

Precipitate Gold Corp.

Condensed Interim Financial Statements

Three and nine months ended August 31, 2016 and 2015

Unaudited – Expressed in Canadian Dollars

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements they must be accompanied by a notice indicating that these condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Precipitate Gold Corp.
Consolidated Statements of Financial Position
Unaudited – Prepared by Management
In Canadian Dollars

ASSETS	August 31, 2016 (Unaudited)	November 30, 2015 (Audited)
Current		
Cash	\$ 2,787,277	\$ 957,855
Amounts receivable	23,332	9,707
Prepaid expenses	38,537	8,636
	<hr/> 2,849,146	<hr/> 976,198
Mineral Property Interests (Schedule)	663,720	358,720
	<hr/> \$ 3,512,866	<hr/> \$ 1,334,918
<hr/>		
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 39,556	\$ 53,218
<hr/>		
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	10,145,620	8,159,096
Reserves (Note 5)	2,707,088	1,726,132
Deficit	<hr/> (9,379,398)	<hr/> (8,603,528)
	3,473,310	1,281,700
	<hr/> \$ 3,512,866	<hr/> \$ 1,334,918

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 10)

Approved by the Board of Directors:

"Jeffrey Wilson"

Jeffrey Wilson, Director

"Darryl Cardey"

Darryl Cardey, Director

Precipitate Gold Corp.

**Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended August 31, 2016 and 2015**

*Unaudited – Prepared by Management
In Canadian Dollars*

	Three Months Ended August 31, 2016	Three Months Ended August 31, 2015	Nine Months Ended August 31, 2016	Nine Months Ended August 31, 2015
Expenses				
Audit and accounting	\$ 11,541	\$ 10,200	\$ 27,637	\$ 25,500
Directors' fees	-	4,000	-	28,000
Exploration and evaluation (Note 4(g))	154,461	116,300	374,483	344,502
Foreign exchange loss (gain)	(558)	(2,393)	(2,886)	(7,981)
Insurance	1,868	2,277	5,603	7,554
Investor relations	8,668	609	17,574	14,194
Legal	3,281	812	5,160	1,923
Marketing, conferences and shareholder relations	14,695	754	28,745	33,469
Office and administrative	8,480	5,340	23,215	27,079
Property investigation costs	9,925	-	9,925	-
Rent	3,750	3,000	8,250	9,000
Salaries and wages	39,850	39,369	121,973	120,520
Share based compensation	-	2,680	142,029	14,099
Transfer agent and filing fees	4,429	2,605	19,741	16,099
Total Expenses	260,390	185,553	781,449	633,958
Other Income (Expenses):				
Interest income	(3,045)	-	(5,579)	(1,895)
Net loss and comprehensive loss for the period	257,345	185,553	\$ 775,870	\$ 632,063
Loss per share, basic and diluted	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.02
Weighted average shares outstanding	57,965,428	36,204,270	54,164,692	35,434,871

– See Accompanying Notes –

Precipitate Gold Corp.

Consolidated Interim Statements of Cash Flows For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management
In Canadian Dollars

Cash Provided By (Used In):	2016	2015
Operating activities:		
Loss for the period	\$ (775,870)	\$ (632,063)
Items not affecting cash:		
Share based compensation	142,029	14,099
Change in non-cash working capital:		
Accounts receivable	(13,625)	15,685
Prepaid expenses	(29,901)	8,668
Accounts payable and accrued liabilities	(13,682)	(38,613)
	<u>(691,049)</u>	<u>(632,224)</u>
Investing activities:		
Mineral property acquisition costs (Note 4(f))	<u>(75,000)</u>	<u>(90,000)</u>
Financing activities:		
Proceeds from issuance of shares (Note 5)	2,675,000	139,618
Share issue costs paid	(129,877)	(8,792)
Proceeds from exercise of options	8,400	-
Proceeds from exercise of warrants	41,948	-
	<u>2,595,471</u>	<u>130,826</u>
Net increase (decrease) in cash	1,829,422	(591,398)
Cash - beginning of period	957,855	836,607
Cash - end of period	\$ 2,787,277	\$ 245,209

- See Accompanying Notes -

Precipitate Gold Corp.
Consolidated Interim Statements of Changes in Equity
For the Nine Months Ended August 31, 2016 and 2015
Unaudited – Prepared by Management
In Canadian Dollars

