



**NEVADA SUNRISE GOLD CORPORATION**

Condensed Interim Consolidated Financial Statements

December 31, 2014

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

### **NOTE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3, 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.

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

As at December 31, 2014 and September 30, 2014

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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	December 31, 2014	September 30, 2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,558,652	\$ 1,796,687
Receivables	3,395	7,983
Exploration advances – Note 6	-	150,484
Prepaid expenses and deposits	<u>18,948</u>	<u>27,955</u>
	<u>1,580,995</u>	<u>1,983,109</u>
Non-current assets		
Equipment – Note 5	4,134	4,967
Exploration and evaluation assets – Notes 6 and 9	<u>3,083,995</u>	<u>2,893,577</u>
	<u>3,088,129</u>	<u>2,898,544</u>
Total assets	<u>\$ 4,669,124</u>	<u>\$ 4,881,653</u>
<b>EQUITY AND LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 175,748	\$ 102,160
Due to related parties – Note 9	<u>2,168</u>	<u>1,220</u>
	<u>177,916</u>	<u>103,380</u>
Equity		
Share capital – Note 7	15,088,071	15,082,446
Contributed reserves – Note 7	2,472,260	2,386,260
Accumulated other comprehensive income	580,228	455,357
Deficit	<u>(13,649,351)</u>	<u>(13,145,790)</u>
	<u>4,491,208</u>	<u>4,778,273</u>
Total equity and liabilities	<u>\$ 4,669,124</u>	<u>\$ 4,881,653</u>

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Corporate Information – Note 1

Commitments – Notes 6 and 7

Approved by the Directors:

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*“Warren Stanyer”*

Director

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*“Michael Sweatman”*

Director

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

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

For the three months ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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	2014	2013
Accounting and audit – Note 9	\$ 9,000	\$ 7,500
Consulting fees	2,000	8,333
Depreciation – Note 5	1,018	940
Directors' fees – Note 9	12,000	6,000
Exploration and evaluation costs – Note 6	363,467	692
Foreign exchange	(38,821)	(3,293)
Insurance	4,411	4,316
Interest income	(961)	-
Management fees and salaries – Note 9	29,400	19,500
Legal – Note 9	8,555	19,127
Office expenses	2,748	1,092
Rent	4,200	3,075
Shareholder communications	7,308	2,186
Share-based payments – Note 7	86,000	3,000
Storage	3,650	3,132
Transfer agent and filing fees	6,410	4,969
Travel and entertainment	<u>3,176</u>	<u>945</u>
Loss for the period	(503,561)	(81,514)
Translation adjustment	<u>124,871</u>	<u>100,996</u>
Comprehensive income (loss) for the period	<u>\$ (378,690)</u>	<u>\$ 19,482</u>
Basic and diluted income (loss) per share – Note 1	<u>\$ (0.02)</u>	<u>\$ 0.00</u>
Weighted average number of shares outstanding – Note 1	<u>22,523,653</u>	<u>9,667,321</u>

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

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

For the three months ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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	Share Capital					
	(Note 1) Number of Shares	Amount	Contributed Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance as at September 30, 2013	9,667,321	\$ 11,442,253	\$ 1,588,858	\$ 242,892	\$ (10,626,587)	\$ 2,647,416
Share subscriptions	-	-	-	-	-	70,000
Share-based payments – Note 7	-	-	3,000	-	-	3,000
Cumulative translation adjustment	-	-	-	100,996	-	100,996
Loss for the period	-	-	-	-	(81,514)	(81,514)
Balance as at December 31, 2013	<u>9,667,321</u>	<u>\$ 11,442,253</u>	<u>\$ 1,591,858</u>	<u>\$ 343,888</u>	<u>\$ (10,708,101)</u>	<u>\$ 2,739,898</u>
Balance as at September 30, 2014	22,489,821	\$ 15,082,446	\$ 2,386,260	\$ 455,357	\$ (13,145,790)	\$ 4,778,273
Exercise of warrants – Note 7	37,500	5,625	-	-	-	5,625
Share-based payments – Note 7	-	-	86,000	-	-	86,000
Cumulative translation adjustment	-	-	-	124,871	-	124,871
Loss for the period	-	-	-	-	(503,561)	(503,561)
Balance as at December 31, 2014	<u>22,527,321</u>	<u>\$ 15,088,071</u>	<u>\$ 2,472,260</u>	<u>\$ 580,228</u>	<u>\$ (13,649,351)</u>	<u>\$ 4,491,208</u>

