PROSPER GOLD CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JULY 31, 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) continuous disclosure requirement, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these Condensed Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

PROSPER GOLD CORP.

Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		July 31, 2016 (Unaudited)		October 31, 2015
ASSETS					
Current assets					
Cash		$	1,423,674	$	317,479
Amounts receivable			72,664		8,341
Prepaid expenses and deposit			97,106		53,439
			1,593,444		379,259
Non-current assets					
Reclamation deposit	5		190,000		190,000
Equipment	6		8,034		7,953
Mineral properties	7		658,952		444,152
		$	2,450,430	$	1,021,364
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	11	$	374,562	$	19,400
SHAREHOLDERS' EQUITY					
Share capital	8		8,938,603		7,419,949
Share subscriptions	8		410,655		-
Reserves			1,016,960		937,746
Deficit			(8,290,350)		(7,355,731)
			2,075,868		1,001,964
		$	2,450,430	$	1,021,364

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on September 27, 2016. They are signed on behalf of the Board of Directors by:

/s/ "Peter Bernier"	*/s/ "Sharon Lee"*
Peter Bernier Director	Sharon Lee Director

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

PROSPER GOLD CORP.

Statements of Comprehensive (Income) Loss
(Expressed in Canadian Dollars)
(Unaudited)

		3 months ended July 31,		9 months ended July 31,	
	Note	**2016**	2015	**2016**	2015
Expenses					
Exploration expenditures (recovery)	7	**$ 593,721**	$ 79,899	**$ 601,802**	$ (392,298)
General and administrative	11	**124,119**	61,410	**252,654**	160,474
Management fees (recovery)	11	**70,833**	(266,071)	**70,833**	58,929
Professional fees		**7,252**	919	**14,555**	11,819
Share-based payments	9(b), 11	**26,702**	71,430	**54,948**	214,988
Transfer agent, listing and filing fees		**5,081**	3,296	**12,599**	14,010
		827,708	(49,117)	**1,007,391**	67,922
Other income					
Interest income		**(244)**	(332)	**(772)**	(2,340)
Rental of equipment		**-**	-	**(21,600)**	-
Sale of camp supplies		**-**	-	**(50,400)**	-
		(244)	(332)	**(72,772)**	(2,340)
Net (income)/loss and comprehensive (income)/loss for period		**$ 827,464**	$ (49,449)	**$ 934,619**	$ 65,582
(Earnings)/loss per share					
Basic		**$ 0.023**	$ (0.002)	**$ 0.028**	$ 0.002
Diluted		**$ 0.023**	$ (0.001)	**$ 0.028**	$ 0.002
Weighted average number of common shares outstanding					
Basic		**36,339,303**	31,261,042	**33,516,699**	31,176,793
Diluted		**36,339,303**	41,637,575	**33,516,699**	31,176,793

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

PROSPER GOLD CORP.

Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

For the nine months ended July 31, 2015

	Number of Shares	Share Capital	Share Subscriptions	Reserves Options	Reserves Other	Reserves Total	Deficit	Total
Balance at October 31, 2014	31,061,042	$ 7,395,949	$ -	$ 625,838	$ 99,613	$ 725,451	$(7,201,461)	$ 919,939
Shares issued for property	200,000	24,000	-	-	-	-	-	24,000
Share-based payments (note 9(b))	-	-	-	214,988	-	214,988	-	214,988
Share options expired (note 9(b))	-	-	-	(16,750)	-	(16,750)	16,750	-
Net loss for the period	-	-	-	-	-	-	(65,582)	(65,582)
Balance at July 31, 2015	31,261,042	$ 7,419,949	$ -	$ 824,076	$ 99,613	$ 923,689	$(7,250,293)	$ 1,093,345