	Share Capital		Reserves			Total \$
	Shares	Amount \$	Warrants \$	Options \$	Deficit \$	
Balance, November 30, 2014 <i>(Audited)</i>	38,051,658	7,325,758	584,218	846,215	(5,364,177)	3,392,014
Comprehensive loss	-	-	-	-	(632,063)	(632,063)
Shares issued for mineral property acquisition	1,000,000	160,000	-	-	-	160,000
Private placement	1,163,483	139,618	-	-	-	139,618
Share issue costs	-	(8,792)	-	-	-	(8,792)
Fair value of warrants	-	(48,618)	48,618	-	-	-
Fair value of finders' fee warrants	-	(2,700)	2,700	-	-	-
Share based compensation	-	-	-	14,099	-	14,099
Balance, August 31, 2015 <i>(Unaudited)</i>	40,215,141	7,565,266	635,536	860,314	(5,996,240)	3,064,876
Comprehensive loss	-	-	-	-	(2,607,288)	(2,607,288)
Shares issued for exploration and evaluation costs	300,000	30,000	-	-	-	30,000
Private placement	10,000,000	800,000	-	-	-	800,000
Share issue costs	-	(7,170)	-	-	-	(7,170)
Fair value of warrants	-	(229,000)	229,000	-	-	-
Share-based compensation	-	-	-	1,282	-	1,282
Balance, November 30, 2015	50,515,141	8,159,096	864,536	861,596	(8,603,528)	1,281,700
Comprehensive loss	-	-	-	-	(775,870)	(775,870)
Private placement	11,380,000	2,675,000	-	-	-	2,675,000
Share issue costs	-	(129,897)	-	-	-	(129,897)
Fair value of warrants	-	(809,000)	809,000	-	-	-
Fair value of finders' fee warrants	-	(47,000)	47,000	-	-	-
Exercise of warrants	210,192	41,948	-	-	-	41,948
Fair value of warrants exercised	-	9,245	(9,245)	-	-	-
Exercise of options	70,000	8,400	-	-	-	8,400
Fair value of options exercised	-	7,828	-	(7,828)	-	-
Shares issued for mineral property acquisition	1,517,242	230,000	-	-	-	230,000
Share-based compensation	-	-	-	142,029	-	142,029
Balance, August 31, 2016 <i>(Unaudited)</i>	63,692,575	10,145,620	1,711,291	995,797	(9,379,398)	3,473,310

– See Accompanying Notes –

Precipitate Gold Corp.

Schedule of Mineral Property Acquisition Costs

In Canadian Dollars

	Reef Property	Gemini Property	Juan de Hererra Property	Artur and Escalibur Properties	Total
Balance – November 30, 2014	\$ 2,431,491	\$ 12,225	\$ 107,417	\$ 1,303	\$ 2,552,436
Acquisition – cash	-	-	90,000	-	90,000
Acquisition - shares	-	-	160,000	-	160,000
Write-off of mineral property interests	(2,431,491)	(12,225)	-	-	(2,443,716)
Balance – November 30, 2015	-	-	357,417	1,303	358,720
Acquisition – cash	-	-	75,000	-	75,000
Acquisition - shares	-	-	230,000	-	230,000
Balance – August 31, 2016	\$ -	\$ -	\$ 662,417	\$ 1,303	\$ 663,720

Precipitate Gold Corp.

Schedule of Mineral Property Exploration and Evaluation Expenditures

For the Nine Months Ended August 31, 2016

In Canadian Dollars

	Juan de Hererra Property	Artur and Escalibur Properties	Total
Assay	\$ 57,457	\$ -	\$ 57,457
Camp and general	9,216	2,877	12,093
Consulting	32,151	-	32,151
Field equipment and supplies	24,311	-	24,311
Foreign sales tax credit	8,742	-	8,742
Fuel	2,408	-	2,408
Geological	129,270	-	129,270
Geophysics	1,062	-	1,062
Legal	4,790	-	4,790
Maps, orthophotos, and reports	230	-	230
Office	60,497	-	60,497
Salaries and benefit	15,547	-	15,547
Transportation	9,522	-	9,522
Travel, meals, and accommodation	16,403	-	16,403
Total exploration and evaluation expenditures	\$ 371,606	\$ 2,877	\$ 374,483

Precipitate Gold Corp.