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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, 2014 and 2013  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	2014	2013
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Loss for the period	\$ (503,561)	\$ (81,514)
Items not involving cash:		
Depreciation	1,018	940
Share-based payments	86,000	3,000
Net changes in non-cash working capital balances:		
Receivables	4,588	218,841
Prepaid expenses and deposits	9,007	3,725
Exploration advances	150,484	-
Accounts payable and accrued liabilities	73,588	(35,373)
Due to related parties	948	(26,397)
	<u>(177,928)</u>	<u>83,222</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Exploration and evaluation assets – acquisition costs	<u>(66,661)</u>	<u>(1,936)</u>
	<u>(66,661)</u>	<u>(1,936)</u>
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>		
Share subscriptions	-	70,000
Issuance of common shares for cash, net of share issue costs	<u>5,625</u>	<u>-</u>
	<u>5,625</u>	<u>70,000</u>
Effect of exchange rate on cash and cash equivalents	<u>929</u>	<u>2,625</u>
Net change in cash during the period	(238,035)	153,911
Cash and cash equivalents, beginning	<u>1,796,687</u>	<u>58,074</u>
Cash and cash equivalents, ending	\$ 1,558,652	\$ 211,985
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Interest paid	\$ -	\$ -
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Income taxes paid	\$ -	\$ -
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The accompanying notes form an integral part of these condensed interim consolidated financial statements

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

December 31, 2014

(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 exploration and evaluation assets located in the State of Nevada, USA. The Company’s common shares are listed for trading on the TSX Venture Exchange under the symbol “NEV”.

The Company’s head office and principal business address is Suite 1100 - 1111 Melville Street, Vancouver, British Columbia, V6E 3V6.

On December 16, 2013, the Company completed a consolidation of its common shares (“share consolidation”) on the basis of one post-consolidation common share for every ten pre-consolidation common shares held. All references contained in these condensed interim consolidated financial statements to outstanding and issued common shares, warrants and options, per share amounts and exercise prices have been retroactively restated to reflect the effect of the share consolidation.

**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, 2014 and 2013.

These condensed interim consolidated financial statements were authorized for issue on February 20, 2015 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, 2014 has an accumulated deficit of \$13,649,351. At December 31, 2014, the Company had working capital of \$1,403,079. The Company will require additional 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.

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

December 31, 2014

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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 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").

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.



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

*Critical Accounting Judgments, Estimates and Assumptions (cont'd...)*

ii) *Share-based Payments*

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. The share-based payments expense is 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 investment-grade short-term deposit certificates with maturities greater than three months at 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:

Computer equipment - hardware	3 years
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.

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

December 31, 2014

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

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.

***Exploration and Evaluation Assets***

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. 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 operations as incurred.

Exploration costs are expensed as incurred as the Company is in the process of exploring its mineral tenements 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.

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 is 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.

***Decommissioning, Restoration and Similar Liabilities***

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, 2014 and September 30, 2014.

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

December 31, 2014

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)*****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 Nevada Sunrise Gold Corporation is the Canadian dollar and the functional currency of Intor Resources Corporation 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 of entities with a functional currency other than the Canadian Dollar are translated at the period end rates of exchange, the results of their 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 translation adjustment.

***Related Party Transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

***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. 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.

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

December 31, 2014

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

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 recorded using the statement of financial position liability method whereby deferred tax is 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 is 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 and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. As at September 30, 2014 and 2013, the Company has not classified any financial assets as available for sale.

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**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. 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.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale financial assets are not reversed.

*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 from 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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**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 shares and warrants issued as 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 reserves.