For the nine months ended July 31, 2016

	Number of Shares	Share Capital	Share Subscriptions	Reserves Options	Reserves Other	Reserves Total	Deficit	Total
Balance at October 31, 2015	31,261,042	$7,419,949	$ -	$ 838,133	$ 99,613	$ 937,746	$(7,355,731)	$ 1,001,964
Private placements – units (note 8(b))	7,500,000	1,525,000	-	-	-	-	-	1,525,000
Shares issued for property (notes 7(b)&8(c))	450,000	96,000	-	-	-	-	-	96,000
Subscriptions received	-	-	410,655	-	-	-	-	410,655
Share issue costs (note 8(b))	-	(102,346)	-	-	24,266	24,266	-	(78,080)
Share-based payments (note 9(b))	-	-	-	54,948	-	54,948	-	54,948
Net loss for the period	-	-	-	-	-	-	(934,619)	(934,619)
Balance at July 31, 2016 (note 15)	**39,211,042**	**$8,938,603**	**$ 410,655**	**$ 893,081**	**$123,879**	**$1,016,960**	**$(8,290,350)**	**$ 2,075,868**

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

PROSPER GOLD CORP.
Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Nine months ended	
	July 31, 2016	July 31, 2015
Cash provided by (used in):		
Operating activities		
Net loss	**$ (934,619)**	$ (65,582)
Adjustments for		
Amortization	**1,907**	2,354
Share-based payments	**54,948**	214,988
Net change in non-cash working capital		
Amounts receivable	**(64,323)**	40,891
Prepaid expenses and deposit	**(3,633)**	48,175
Accounts payable and accrued liabilities	**304,287**	181,586
	(641,433)	114,674
Investing activities		
Mineral property option payment and acquisition costs	**(118,800)**	(200,000)
Purchase of equipment	**(1,988)**	(8,657)
Cash used in investing activities	**(120,788)**	(208,657)
Financing activities		
Proceeds from private placements	**1,525,000**	-
Share issue costs	**(67,239)**	-
Share subscriptions	**410,655**	-
Cash provided by financing activities	**1,868,416**	-
Increase in cash	**1,106,195**	(93,983)
Cash, beginning of period	**317,479**	495,863
Cash, end of period	**$ 1,423,674**	$ 401,810

Non-cash activities:

Shares issued for property	$ 96,000	$ 24,000
Share issue costs accrued in accounts payable and accrued liabilities	$ 10,843	$ -
Fair value of broker warrants for private placements	$ 24,264	$ -
Share subscription costs accrued in prepaid expenses and accounts payable and accrued liabilities	$ 40,034	$ -

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

1. Nature of operations and going concern

Prosper Gold Corp. ("Prosper" or the "Company") was incorporated under the *Business Corporations Act* (Ontario) on October 11, 2007, continued into British Columbia under the *Business Corporations Act* (British Columbia) and changed its name from Lander Energy Corporation on April 26, 2012. The registered office of the Company is located at 468 B Reid Street, Quesnel, British Columbia, V2J 2M6. Effective September 3, 2013, the Company's common shares are listed on the TSX Venture Exchange (the "Exchange"), trading under the symbol "PGX" upon completion of its Qualifying Transaction on August 30, 2013. Prior to September 3, 2013, the Company was classified as a capital pool company ("CPC") as defined under Policy 2.4 of the Exchange, and trading on the NEX board of the Exchange under the symbol "PGX-H".

The principal business activity of the Company is the acquisition, exploration and development of mineral properties. These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. The Company has not yet generated any revenues, has incurred losses and negative cash flows from operations since inception and has a deficit of $8,290,350 as at July 31, 2016 (October 31, 2015 - $7,355,731). At July 31, 2016, the Company had cash of $1,423,674 (October 31, 2015 - $317,479) and working capital of $1,218,882 (October 31, 2015 - $359,859). The ability of the Company to continue as a going concern over a longer term is dependent on the Company's ability to complete financing to meet administrative overhead and to complete the exploration and development of its mineral property interests, or attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. However, there is no guarantee that the Company will establish economically recoverable reserves, profitable operations or positive cash flows from operations. The Company will continue to raise funding through equity financing to continue operations and has been successful to date, but there can be no assurance that adequate financing will be available in the future, or available on terms acceptable to the Company and, therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, these condensed interim financial statements do not include all the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2015, which have been prepared in accordance with IFRS.