Schedule of Mineral Property Exploration and Evaluation Expenditures
 For the Nine Months Ended August 31, 2015
 In Canadian Dollars

	Reef Property	Bright Property	Gemini and Horneline Properties	Juan de Hererra Property	Artur and Escalibur Properties	Cecilia Property	Total
Assays	\$ -	\$ -	\$ -	\$ 5,191	\$ -	\$ -	\$ 5,191
Camp and general	-	-	4,284	7,254	2,982	-	14,520
Consulting	-	-	-	9,730	-	-	9,730
Field equipment and supplies	-	-	-	4,122	-	-	4,122
Foreign sales tax credit	-	-	-	9,272	-	-	9,272
Fuel	-	-	-	1,918	-	-	1,918
Geological	-	-	-	51,140	-	-	51,140
Geophysics	-	-	-	116,861	-	-	116,861
Legal	-	-	-	216	-	-	216
Maps, orthophotos, and reports	-	-	-	872	-	-	872
Office	-	-	-	111,330	1,387	3,529	116,246
Salaries and benefit	-	-	-	3,924	-	-	3,924
Transportation	-	-	-	2,600	-	-	2,600
Travel, meals, and accommodation	-	-	-	7,890	-	-	7,890
Total exploration and evaluation expenditures	\$ -	\$ -	\$ 4,284	\$ 332,320	\$ 4,369	\$ 3,529	\$ 344,502

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended August 31, 2016 and 2015

*Unaudited – Prepared by Management
In Canadian Dollars*

1. Nature of Operations and Going Concern

Precipitate Gold Corp. (the “Company”) was incorporated on January 31, 2011, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada and the Dominican Republic. The head office, principal address, and records office of the Company are located at 625 Howe Street, Suite 1020, Vancouver, British Columbia, V6C 2T6, Canada.

The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

These consolidated condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At August 31, 2016, the Company had not achieved profitable operations and had an accumulated deficit. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated condensed financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

2. Basis of Presentation

a) Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Approval of the Financial Statements

These consolidated condensed interim financial statements were approved and authorized for issue by the Board of Directors on October 31, 2016.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended August 31, 2016 and 2015

*Unaudited – Prepared by Management
In Canadian Dollars*

2. Basis of Presentation - Continued

c) Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its five wholly-owned subsidiaries: 1) 0945044 BC Ltd., incorporated in British Columbia, Canada, which owns 100% of Corporacion Minera San Juan, S.R.L. located in the Dominican Republic; 2) Minera Pendiente S.A. de C.V., incorporated and located in Mexico; 3) Precipitate Gold (USA) Corp. incorporated and located in the United States; and 4) Precipitate Dominicana S.R.L. located in the Dominican Republic.

d) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated interim financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. The functional currencies of the Company's subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

e) Significant Accounting Policies

These unaudited condensed interim financial statements do not include all of the significant accounting policies required by IFRS for complete financial statements for year-end reporting purposes. These financial statements should be read together with the audited financial statements for the year ended November 30, 2015 which in Note 3 detail all significant accounting policies adopted by the Company.

The Company's accounting policies have been applied consistently to all periods presented in these unaudited condensed interim financial statements.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management
In Canadian Dollars

2. Basis of Presentation – Continued

f) Critical Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: recoverability and impairment of mineral properties and valuation of share-based payments.

Significant estimates that have the most significant effect on the amounts recognized in the financial statements are as follows:

Recoverability of capitalized mineral property costs

The Company uses the cost model and the value of the mineral property interests is based on expenditures incurred, less any recoveries or impairment. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts and circumstances exist that suggests the carrying amount exceeds the recoverable amount.

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value stock options and of common share purchase warrants issued. The model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants. The assumptions and models used for estimating fair value of stock options and common share purchase warrants are disclosed in Note 5.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is included in the following notes:

Note 1 – going concern assessment

Note 3 – functional currency

Note 4 – impairment of exploration and evaluation assets

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended August 31, 2016 and 2015

*Unaudited – Prepared by Management
In Canadian Dollars*

3. Recent Accounting Pronouncements

Recent Accounting Pronouncements adopted:

IFRS 7 Financial Instruments - Disclosure ("IFRS 7") has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on or after January 1, 2015. There are no effects on these financial statements.

Recent Accounting Pronouncements not yet applied:

IFRS 9 Financial Instruments ("IFRS 9") partially replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective on or after January 1, 2018.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations ("IFRS 11") has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. IFRS is effective on or after January 1, 2016.

IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization ("IFRS 16 and IAS 38") have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption for intangible assets. IFRS 16 and IAS 38 are effective on or after January 1, 2016.

