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**PROSPER GOLD CORP.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2017**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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## 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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**PROSPER GOLD CORP.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	Note	January 31, 2017 (Unaudited)	October 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,998,113	\$ 1,280,910
Amounts receivable		70,712	73,782
Prepaid expenses and deposit		70,308	207,331
		<b>2,139,133</b>	<b>1,562,023</b>
<b>Non-current assets</b>			
Reclamation deposit	5	190,000	190,000
Equipment	6	38,810	35,919
Mineral properties	7	690,516	690,516
		<b>\$ 3,058,459</b>	<b>\$ 2,478,458</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	11	\$ 223,515	\$ 317,860
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	11,437,537	10,286,049
Reserves		1,584,172	1,130,885
Deficit		(10,186,765)	(9,256,336)
		<b>2,834,944</b>	<b>2,160,598</b>
		<b>\$ 3,058,459</b>	<b>\$ 2,478,458</b>

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on March 28, 2017. They are signed on behalf of the Board of Directors by:

/s/ "Peter Bernier"

Peter Bernier  
Director

/s/ "Sharon Lee"

Sharon Lee  
Director

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

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**PROSPER GOLD CORP.****Statements of Comprehensive Income (Loss)****(Expressed in Canadian Dollars)****(Unaudited)**

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		<b>Three months ended</b>	
	Note	<b>January 31, 2017</b>	January 31, 2016
<b>Expenses</b>			
Exploration expenditures (recovery)	7	\$ 685,205	\$ (66,912)
General and administrative	11	47,893	45,997
Management fees and salaries	11	105,841	-
Professional fees		11,810	4,511
Share-based payments	9(b), 11	81,355	9,059
Transfer agent, listing and filing fees		3,540	3,724
		<b>935,644</b>	<b>(3,621)</b>
<b>Other income</b>			
Interest income		245	273
<b>Net income (loss) and comprehensive income (loss) for period</b>			
		<b>\$ (935,399)</b>	<b>\$ 3,894</b>
<b>Earnings (loss) per share</b>			
Basic		\$ (0.0191)	\$ 0.0001
Diluted		\$ -	\$ 0.0001
<b>Weighted average number of common shares outstanding</b>			
		<b>48,922,249</b>	<b>31,261,042</b>

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

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**PROSPER GOLD CORP.****Statements of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)  
(Unaudited)**

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For the three months ended January 31, 2016

	Number of Shares	Reserves					
		Share Capital	Options	Other	Total	Deficit	Total
Balance at October 31, 2015	31,261,042	\$ 7,419,949	\$ 838,133	\$ 99,613	\$ 937,746	\$(7,355,731)	\$ 1001,964
Share-based payments (note 9(b))	-	-	9,059	-	9,059	-	9,059
Net income for the period	-	-	-	-	-	3,894	3,894
<b>Balance at January 31, 2016</b>	<b>31,261,042</b>	<b>\$ 7,419,949</b>	<b>\$ 847,192</b>	<b>\$ 99,613</b>	<b>\$ 946,805</b>	<b>\$(7,351,837)</b>	<b>\$ 1,014,917</b>

**For the three months ended January 31, 2017**

	Number of Shares	Reserves					
		Share Capital	Options	Other	Total	Deficit	Total
Balance at October 31, 2016	44,149,892	\$ 10,286,049	\$ 964,157	\$ 166,728	\$1,130,885	\$(9,256,336)	\$ 2,160,598
Flow-through units issued for private placement	4,772,357	1,336,260	-	334,065	334,065	-	1,670,325
Share issue costs	-	(184,772)	-	42,837	42,837	-	(141,935)
Share-based payments (note 9(b))	-	-	81,355	-	81,355	-	81,355
Share options expired (note 9(b))	-	-	(4,970)	-	(4,970)	4,970	-
Net loss for the period	-	-	-	-	-	(935,399)	(935,399)
<b>Balance at January 31, 2017</b>	<b>48,922,249</b>	<b>\$ 11,437,537</b>	<b>\$ 1,040,542</b>	<b>\$ 543,630</b>	<b>\$1,584,172</b>	<b>\$(10,186,765)</b>	<b>\$ 2,834,944</b>

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

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**PROSPER GOLD CORP.**

Statements of Cash Flows  
(Expressed in Canadian Dollars)  
(Unaudited)