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The Company's interim results are not necessarily indicative of its results for the full year.

(c) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian dollar. All amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated.

2. Basis of preparation (continued)

(d) Critical accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. Actual results could differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgment and assumptions applied in the preparation of these condensed interim financial statements and other major sources of measurement uncertainty are consistent with those applied and disclosed in the Company's audited financial statements for the year ended October 31, 2015.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended October 31, 2015.

4. Accounting standards not yet effective

Accounting standard effective November 1, 2018

IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 *Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss, unless this creates an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early adoption will continue to be permitted.

The Company is currently assessing the impact of the application of IFRS 9 on the Company's financial statements.

5. Reclamation deposit

The Company was required to post a security deposit of $190,000 in favor of the Ministry of Energy and Mines of British Columbia prior to commencement of surface work at the Star Project. A security deposit for this amount was posted with a Canadian financial institution and bears interest at 0.5%.

(Expressed in Canadian Dollars)

6. Equipment

	Computer Equipment	Office Furniture	Total
Cost			
As at October 31, 2015	5,869	6,709	12,578
Additions	1,988	-	1,988
As at July 31, 2016	$ 7,857	$ 6,709	**$ 14,566**
Accumulated amortization			
As at October 31, 2015	3,954	671	4,625
Amortization	1,001	906	1,907
As at July 31, 2016	$ 4,955	$ 1,577	**$ 6,532**
Carrying value			
As at October 31, 2015	$ 1,915	$ 6,038	$ 7,953
As at July 31, 2016	$ 2,902	$ 5,132	**$ 8,034**

7. Mineral properties

(a) Ashley Gold Project, Ontario, Canada

The Company entered into three definitive agreements to acquire the options to earn a 100% interest to acquire the past producing high grade Ashley Gold Mine, a 90% interest in the extensive land position surrounding the Ashley Gold Mine and Young Davidson Mine Area in the Cadillac Larder Lake Fault Area and to acquire mineral claims surrounding the Ashley Gold Mine.

On February 22, 2016 ("Ashley Effective Date"), the Company entered into a definitive agreement (the "Ashley Option Agreement") with 4 arm's length individuals (collectively, the "Optionors"), whereby the Optionors have granted the Company the option to acquire a 100% interest in the Ashley Gold Mine and surrounding claims in central Ontario (the "Ashley Property"). The Ashley Option Agreement calls for the Company to make cash payments totaling $700,000, the issuance of 1,700,000 Prosper shares and work expenditures totaling $250,000 over 3 years in order for the Company to earn a 100% interest in the Ashley Property as follows:

(i) Issue an aggregate of 200,000 shares and pay an aggregate of $30,000 on or before 5 business days of the approval of the Exchange (issued and paid) (note 8(c));
(ii) Pay an aggregate of $30,000 on or before 6 months of the Ashley Effective Date (paid on August 5, 2016);
(iii) Issue an aggregate of 200,000 shares, make aggregate payment of $80,000 and incur $50,000 of exploration expenditures on or before 12 months of the Ashley Effective Date;
(iv) Issue an aggregate of 300,000 shares, make aggregate payment of $120,000 and incur expenditures of $100,000 on or before 24 months of the Ashley Effective Date;
(v) Issue an aggregate of 1,000,000 shares, pay an aggregate of $440,000 and incur expenditures of $100,000 on or before 36 months of the Ashley Effective Date.

The option agreement is subject to a 3% NSR, 2% of which can be repurchased by the Company upon payment of $2,500,000 to the Optionors.