***New Standards Adopted During the Year Ended September 30, 2014***

Effective October 1, 2013, the following standards were adopted but have had no material impact on the condensed interim consolidated financial statements:

- IAS 1 (Amendment): This standard is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.
- IFRS 7 (Amendment): This standard is amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.
- IFRS 10: New standard to establish principles for the presentation and preparation of consolidated financial statements.
- IFRS 11: New standard to account for the rights and obligations in accordance with joint arrangements.
- IFRS 12: New standard for the disclosure of interests in other entities not within the scope of IFRS 9 / IAS 39.
- IFRS 13: New standard on the measurement and disclosure of fair value.

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(Unaudited – Prepared by Management)

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)*****New Standards Adopted During the Year Ended September 30, 2014 (cont'd...)***

- 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.
- 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.

***New Standards Adopted During the Three Months Ended December 31, 2014***

Effective October 1, 2014, the following standards were adopted but have had no material impact on the condensed interim consolidated financial statements:

- IFRS 10 Investment Entities – Amendment
- IFRIC 21 Levies

***New Standards and Interpretations Not Yet Adopted***

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- 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, 2015.
- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.
- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

**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 following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2014 and September 30, 2014:

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	Level 1	Level 2	Level 3
December 31, 2014:			
Cash and cash equivalents	\$ 1,558,652	\$ -	\$ -
September 30, 2014:			
Cash and cash equivalents	\$ 1,796,687	\$ -	\$ -

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**4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

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 primarily of interest receivable on guaranteed investment certificates. Management believes that credit risk concentration with respect to receivables is remote.

*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, 2014, the Company had cash and cash equivalents of \$1,558,652 to settle current liabilities of \$177,916. Management believes the Company has sufficient funds to meet its 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 and cash equivalents 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. At December 31, 2014, included in cash and cash equivalents were a \$300,000 redeemable investment-grade short-term deposit certificate which bears interest at 1.25% per annum and a US\$900,000 redeemable investment-grade short-term deposit certificate which bears interest at 0.20% per annum.

## 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 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.

*Sensitivity Analysis*

The Company operates in the United States and is exposed to exchange risk from changes in the US dollar. At December 31, 2014, a 10% fluctuation in the US dollar against the Canadian dollar would affect comprehensive loss by approximately \$97,600.



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**5. EQUIPMENT****December 31, 2014**

	Computer Hardware		Field Equipment		Total
Cost					
Balance at September 30, 2014	\$ 4,684	\$	17,069	\$	21,753
Cumulative translation adjustment	197		721		918
Balance at December 31, 2014	\$ 4,881	\$	17,790	\$	22,671
Accumulated Depreciation					
Balance at September 30, 2014	\$ 3,709	\$	13,077	\$	16,786
Depreciation	397		621		1,018
Cumulative translation adjustment	167		566		733
Balance at December 31, 2014	\$ 4,273	\$	14,264	\$	18,537
Net Book Value					
Balance at December 31, 2014	\$ 608	\$	3,526	\$	4,134

**September 30, 2014**

	Computer Hardware		Field Equipment		Total
Cost					
Balance at September 30, 2013	\$ 4,324	\$	15,758	\$	20,082
Cumulative translation adjustment	360		1,311		1,671
Balance at September 30, 2014	\$ 4,684	\$	17,069	\$	21,753
Accumulated Depreciation					
Balance at September 30, 2013	\$ 1,983	\$	9,820	\$	11,803
Depreciation	1,515		2,366		3,881
Cumulative translation adjustment	211		891		1,102
Balance at September 30, 2014	\$ 3,709	\$	13,077	\$	16,786
Net Book Value					
Balance at September 30, 2014	\$ 975	\$	3,992	\$	4,967

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**6. 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 asset interests the Company has committed to earn an interest in are located in Nevada, USA.