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	Three months ended	
	January 31, 2017	January 31, 2016
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net Income (loss)	\$ (935,399)	\$ 3,894
Adjustments for		
Amortization	2,809	570
Share-based payments	81,355	9,059
Net change in non-cash working capital		
Amounts receivable	3,070	3,649
Prepaid expenses and deposit	137,023	1,957
Accounts payable and accrued liabilities	(94,345)	(62)
	(805,487)	19,067
<b>Investing activities</b>		
Acquisition of equipment	(5,700)	-
<b>Financing activities</b>		
Issuance of flow-through units in connection of private placement, net of share issue costs	1,528,390	-
<b>Increase in cash</b>	717,203	19,067
Cash, beginning of period	1,280,910	317,479
<b>Cash, end of period</b>	\$ 1,998,113	\$ 336,546

**Supplemental cash flow information**

Fair value of broker warrants issued for finder's fee for private placement

\$	42,837	\$	-
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The accompanying notes are an integral part of these condensed interim financial statements.

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 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 \$10,186,766 as at January 31, 2017 (October 31, 2016 - \$9,256,336). At January 31, 2017, the Company had cash of \$1,998,113 (October 31, 2016 - \$1,280,910) and working capital of \$1,915,618 (October 31, 2016 - \$1,244,163). 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 interest, or attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interest. 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.

These financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

### 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, 2016, 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.

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Basis of preparation (continued)

#### (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.

#### (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, 2016.

### 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, 2016.

### 4. Accounting standards not yet effective

Accounting standard effective November 1, 2018

#### **IFRS 9 Financial Instruments**

*Issued by IASB - July 2014*

*Effective for annual periods beginning on or after November 1, 2018*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

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

#### **IFRS 16 Leases**

*Issued by IASB - January 2016*

*Effective for annual periods beginning on or after November 1, 2019*

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The Company is currently assessing the impact of the application of IFRS 16 on the Company's financial statements.



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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

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#### 4. Accounting standards not yet effective (continued)

Accounting standard effective November 1, 2018 (continued)

##### **Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)**

*Issued by IASB January 2016*

*Effective for annual periods beginning on or after January 1, 2017*

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Company is currently assessing the impact of the amendments to IAS 7 on the Company's financial statements.

##### **Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)**

*Issued by IASB January 2016*

*Effective for annual periods beginning on or after January 1, 2017*

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The Company is currently assessing the impact of the amendments to IAS 12 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 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%.

#### 6. Equipment

	Computer Equipment	Office Furniture	Field Equipment	Vehicle	Total
<b>Cost</b>					
As at October 31, 2015	\$ 5,869	\$ 6,709	\$ -	\$ -	\$ 12,578
Additions	5,201	-	20,546	13,704	39,451
Disposals	(1,420)	(4,473)	-	-	(5,893)
As at October 31, 2016	9,650	2,236	20,546	13,704	46,136
Additions	4,900	-	800	-	5,700
<b>As at January 31, 2017</b>	<b>\$ 14,550</b>	<b>\$ 2,236</b>	<b>\$ 21,346</b>	<b>\$ 13,704</b>	<b>\$ 51,836</b>
<b>Accumulated Amortization</b>					
As at October 31, 2015	\$ 3,954	\$ 671	\$ -	\$ -	\$ 4,625
Amortization	2,483	805	2,054	2,056	7,398
Disposal	(956)	(850)	-	-	(1,806)
As at October 31, 2016	5,481	626	2,054	2,056	10,217
Amortization	910	80	945	874	2,809
<b>As At January 31, 2017</b>	<b>\$ 6,391</b>	<b>\$ 706</b>	<b>\$ 2,999</b>	<b>\$ 2,930</b>	<b>\$ 13,026</b>
<b>Carrying value</b>					
As at October 31, 2016	\$ 4,169	\$ 1,610	\$ 18,492	\$ 11,648	\$ 35,919
<b>As at January 31, 2017</b>	<b>\$ 8,159</b>	<b>\$ 1,530</b>	<b>\$ 18,347</b>	<b>\$ 10,774</b>	<b>\$ 38,810</b>

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 7. Mineral property

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

The Company entered into three definitive agreements consisting of the options to earn a 100% interest to acquire the 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 four 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 requires 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 three years in order for the Company to earn a 100% interest in the Ashley Property as follows:

- (i) Issue an aggregate 200,000 shares and pay an aggregate of \$30,000 on or before five business days of the approval of the Exchange (issued and paid);
- (ii) Pay an aggregate \$30,000 on or before six months of the Ashley Effective Date (paid on August 5, 2016);
- (iii) Issue an aggregate 200,000 shares, make aggregate payments of \$80,000 and incur \$50,000 of exploration expenditures on or before 12 months of the Ashley Effective Date (paid and issued on February 22, 2017, (Note 14));
- (iv) Issue an aggregate 300,000 shares, make aggregate payments of \$120,000 and incur expenditures of \$100,000 on or before 24 months of the Ashley Effective Date; and
- (v) Issue an aggregate 1,000,000 shares, make aggregate payments 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% net smelter returns royalty (“NSR”), 2% of which can be purchased 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”). The Alexandria Option Agreement requires the Company to issue 750,000 Prosper shares and for work expenditures totaling \$5,000,000 over five years in order for the Company to earn a 75% interest (“First Alexandria Option”) in both the Wydee and Matachewan claims as 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 Exchange of the agreement (issued);
- (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; and
- (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 the Alexandria properties, 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.

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 7. Mineral properties (continued)

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

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 of 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 ("Galahad") surrounding the Ashley Gold Mine for \$50,000 and 100,000 Prosper shares. The Company issued the 100,000 common shares (note 9(c)) at a price of \$0.26 per share and paid \$50,000 for the acquisition.

#### (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:

Pursuant to the option agreement (the "First Option"), the Company has earned a 51% interest in the Star property by:

- Making cash payments to Firesteel totalling \$300,000 over 18 months (paid);
- Issuing a total of 300,000 Prosper common shares to Firesteel (issued); and
- Incurring exploration expenditures totalling \$1,000,000 over 18 months (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:

- Making cash payments to Firesteel totalling \$200,000 over 36 months (due by August 30, 2016) (unpaid);
- Issuing a total of 200,000 Prosper common shares to Firesteel over a period of 36 months (due by August 30, 2016) (unissued); and
- Incurring exploration expenditures totalling \$2,000,000 over 36 months (incurred).

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:

- 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).

Rather than making the Second Option payment and issuance of common shares due by August 30, 2016 and the Third Option payment and issuance of common shares due by August 30, 2017, the Company and Firesteel entered into a joint venture agreement on August 30, 2016. The Company holds 51% ownership of the Star Property. The joint venture agreement specifies that the Company and Firesteel will contribute funds to continue explorations on the Star Property pro-rata, based on their percentage of ownership; 51% to be contributed by Prosper and 49% to be contributed by Firesteel.

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 7. Mineral properties (continued)

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

The underlying royalty holders are entitled to a 2% NSR on the property. The Company has the option to purchase additional NSR 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 \$445,715 (2015 - \$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 (note 9(c)). The addition of \$1,563 during the 2016 fiscal year was paid for legal fees for the joint venture agreement.

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

#### Exploration and evaluation expenditures

During the period January 31, 2017 and 2016, the Company's exploration expenditures (recovery) consist of the following:

	Ashley Gold Project		Star Property	
	January 31, 2017	January 31, 2016	January 31, 2017	January 31, 2016
Airborne survey	\$ -	\$ -	\$ -	\$ -
Assay and analysis	96,423	-	-	-
Drilling	341,093	-	-	-
Field costs (see note 12(b))	196,024	-	1,050	5,088
Geological	36,830	-	-	-
Transportation and freight	4,962	-	-	-
Travel and accommodations	8,823	-	-	-
Cost recovery	-	-	-	(72,000)
Tax credit received	-	-	-	-
	\$ 684,155	\$ -	\$ 1,050	\$ (66,912)

### 8. Share capital

#### (a) Authorized

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

#### (b) Issued

On November 1, 2016, the Company closed a private placement for 4,772,357 flow-through units at \$0.35 per unit for gross proceeds of \$1,670,325. The flow-through units consist of one common share and one-half of one non-transferable non-flow-through common share purchase warrant. Each whole warrant is exercisable for one common share at \$0.55 to November 1, 2019. The Company incurred cash share issue costs of \$141,936 for finders' fees, legal fees and filing fees. Finders' fees include 286,341 warrants with an exercise price of \$0.55 per warrant with an expiry date of November 1, 2019. The fair value of the finders' warrants issued is \$42,833.

# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

### 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

On January 23, 2017, the Company granted 521,000 stock options to directors, an officer, an employee and consultants with an exercise price of \$0.20, vesting term 25% every six months for a period of five years expiring January 23, 2022.