On February 25, 2016 ("Alexandria effective date"), the Company entered into a definitive agreement (the "Alexandria Option Agreement") with Alexandria Minerals Corporation ("Alexandria"), whereby Alexandria has granted the Company the option to acquire a 90% interest in the Wydee and Matachewan claims in central Ontario (collectively, the "Alexandria Properties") which cover approximately 30 km of strike of the Cadillac fault system, extending west and east of Alamos Gold Inc's Young-Davidson Gold Mine. The Alexandria Option Agreement on the Alexandria Properties calls for the Company to issue up to 750,000 Prosper shares and for work expenditures totaling $5,000,000 over 5 years in order for the Company to earn a 75% interest ("First Alexandria Option") for both the Wydee and Matachewan claims as

(Expressed in Canadian Dollars)

7. Mineral properties (continued)

(a) Ashley Gold Project, Ontario, Canada (continued)

follows:

(i) Issue 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) on or before five business days after the receipt of the required approval of the TSX-V of the agreement (issued) (note 8(c));
(ii) Incur $120,000 ($60,000 for Wydee and $60,000 for Matachewan) in expenditures including airborne survey on the property on or before six months after the Alexandria effective date (incurred);
(iii) Issue 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) on or before 24 months after the Alexandria effective date;
(iv) Issued 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) on or before 36 months after the Alexandria effective date;
(v) Issue 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) on or before 48 months after the Alexandria effective date;
(vi) Issue 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) and incur an additional $4,880,000 ($2,440,000 for Wydee and $2,440,000 for Matachewan) on expenditures on or before 60 months of the Alexandria effective date.

Upon the Company acquiring a 75% interest in an Alexandria Property, the Company and Alexandria will enter into a joint venture for the exploration and development of the Alexandria Property. The Company may elect to exercise the First Alexandria Option to only one of the claims within 60 months of the Alexandria effective date by issuing an additional 125,000 shares to Alexandria.

Subject to the First Alexandria Option, Alexandria grants the Company the exclusive irrevocable right and option to acquire an additional 15% interest (“Second Alexandria Option”) upon the delivery of and acceptance by Alexandria a resource estimate report that delineates a minimum of 1,500,000 ounces of gold on the property.

On April 20, 2016, the Company entered into a purchase agreement (the “Purchase Agreement”) with JCML Resources Inc. (“JCML”), whereby the Company agreed to acquire 13 mineral claims surrounding the Ashley Gold Mine for $50,000 and 100,000 Prosper shares. The transaction was approved by the Exchange on May 2, 2016 and the Company issued the 100,000 common shares (note 8(c)) at a price of $0.26 per share and paid $50,000 for the acquisition.

During the 3 and 9 month periods ended July 31, 2016, the Company’s exploration expenditures consist of the following:

	3 and 9 months ended July 31, 2016
Airborne survey	$ 392,540
Assay and analysis	77,481
Field costs	122,791
Transportation and freight	16,661
Travel and accommodations	15,985
	$ 625,458

(b) Star Property, British Columbia, Canada

Pursuant to an option agreement dated July 15, 2013 between the Company and Firesteel Resources Inc. (“Firesteel”) (the “Option Agreement”), the Company has the exclusive option to earn up to an 80% interest in 19 mining claims on the Star property (formerly the Sheslay property), a copper-gold discovery located northwest of Telegraph Creek, British Columbia, in the Stikine Arch area of northwestern British Columbia, in exchange for cash payments, the issuance of common shares and exploration expenditures over four years as follows:

7. Mineral properties (continued)

(b) Star Property, British Columbia, Canada (continued)

The Company has the option (the "First Option") to earn a 51% interest in the Star property, which may be exercised by:

- Making cash payments to Firesteel totalling $300,000 over 18 months (due by February 28, 2015), including $100,000 payable on or before five business days following the date of approval by the Exchange of the transaction (paid);
- Issuing a total of 300,000 Prosper common shares to Firesteel over a period of 18 months (due by February 28, 2015), including 100,000 Prosper common shares on or before five business days following the date of approval by the Exchange of the transaction (issued); and
- Incurring exploration expenditures totalling $1,000,000 over 18 months (by February 28, 2015) (incurred).

The Company has an additional option (the "Second Option") to earn an additional 19% interest, thereby increasing its total interest in the Property to 70%, which may be exercised by:

- Exercising the First Option;
- Making cash payments to Firesteel totalling $200,000 over 36 months (due by August 30, 2016);
- Issuing a total of 200,000 Prosper common shares to Firesteel over a period of 36 months (due by August 30, 2016); and
- Incurring exploration expenditures totalling $2,000,000 over 36 months (due by August 30, 2016) (note 15).