**Acquisition Costs****December 31, 2014**

	Golden Arrow	Kinsley Mountain	Roulette	Total
Balance, September 30, 2014	\$ 2,893,577	\$ -	\$ -	\$2,893,577
Property acquisition costs	28,390	-	38,271	66,661
Cumulative translation adjustment	122,843	-	914	123,757
Balance, December 31, 2014	\$ 3,044,810	\$ -	\$ 39,185	\$3,083,995

**September 30, 2014**

	Golden Arrow	Kinsley Mountain	Roulette	Total
Balance, September 30, 2013	\$ 2,557,076	\$ -	\$ -	\$2,557,076
Property acquisition costs	120,018	-	-	120,018
Cumulative translation adjustment	216,483	-	-	216,483
Balance, September 30, 2014	\$ 2,893,577	\$ -	\$ -	\$2,893,577

**Exploration and Evaluation Costs****December 31, 2014**

	Golden Arrow	Kinsley Mountain	Roulette	Total
Cumulative exploration and evaluation costs at September 30, 2014	\$ 2,800,751	\$ 1,308,266	\$ -	\$ 4,109,017
Drilling	-	231,528	-	231,528
Field expenses	43,347	-	-	43,347
Consulting	81,197	2,900	4,495	88,592
Exploration and evaluation costs, period ended December 31, 2014	124,544	234,428	4,495	363,467
Cumulative exploration and evaluation costs at December 31, 2014	\$ 2,925,295	\$ 1,542,694	\$ 4,495	\$ 4,472,484

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Exploration and Evaluation Costs****September 30, 2014**

	Golden Arrow	Kinsley Mountain	Roulette	Total
Cumulative exploration and evaluation costs at September 30, 2013	\$ 2,685,956	\$ 24,597	\$ -	\$ 2,710,553
Drilling	-	1,276,869	-	1,276,869
Field expenses	44,607	-	-	44,607
Consulting	70,188	6,800	-	76,988
Exploration and evaluation costs, year ended September 30, 2014	114,795	1,283,669	-	1,398,464
Cumulative exploration and evaluation costs at September 30, 2014	\$ 2,800,751	\$ 1,308,266	\$ -	\$ 4,109,017

***Golden Arrow***

The Company has a mining lease and two quitclaim deeds covering the 357 unpatented mineral claims, and 17 patented mineral claims which comprise the Golden Arrow property.

***Mining Lease:***

The mining lease agreement which included a 2% net smelter royalty and required advance minimum royalty payments of US\$50,000 per year was set to expire on December 31, 2016. The terms of the mining lease were amended on December 18, 2013 as follows:

- i) The advance minimum royalty payment of US\$50,000 per year was reduced to US\$25,000 per year 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 which are capped at US\$25,000 per year.
- ii) The US\$25,000 advance minimum royalty payment due on January 1, 2014 was deferred to July 1, 2014 (paid). Each subsequent annual advance minimum royalty payment of US\$25,000 is due and payable on January 1<sup>st</sup> of each succeeding calendar year.
- iii) The 2% net smelter royalty was increased to 3% ("amended royalty").
- iv) The Company may purchase 1% of the amended 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 (fiscal 2014 amount 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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**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)*****Golden Arrow****Letter Agreement:*

On November 15, 2014, the Company signed a letter agreement on the Golden Arrow property.

Under the terms of the letter agreement, Atherton Resources LLC (“Atherton”) has until January 31, 2015 to conduct its due diligence on Golden Arrow which is to include an assessment by Atherton of all historical geoscientific data and a title opinion. Atherton shall have the right to extend the exclusivity period for up to two 60 day periods by paying the Company US\$25,000 on or before January 31, 2015 and an additional US\$25,000 on or before March 31, 2015. The payments made by Atherton to extend the exclusivity period shall be applied to the payment of US\$250,000 to be made by Atherton upon signing a definitive agreement.