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, 2015	2,800,000	\$0.45	\$0.22
Granted	721,104	\$0.24	\$0.24
Granted	800,000	\$0.345	\$0.345
At October 31, 2016	4,321,104	\$0.45	\$0.21
Expired	(50,000)	\$0.42	\$0.20
Granted	521,000	\$0.020	\$0.20
<b>At January 31, 2017</b>	<b>4,792,104</b>	<b>\$0.37</b>	<b>\$0.24</b>

As at January 31, 2017, 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	1,700,000	\$ 0.335	1.58	1,700,000
August 30, 2018	\$0.420	100,000	\$0.335	1.58	100,000
January 31, 2019	\$ 0.425	50,000	\$ 0.326	2.00	50,000
February 14, 2019	\$ 0.200	25,000	\$ 0.361	2.04	25,000
May 20, 2019	\$ 0.200	875,000	\$ 0.354	2.30	875,000
May 31, 2021	\$0.240	721,104	\$0.184	4.33	180,276
September 2, 2021	\$0.345	800,000	\$0.267	4.59	-
January 23, 2022	\$0.200	521,000	\$0.148	4.98	-
		4,792,104	\$ 0.341	2.46	2,930,276

# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

### 9. Options and warrants (continued)

#### (b) Stock options (continued)

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:

	January 31, 2017	January 31, 2016
Risk-free interest rate	0.78%	0.65%
Expected volatility	109%	116%
Expected life	4.79 years	3.42 years
Expected dividend yield	-	-
Share price	\$ 0.26	\$ 0.13
Exercise price	\$ 0.27	\$ 0.20
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 period ended January 31, 2017 of \$81,355 (January 31, 2016 - \$9,059) was recognized as share-based payments. The balance consists of \$73,931 (January 31, 2016 - \$6,749) to directors and officers, \$7,203 (January 31, 2016 - \$nil) to an employee and \$221 (January 31, 2016 - \$2,310) to consultants.

#### (c) Warrants

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

	Number Outstanding	Weighted Average Exercise Price
At October 31, 2015 and January 31, 2016	3,100,000	\$ 0.74
Issued – warrants for private placement	9,964,425	\$ 0.34
Issued – broker warrants	394,250	\$ 0.33
Exercised - warrant	(10,000)	\$ (0.25)
At October 31, 2016	13,448,675	\$ 0.74
Issued – warrants for private placement	2,386,178	\$ 0.55
Issued – broker warrants	286,341	\$ 0.55
<b>At January 31, 2017</b>	<b>16,121,194</b>	<b>\$ 0.74</b>

### 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.

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 10. Financial instruments (continued)

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 January 31, 2017, the Company had accounts payable and accrued liabilities of \$223,515 (October 31, 2016 - \$317,860) due within one year, and cash of \$1,998,113 (October 31, 2016 - \$1,280,910).

#### (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 \$28,104 (October 31, 2016 - \$35,296) 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.

#### (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 January 31, 2017, 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 January 31, 2017.

### 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 January 31, 2017 and 2016, the Company had the following related party transactions:

#### (a) Key management compensation for the periods ended January 31, 2017 and 2016 were as follows:

	January 31, 2017	January 31, 2016
Short-term benefits	\$ 126,091	\$ -
Share-based payments	73,931	6,749
	\$ 200,022	\$ 6,749

Short-term benefits include \$105,841 (January 31, 2016 - \$nil) in management fees and \$20,250 (January 31, 2016 - \$nil) in geological exploration expenditures.

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the three months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

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### 11. Related party transactions and balances (continued)

- (b) During the period ended January 31, 2017, the Company paid \$3,750 (January 31, 2015 - \$9,000) for rent for office premises to a company owned by a director and officer of the Company.
- (c) At January 31, 2017, accounts payable and accrued liabilities include \$137,500 (October 31, 2016 - \$66,003) due to companies owned by directors and officers of the Company and \$52,262 (October 31, 2016 - \$24,538) due to officers of the Company.

### 12. Segmented information

The Company has one reportable operating segment in two geographical locations, being the exploration and development of the Star property in British Columbia, Canada and exploration and development of the Ashley Mine Project in Ontario, Canada.

### 13. 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 January 31, 2017, the Company had cash of \$1,998,113 and working capital of \$1,915,618. The Company will require additional capital to fund its total obligations under the Option Agreement to purchase the Ashley Gold Project and the Star property (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 January 31, 2017.

### 14. Subsequent events

- (a) On February 22, 2017, the Company issued 200,000 common shares at \$0.14 per share and paid \$80,000 in option payments to the Optionors in accordance with the Ashley Option Agreement.
- (b) On February 22, 2017, the Company granted 100,000 stock options to an employee. The options are exercisable at \$0.20 per share with an expiry date of 5 years from the grant date and vest at 25% every 6 months.