The Company has an additional option (the "Third Option") to earn an additional 10% interest, thereby increasing its total interest in the Property to 80%, which may be exercised by:

- Exercising the Second Option;
- Making cash payments to Firesteel totalling $500,000 over 48 months (due by August 30, 2017);
- Issuing a total of 500,000 Prosper common shares to Firesteel over a period of 48 months (due by August 30, 2017); and
- Incurring exploration expenditures totalling $2,000,000 over 48 months (due by August 30, 2017).

The underlying royalty holders are entitled to a 2% net smelter royalty ("NSR") on the property. Firesteel has the right to purchase a 1% royalty entitlement for $2,000,000.

The Option Agreement constituted the Company's Qualifying Transaction that was completed and approved by the Exchange on August 30, 2013. Total capitalized amount of $444,152 for mineral property includes cash payments of $300,000, transaction costs of $57,152 for the Qualifying Transaction and non-cash component for the fair value of the common shares issued, being $63,000 for 100,000 common shares issued on August 30, 2013 and $24,000 for 200,000 common shares issued on February 24, 2015.

During the period ended July 31, 2016, the Company received $34,020 (July 31, 2015 - $545,880) of British Columbia Exploration Mining Tax Credit ("BCMETC") related to exploration expenditures on the Star property, which has been offset against exploration expenditures.

On Sept 2, 2016, the Company formed a joint venture with Firesteel.

(Expressed in Canadian Dollars)

7. Mineral properties (continued)

(b) Star Property, British Columbia, Canada (continued)

Exploration and evaluation expenditures (recovery)

During the 3 and 9 month periods ended July 31, 2016 and 2015, the Company's exploration expenditures (recovery) consist of the following:

	3 months ended July 31, 2016	3 months ended July 31, 2015	9 months ended July 31, 2016	9 months ended July 31, 2015
Assay and analysis	$ -	$ 26	$ -	$ 6,860
Field costs	2,283	9,197	10,364	20,618
Geological	-	53,183	-	103,606
Transportation and freight	-	13,798	-	14,315
Travel and accommodations	-	3,695	-	8,183
Tax credit received	(34,020)	-	(34,020)	(545,880)
	$ (31,737)	$ 79,899	$ (23,656)	$ (392,298)

8. Share capital

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Private placements

(i) On March 24, 2016, the Company completed the private placement for 3,500,000 units at a price of $0.15 per unit for gross proceeds of $525,000. Each unit will consist of one common share and one common share purchase warrant (a "Warrant") with each Warrant exercisable by the holder into one common share of the Company at a price of $0.25 per share for a period of 36 months from the closing date. In the event that the Company's common shares trade at a closing price on the Exchange of greater than $0.40 per common share for a period of 20 consecutive trading days at any time after the closing date of the private placement, Prosper may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company (the "Acceleration Provision") (note 15).

In connection with the private placement, finders' fees of $13,500 in cash were paid and 90,000 common share purchase warrants ("Finder Warrant") were issued with a fair value of $7,667 included in share issue costs. Each Finder Warrant is non-transferable and exercisable for one common share for a period of 36 months following closing at an exercise price equal to $0.25. The Finder Warrants contain the same Acceleration Provision as the Warrant comprising the unit. Additional costs of $42,001 were incurred for the private placement which included legal and transfer agent fees.

(ii) On June 13, 2016, Prosper announces a non-brokered private placement financing of up to $2,000,000 (the "Private Placement"), through the issuance of up to 2,000,000 units of the Company (the "Units") at a price of $0.25 per Unit and up to 5,000,000 flow-through units (the "Flow-Through Units") at an issue price of $0.30 per Flow-Through Unit.

Each Unit will consist of one common share and one transferable common share purchase warrant (a "Warrant") with each Warrant exercisable by the holder into one common share of the Company at a price of $0.35 per share for a period of 36 months from the closing date. In the event that Prosper's common shares trade at a closing price on the TSX Venture Exchange of greater than $0.60 per common share for a period of 20 consecutive trading days at any time after the closing date of the Private Placement, Prosper may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the

8. Share capital (continued)

(b) Private placements (continued)

date on which such notice is given by Prosper (the “Acceleration Trigger”).