The terms for the definitive agreement described in the letter agreement allow Atherton to initially earn a 65% interest in Golden Arrow by completing eligible expenditures of US\$4,500,000 at Golden Arrow during a four-year period with a minimum expenditure in any year of US\$750,000, and by making US\$1,600,000 in cash payments to the Company as follows:

- Upon signing of the definitive agreement: US\$250,000
- First anniversary: US\$250,000
- Second anniversary: US\$250,000
- Third anniversary: US\$350,000
- Fourth anniversary: US\$500,000

Upon completing the US\$4,500,000 in qualified work expenditures and fulfilling the above cash payments, Atherton will have earned a 65% interest in the Golden Arrow property. If Atherton completes and presents to the Company a prefeasibility study for the development of a mine on the property during performance of obligations required to earn a 65% interest in Golden Arrow, then, upon completing the US\$4,500,000 in qualified work expenditures and completing the cash payment schedule, Atherton will have earned a 70% interest in the property instead of a 65% interest. Should Atherton proceed and solely finance a subsequent feasibility study, it may earn an additional 10% interest in Golden Arrow to a maximum interest of 80%.

After Atherton has earned a 65%, 70% or 80% interest, as applicable, the parties will form a joint venture, and each party will be responsible for financing its proportionate share of the joint venture expenditures. If, through dilution, either party's interest becomes less than 10%, its interest shall be converted automatically to a non-executive and non-working 5% net profits royalty.

On February 3, 2015, the Company amended the terms of a letter agreement signed with Atherton. The amendment to the letter agreement allows Atherton to extend the Exclusivity Period in exchange for a payment of US\$8,000 (received) and the commissioning of a geological data compilation to be completed at Atherton's cost by March 31, 2015. All other terms of the letter agreement remain unchanged.

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

The Company had a mining lease agreement with a company in which a former director of the Company has a royalty interest in the Kinsley Mountain property.

In March 2012, Pilot Gold Inc. (“Pilot”) acquired a 51% interest in the Kinsley Mountain property by incurring an aggregate US\$1.18 million in exploration expenditures and by paying all annual property maintenance fees, advance royalty payments and mining lease payments.

In February 2013, Pilot gave notice to the Company that it had completed US\$3 million in exploration expenditures to increase its participating interest in Kinsley Mountain to 65%. As a result, the Company had an obligation to fund its 35% share of the operating costs of the Kinsley Mountain going forward. The Kinsley Mountain property is collateral for the payment of cash calls for operating costs.

In August 2013, the Company informed Pilot that it would not participate in the 2013 work program on the Kinsley Mountain property. Consequently, Pilot funded a US\$3.4 million exploration program at the Kinsley Mountain in its entirety which further increased Pilot’s interest from 65% to approximately 79% with the Company holding an approximate 21% interest. Pilot reimbursed the Company for \$211,616 which the Company had advanced on the 2013 work program.

In October 2013, a definitive joint venture agreement was signed between the Company and Pilot for the Kinsley Mountain property. A Delaware limited liability company, Kinsley Gold LLC, was formed to manage the joint venture with Pilot as the operator.

The Company now holds a joint venture interest in Kinsley Gold LLC which has a mining lease agreement with a company in which a former director of the Company has a royalty interest in 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. Per the terms of the mining lease agreement, Kinsley Gold LLC has an obligation to expend a minimum of US\$500,000 annually in exploration, development and mining activities on the Kinsley Mountain property. The minimum annual work obligation will be fulfilled by Kinsley Gold LLC.

In January 2014, the Company notified Pilot of its intention to fund the Company’s share of the drill program proposed by Pilot for 2014. During the year ended September 30, 2014, the Company incurred exploration and evaluation costs of \$1,276,869 (US\$1,179,883) to Kinsley Gold LLC related to the 2014 drilling program. At September 30, 2014, the fourth quarter cash call of \$150,484 (US\$134,891) to Kinsley Gold LLC is included in exploration advances.

During the three months ended December 31, 2014, the Company incurred exploration and evaluation costs of \$231,528 (US\$203,882) to Kinsley Gold LLC related to the 2014 drilling program.

At December 31, 2014, 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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**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)*****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 Roulette property consists of 120 unpatented claims. The Company expanded the claim group from the original 15 claims contained in the option agreement to its present size by way of new staking.

For the option to earn a 100% interest in the original 15 claims of the Roulette property, the Company has agreed to pay the vendors cash payments on the anniversaries of the option agreement as follows:

- On signing of the option agreement: US\$7,500 (paid);
- First anniversary: US\$12,500;
- Second anniversary: US\$20,000;
- Third anniversary: US\$25,000;
- Fourth anniversary: US\$30,000;
- Fifth anniversary: 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 the fifth anniversary, the Company has the right to purchase a 100% interest in the original 15 claims of the Roulette property 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.

