400	\$	105,920

The Company incurred the following charges by directors of the Company and by a law firm in which a director of the Company is a partner during the three months ended December 31, 2016 and 2015:

	2016		2015
Directors' fees	\$ 12,000	\$	12,000
Legal	7,347		14,056
Legal – share issue costs	-		13,673
Share-based payments	-		48,000
	\$ 19,347	\$	87,729

During the year ended September 30, 2016, Eureka (a public company with directors in common with the Company) issued 300,000 common shares to the Company related to a joint venture agreement on the Gemini property (Note 8(h)). The fair value of the common shares was \$28,500.

At December 31, 2016, the Company held 300,000 common shares of Eureka (Note 5).

At December 31, 2016, due to related parties includes \$6,488 (September 30, 2016 - \$26,258) for legal fees and expenses due to a law firm in which a director of the Company is a partner. The amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

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11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Cash and cash equivalents are comprised of:

	December 31, 2016	September 30, 2016
Cash	\$ 662,230	\$ 815,474
Cash equivalents – guaranteed investment certificates	-	200,000
	<u>\$ 662,230</u>	<u>\$ 1,015,474</u>

The following non-cash investing and financing activities occurred during the three months ended December 31, 2016 and 2015:

	2016	2015
Fair value of finders' warrants issued pursuant to private placements	\$ -	\$ 12,708
Reclassification on exercise of finders' warrants to share capital from contributed reserves	\$ -	\$ 26,460
Fair value of shares issued for exploration and evaluation assets	\$ 67,500	\$ 65,000

12. SUBSEQUENT EVENTSa) Finder's Warrants Exercised

On February 6, 2017, the Company issued 6,675 common shares at \$0.18 per share for proceeds of \$1,202 pursuant to the exercise of 6,675 finder's warrants. In addition, the Company issued 3,338 share purchase warrants exercisable at \$0.30 until September 18, 2018.

On February 6, 2017, the Company issued 9,000 common shares at \$0.18 per share for proceeds of \$1,620 pursuant to the exercise of 9,000 finder's warrants. In addition, the Company issued 4,500 share purchase warrants exercisable at \$0.30 until October 20, 2017.

On February 6, 2017, the Company issued 2,000 common shares at \$0.165 per share for proceeds of \$330 pursuant to the exercise of 2,000 finder's warrants. In addition, the Company issued 2,000 share purchase warrants exercisable at \$0.25 until November 6, 2018.

b) Warrants Exercised

On February 6, 2017, the Company issued 2,000 common shares at \$0.25 per share for proceeds of \$500 pursuant to the exercise of 2,000 share purchase warrants exercisable at \$0.25 until November 6, 2018.

c) Atlantis

On February 8, 2017, the Company issued 150,000 common shares as a property option payment on the Atlantis lithium property. The shares had a fair value of \$39,000.

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12. SUBSEQUENT EVENTS (cont'd...)d) Salt Wells

On February 16, 2017, the Company announced a Letter of Intent (“LOI”) with Lithium Corporation of Elko, Nevada on the Salt Wells lithium brine prospect (“Salt Wells”) located in Churchill County, Nevada. Salt Wells consists of 43 placer claims covering an area of approximately 1,392 hectares.

Under the terms of the LOI, the Company may earn a 100% interest in Salt Wells, subject to a 2% net smelter return royalty (“NSR”), by making staged payments of cash and common shares over the next two years, as follows:

- US\$10,000 non-refundable deposit upon execution of the LOI; (paid)
- US\$15,000 and issuance of 400,000 common shares on the later of TSX Venture Exchange acceptance of the LOI or the signing of a formal definitive agreement (“Effective Date”);
- US\$50,000 and 500,000 shares on the 1st anniversary of the Effective Date;
- US\$75,000 and 600,000 shares on the 2nd anniversary of the Effective Date.

The Company is currently carrying out due diligence on Salt Wells, and if satisfied with the results of that due diligence, will give notice to Lithium Corporation that it wishes to proceed to a definitive agreement. The Company will pay all claim and other property-related fees during the earn-in phase of the Salt Wells definitive agreement, and will also retain the right to purchase one-half (1%) of the NSR at any time up until the third anniversary of the signing of the definitive agreement for \$1,000,000.