Each Flow-Through Unit will consist of one common share of the Company that qualifies as a “flow-through share” for the purposes of the *Income Tax Act* (Canada) (a “FT Share”) and one–half of one non-transferable non-flow through common share purchase warrant (each whole warrant, a “NFT Warrant”). Each NFT Warrant will entitle the holder thereof to purchase one additional common share of the Company (a “NFT Warrant Share”) at an exercise price of $0.45 per NFT Warrant Share for a period of 36 months from the Closing Date. The NFT Warrant terms will contain the same Acceleration Trigger provision as described above.

The Private Placement will be non-brokered; however, the Company may pay finder’s fees in accordance in the rules and policies of the Exchange. The Company has received conditional acceptance on this financing from the Exchange.

All securities issued pursuant to this Private Placement will be subject to a four month and one day hold period in accordance with applicable securities laws. The closing date for the Private Placement is expected to occur in June 2016 or such other date as the Company may determine. The net proceeds from the non-flow-through portion of the Private Placement will be used to fund exploration activities for 2016 and for working capital and general corporate purposes. The gross proceeds from the flow-through portion of the Private Placement will be used to fund exploration activities for 2016.

On June 27, 2016, the Company has increased the non-brokered Private Placement previously announced on June 13, 2016 from $2,000,000 to up to $2,500,000. The Private Placement will increase from up to 2,000,000 units to up to 4,000,000 units of the Company at an issue price of $0.25 per Unit and up to 5,000,000 flow-through units at an issue price of $0.30 per Flow-Through Unit. The Units and Flow-Through Units will be issued on the same terms as those previously announced.

On July 6, 2016, the Company closed the first tranche of the private placement of 4,000,000 non-flow-through units for a gross proceed of $1,000,000. The Company incurred share issue costs totalling $50.053 which consist of $33,346 paid for broker fees, legal fees and filing fees. In addition, the Company issued 73,500 broker warrants with a fair value of $16,596.

As at July 31, 2016, the Company received $410,655 for share subscriptions and accrued share issue costs of $40,034 for the flow-through private placement.

Subsequent to the period ended July 31, 2016, the Company closed the final tranche of the private placement for 4,928,850 flow-through units for gross proceed of $1,478,655.

(c) Shares issued for property

On March 11, 2016, the Company issued 350,000 common shares at the market price of $0.20 per share in connection to the option agreements for the Ashley Gold Project (note 7(a)).

On April 26, 2016, the Company issued 100,000 common shares at the market price of $0.26 per share for the purchase of 13 mineral claims surrounding the Ashley Gold Mine (note 7(a)).

(Expressed in Canadian Dollars)

8. Share capital (continued)

(d) Escrow

Pursuant to escrow agreements dated December 18, 2007 and August 30, 2013 (the "Escrow Agreements") and the requirements of the Exchange, certain of the common shares issued by the Company are held in escrow. A continuity schedule of the Company's escrowed common shares is as follows:

	Number Outstanding
At October 31, 2014	4,562,529
Released on February 28, 2015	(1,140,632)
Released on August 30, 2015	(1,140,632)
At October 31, 2015	**2,281,265**
Released on February 29, 2016	**(1,140,632)**
At July 31, 2016	**1,140,633**

Pursuant to the escrow agreements, 10% of the escrowed common shares were released from escrow on August 30, 2013 (the "Initial Release"), following the receipt of the Final Exchange Bulletin, the final approval from the Exchange of the Company's Qualifying Transaction (note 7(b)). An additional 15% will be released on each of the dates that are 6, 12, 18, 24, 30 and 36 months following the Initial Release. Prior to August 30, 2013, the escrowed common shares were considered contingently issuable and excluded from the number of outstanding common shares for the purpose of calculating basic and diluted loss per share. Effective August 30, 2013, the escrowed common shares are included in outstanding common shares for the purpose of calculating basic loss per share due to the fact that they are released from escrow over time, and fully included in the calculation of diluted loss per share if the effect of their inclusion is dilutive.