**7. SHARE CAPITAL AND CONTRIBUTED RESERVES**

## a) Authorized:

Unlimited common shares without par value

## b) Issued:

On December 16, 2013, the Company completed a consolidation of its common shares (“share consolidation”) on the basis of one post-consolidation common share for every ten pre-consolidation common shares held. All references contained in these consolidated financial statements to outstanding and issued common shares, warrants and options, per share amounts, and exercise prices have been retroactively restated to reflect the effect of the share consolidation.

At December 31, 2014, there were 22,527,321 (September 30, 2014: 22,489,821) common shares issued and outstanding.

***Three Months Ended December 31, 2014:***

- i) During the three months ended December 31, 2014, the Company issued 37,500 common shares pursuant to the exercise of 37,500 warrants at \$0.15 per share for proceeds of \$5,625.

***Year Ended September 30, 2014:***

- i) On January 10, 2014, the Company issued 5,400,000 common shares pursuant to the private placement of 5,400,000 units at \$0.10 per unit for gross proceeds of \$540,000. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share at \$0.15 until January 10, 2016.

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**7. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)**

## b) Issued:

Year Ended September 30, 2014:

- ii) On January 13, 2014, the Company issued 800,000 common shares pursuant to the private placement of 800,000 units at \$0.10 per unit for gross proceeds of \$80,000. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share at \$0.15 until January 13, 2016.

In connection with the private placements, the Company paid finder's fees of \$21,000, paid filing and legal fees of \$17,848 and issued 294,000 finder's warrants exercisable at \$0.10 each into one unit. Each unit resulting from the exercise of a finder's warrant consists of one common share and one warrant entitling the holder to purchase one common share at \$0.15. 280,000 finder's warrants are exercisable until January 10, 2016, and 14,000 finder's warrants are exercisable until January 13, 2016 at \$0.15 each in both instances. The fair value of the finder's warrants of \$26,460 or \$0.09 per finder's warrant was determined using the Black Scholes option pricing model.

- iii) On March 20, 2014, the Company issued 3,000,000 common shares pursuant to the private placement of 3,000,000 units at \$0.35 per unit for gross proceeds of \$1,050,000. Each unit consisted of one common share and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share at \$0.55 until March 20, 2016.

In connection with the private placement, the Company paid finder's fees of \$36,000, paid filing and legal fees of \$18,289 and issued 144,200 finder's warrants exercisable at \$0.35 each into one unit. Each unit resulting from the exercise of a finder's warrant consists of one common share and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share at \$0.55 until March 20, 2016. The fair value of the finder's warrants of \$102,382 or \$0.71 per finder's warrant was determined using the Black Scholes option pricing model.

- iv) On May 13, 2014, the Company issued 2,210,000 common shares pursuant to the private placement of 2,210,000 units at \$0.90 per unit for gross proceeds of \$1,989,000. Each unit consisted of one common share and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share at \$1.35 until May 13, 2015 or until the day which is 30 days after the date that the volume weighted average trading price of the Company's common shares exceeds \$1.65 per share over a period of 10 consecutive trading days.

In connection with the private placement, the Company paid finder's fees of \$13,500, paid filing and legal fees of \$26,743 and issued 21,000 finder's warrants exercisable at \$0.90 each into one unit until May 13, 2015. Each unit resulting from the exercise of a finder's warrant consists of one common share and one-half of one warrant having the same terms as the private placement warrants. The fair value of the finder's warrants of \$15,960 or \$0.76 per finder's warrant was determined using the Black Scholes option pricing model.

- v) During the year ended September 30, 2014, the Company issued 1,262,500 common shares pursuant to the exercise of 1,262,500 warrants at \$0.15 per share for proceeds of \$189,375.
- vi) During the year ended September 30, 2014, the Company issued 50,000 common shares pursuant to the exercise of 50,000 options at \$0.50 per share for proceeds of \$25,000.
- vii) During the year ended September 30, 2014, the Company issued 100,000 common shares pursuant to the exercise of 100,000 options at \$0.19 per share for proceeds of \$19,000.

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**7. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)**

## c) Finder's Warrants:

At December 31, 2014, there were 459,200 finder's warrants outstanding entitling the holders thereof the right to purchase one unit for each finder's warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
280,000	\$0.10	January 10, 2016
14,000	\$0.10	January 13, 2016
144,200	\$0.35	March 20, 2016
21,000	\$0.90	May 13, 2015

The units have the same terms as the private placements from which the finder's warrants originate.

The weighted average exercise price of the outstanding finder's warrants is \$0.22.

The fair value of the finders' warrants issued during the year ended September 30, 2014 was calculated as \$144,802 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	1.14%
Expected life of warrants	1.95 years
Annualized volatility	119%
Dividend rate	0%
Weighted average fair value per warrant	\$0.32

## 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, 2013	1,512,547	\$ 1.81
Warrants expired	(1,512,547)	1.81
Warrants issued	8,805,000	0.37
Warrants exercised	(1,262,500)	0.15
Balance at September 30, 2014	7,542,500	\$ 0.41
Warrants exercised	(37,500)	0.15
Balance at December 31, 2014	7,505,000	\$ 0.41



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**7. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)**

At December 31, 2014, there were 7,505,000 warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
4,100,000	\$0.15	January 10, 2016
800,000	\$0.15	January 13, 2016
1,500,000	\$0.55	March 20, 2016
1,105,000	\$1.35	May 13, 2015

## 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. Stock options are subject to vesting requirements as determined by the Company's Board of Directors.

The fair value of the 200,000 options vested during the three months ended December 31, 2014 was \$86,000 and the fair value of the 1,470,000 options vested during the year ended September 30, 2014 was \$678,600. 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 stock price volatility determined using historical price data for a term equivalent to the expected life of the option.

	Three months ended December 31, 2014	Year ended September 30, 2014
Risk-free interest rate	2.00%	1.88%
Expected life of options	5 years	5 years
Annualized volatility	119%	123%
Dividend rate	0%	0%
Forfeiture rate	0%	0%
Weighted average fair value per option	\$0.43	\$0.44

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, 2013	655,000	\$ 1.80
Options granted	1,470,000	0.57
Options expired	(187,500)	2.12
Options exercised	(150,000)	0.29
Balance at September 30, 2014	1,787,500	\$ 0.88
Options granted	200,000	0.50
Balance at December 31, 2014	1,987,500	\$ 0.84

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**7. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd...)**

e) Options (cont'd...)

At December 31, 2014, there were 1,987,500 stock 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
40,000	\$2.50	July 29, 2015
77,500	\$2.20	March 13, 2017
120,000	\$2.20	May 10, 2017
130,000	\$1.50	December 4, 2017
50,000	\$0.50	August 29, 2018
10,000	\$0.50	October 28, 2018
710,000	\$0.19	January 30, 2019
650,000	\$1.05	May 20, 2019
200,000	\$0.50	October 8, 2019

At September 30, 2014, the weighted average remaining contractual life of the outstanding options was 4.07 years.

The weighted average remaining life of the outstanding stock options is 3.91 years.

**8. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the exploration and evaluation of exploration and evaluation assets. All of the Company's equipment and exploration and evaluation assets are located in the United States.

**9. 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, 2014 and 2013 is summarized as follows:

	2014	2013
Accounting fees	\$ 9,000	\$ 7,500
Management fees and salaries	29,400	19,500
Share-based payments	-	-
	\$ 38,400	\$ 27,000

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(Unaudited – Prepared by Management)

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

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, 2014 and 2013:

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	2014	2013
Directors' fees	\$ 12,000	\$ 6,000
Legal	6,527	17,750
Share-based payments	86,000	-
	<u>\$ 104,527</u>	<u>\$ 23,750</u>

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At December 31, 2014, due to related parties includes \$2,168 for fees and expenses (September 30, 2014: \$1,220) due to directors of the Company and 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.