On August 30, 2016, all shares have been released from escrow.

9. Options and warrants

(a) Stock option plan

The Company has a stock option plan under which the Board of Directors may from time to time grant to directors, senior officers, consultants and employees options to acquire common shares, exercisable for a period of up to ten years from the date of grant. The stock option plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall not exceed 10% of the total issued and outstanding common shares. The maximum number of common shares that may be reserved for issuance to any individual insider pursuant to share options may not exceed 5% of the common shares issued and outstanding at the time of grant, and the number of common shares that may be reserved for issuance to all technical consultants pursuant to share options may not exceed 2% of the common shares issued and outstanding at the time of grant. Options become exercisable as long as the optionee holds office or continues to be employed by the Company and 90 days following the cessation of an optionee's position with the Company.

(b) Stock options

During the year ended October 31, 2015, the Company repriced the exercise price of certain outstanding stock options to $0.20. In addition, during the 9 month period ended July 31, 2015, 50,000 stock options were forfeited as the employees are no longer employed by the Company. The fair value of $16,750 has been reclassified from options reserve to deficit, as they were unexercised 90 days after the termination date.

On May 31, 2016, the Company granted 721,104 stock options to directors and employees with an exercise price at $0.24 for a period of five years with vesting at 25% every 6 months. The fair value of the stock options of $23,305 was accrued up to July 31, 2016.

(Expressed in Canadian Dollars)

9. Options and warrants (continued)

(b) Stock options (continued)

A continuity schedule of the Company's outstanding stock options under the stock option plan is as follows:

	Number Outstanding	Weighted Average Exercise Price	Weighted Average Exercise Price (Re-priced)
At October 31, 2014	2,850,000	$0.45	$0.22
Forfeited	(50,000)	$0.42	$0.42
At October 31, 2015	**2,800,000**	**$0.45**	**$0.21**
Grant	721,104	$0.24	$0.24
At July 31, 2016	**3,521,104**	**$0.45**	**$0.21**

As at July 31, 2016, the Company had the following share purchase options outstanding and exercisable:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (yrs)	Options Exercisable
August 30, 2018	$ 0.200	1,750,000	$ 0.335	2.33	1,750,000
August 30, 2018	$ 0.420	100,000	$ 0.335	2.33	100,000
January 31, 2019	$ 0.425	50,000	$ 0.326	2.76	50,000
February 14, 2019	$ 0.200	25,000	$ 0.361	2.79	25,000
May 20, 2019	$ 0.200	875,000	$ 0.354	3.05	875,000
May 31, 2021	$0.240	721,104	$ 0.184	4.83	0
		3,521,104	$ 0.309	2.83	2,800,000

The total fair value of the incentive options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions and inputs:

	July 31, 2016	July 31, 2015
Risk-free interest rate	**0.71%**	0.66%
Expected volatility	**105%**	114%
Expected life	**4.53 years**	3.71 years
Expected dividend yield	**-**	-
Share price	**$ 0.23**	$ 0.14
Exercise price	**$ 0.23**	$ 0.21
Expected forfeitures	**0.00%**	0.00%

Expected stock price volatility was derived from an average volatility based on historical movements in the closing prices of comparable companies' stock for a length of time equal to the expected life of the options.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0.00% in determining the expense recorded in the accompanying statements of comprehensive loss.

The fair value of the incentive options during the 9 months ended July 31, 2016 of $54,948 (9 months ended July 31, 2015 - $214,988) was recognized as share-based payments. The balance consists of $35,006 (July 31, 2015 - $178,771) to directors and officers, $4,505 (July 31, 2015 - $8,227) to employees and $15,437 (July 31, 2015 - $27,990) to consultants.

(Expressed in Canadian Dollars)

9. Options and warrants (continued)

(c) Warrants

A continuity schedule of the Company's outstanding warrants is as follows:

	Number Outstanding		Weighted Average Exercise Price
At October 31, 2014 and July 31, 2015	7,576,533	$	0.66
Expired	(4,476,533)	$	0.60
At October 31, 2015	3,100,000	$	0.74
Issued (notes 8(b)(i) and note 15)	3,590,000	$	0.25
Issued (note 8(b)(ii))	4,073,500	$	0.35
At July 31, 2016	**10,763,500**	**$**	**0.43**

10. Financial instruments

The Company's financial instruments consist of cash, amounts receivable (other than GST receivable), deposit, reclamation deposit and accounts payable and accrued liabilities. The Company's cash, amounts receivable (other than GST receivable) and deposit are classified as loans and receivables; and the reclamation deposit is classified as held-to-maturity. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

The fair values of the Company's cash, amounts receivable (other than GST receivable), deposit and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company considers its exposure to credit risk to be low, as its cash, deposit and reclamation deposit are deposited with a large financial institution with a strong credit rating. Amounts receivable consists of GST receivable and credits on vendor payable balances.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations associated with its financial instruments. The Company manages liquidity risk by maintaining adequate cash and managing its capital. At July 31, 2016, the Company had accounts payable and accrued liabilities of $374,562 (October 31, 2015 - $19,400) due within one year, and cash of $1,423,674 (October 31, 2015 - $317,479).

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating interest earned on the Company's cash balances are considered to be at market interest rates. The deposit of $27,130 (October 31, 2015 - $41,077) earns no interest and is deposited with a major bank for the Company's corporate credit card. Assuming that all variables remain constant, a change representing a 1% increase or decrease in the interest rate would not have a significant effect for the Company.

10. Financial instruments (continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. At July 31, 2016, the Company's monetary assets and liabilities are primarily denominated in Canadian dollars.

There has been no change to the Company's approach to risk management during the period ended July 31, 2016.

11. Related party transactions and balances

The Company's related parties consist of its key management personnel, including its directors, and their close family members and entities controlled by key management personnel. During the periods ended July 31, 2016 and 2015, the Company had the following related party transactions:

(a) Key management compensation for the 3 and 9 months ended July 31, 2016 and 2015 were as follows:

	3 months ended July 31, 2016	3 months ended July 31, 2015	**9 months ended July 31, 2016**	9 months ended July 31, 2015
Short-term benefits	**$ 70,833**	$ (266,071)	**$ 70,833**	$ 58,929
Share-based payments	**22,639**	64,673	**35,597**	178,771
	$ 93,472	$ (201,398)	**$ 106,430**	$ 237,700

(b) During the 3 and 9 months ended July 31, 2016, the Company paid $3,857 and $11,716 respectively (3 and 9 months ended July 31, 2015 - $4,250 and $22,250 respectively) for rent and office services to a company owned by a director and officer of the Company.

(c) At July 31, 2016, accounts payable and accrued liabilities include $1,312 (October 31, 2015 - $1,312) due to company owned by a director and officer of the Company.

13. Segmented information

The Company has one reportable operating segment, being the exploration and development of the Star property in British Columbia and the Ashley Gold Project in Ontario both located in Canada.

14. Management of capital

The Company's capital includes all amounts attributable to its shareholders. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue additional shares or debt. The Company is dependent on the capital markets as its primary source of operating capital, and the Company's capital resources are largely determined by the strength of the junior resource markets.

The Company is not subject to any capital requirements imposed by regulators or other third parties.

At July 31, 2016, the Company had cash of $1,423,674 and working capital of $1,218,882. The Company will require additional capital to fund its total obligations under the Option Agreements to purchase the Star property and the Ashley Gold Project (note 7) and general and administrative costs. However, there is no guarantee that such financing will be available to the Company or on suitable terms.

There were no changes in the Company's approach to capital management during the period ended July 31, 2016.

15. Subsequent events

Stock Options

On September 2, 2016, the Company granted 800,000 stock options with an exercise price of $0.345 per share to directors, an officer and an employee of the Company. The stock options have vesting periods of 25% every six months and expire on September 2, 2021.

Warrants

On September 23, 2016, 10,000 warrants at $0.25 were exercised for 10,000 common shares.