4. Mineral Properties

a) Reef Property, Yukon

During the year ended November 30, 2015, the Company has decided not to continue exploration on the other portions of the Reef Property, consisting of: i) the Reef I-48 claims, which forms part of the Fireside properties; ii) the Jay East property; and iii) the Bloom properties. Due to a reallocation of exploration budgets, the Company has elected not to allocate further resources toward exploration on the Reef property. Therefore, total acquisition costs of \$2,431,491 were written down to \$Nil. Reef Property claims remain 100% controlled by the Company and are in good standing until 2021.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties – Continued

c) Gemini Property, British Columbia

The Company acquired the Gemini, located in British Columbia, through staking. During the year ended November 30, 2015, due to a reallocation of exploration budgets, the Company has elected not to allocate further resources toward exploration on the Gemini property. Therefore, staking costs of \$12,225 relating to the Gemini property were written off. The Gemini Property tenure remains 100% controlled by the Company and is in good standing until March 2017.

d) Juan de Herrera Property, Dominican Republic

On September 28, 2012, the Company entered into an agreement to acquire a 100% ownership of the shares of 0945044 BC Ltd., a private BC registered company (“BC Corp.”) which owns a 100% interest in the Juan de Herrera concession and the Los Pinalitos concession application (previously Hato Nuevo) (“Dominican Republic properties”) in the Dominican Republic through Corporacion Minera San Juan, S.R.L. (“CMSJ”), its wholly-owned subsidiary. The agreement was amended on October 10, 2012, October 8, 2013 and January 4, 2016. The Company paid \$60,000 to acquire the shares of BC Corp. from certain shareholders of the Company (“Vendors”).

In order for the Company to maintain its right, title and interest in BC Corp., the Company must complete the following cash payments, exploration expenditures and share issuances based on the Juan de Herrera concession Grant Date of December 13, 2013:

- Cash payments totalling \$240,000 as follows:
 - \$90,000 on or before December 13, 2014 (paid);
 - \$75,000 on or before December 13, 2015 (paid); and
 - \$75,000 on or before December 13, 2016;
- Incur exploration expenditures totalling \$1,000,000 as follows:
 - \$250,000 on or before December 13, 2014 (incurred);
 - \$300,000 on or before December 13, 2015 (incurred); and
 - \$450,000 on or before December 13, 2016 (incurred);
- Issue a total of 3,000,000 common shares of the Company as follows:
 - 1,000,000 common shares on or before December 13, 2014 (issued at a value of \$160,000) (Note 5(b)(vii));
 - 1,000,000 common shares on or before December 13, 2015 (issued at a value of \$80,000) (Note 5(b)(ii)); and
 - 1,000,000 common shares on or before December 13, 2016;

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended August 31, 2016 and 2015

*Unaudited – Prepared by Management
In Canadian Dollars*

4. Mineral Properties – Continued

d) Properties in the Dominican Republic – Continued

The Company must make a one-time issuance of the Company's common shares valued at \$150,000 based on the weighted average trading price of the Company's shares during the 10 trading days immediately prior to the Vendors' notice of election to be issued such shares no sooner than July 31, 2016 and before December 13, 2016. On August 2, 2016, 517,242 common shares were issued (Note 5(b)(iv)).

The properties are subject to a 3% net smelter return royalty ("NSR") from any base and precious metal commercial production. The Company may acquire 50% of the NSR by paying \$2,000,000 to the stakeholders of BC Corp.

e) Artur and Escalibur Properties, Dominican Republic

On June 30, 2014, the Company, through CMSJ, entered into a property purchase and sale agreement with Gexplo S.R.L. and Santo Mining Corp. (the "Sellers") whereby the Sellers would sell, transfer and assign all their right, title and interest in and to the applications to the David and Richard properties, located in the Dominican Republic. The Company issued 100,000 share purchase warrants valued at \$1,303 to complete the acquisition (see note 5b).

On December 30, 2014, the Dominican Republic government cancelled the David and Richard properties' concession applications and therefore negated the agreement with the Sellers. Immediately afterward, the Company, via its wholly owned Dominican subsidiary, Precipitate Dominicana S.R.L., re-applied for mineral rights for the same two areas, the Escalibur concession (previously David) located in the centre of the Juan de Herrera Property, and the Artur concession (previously Richard) located in the Pueblo Viejo district. The Company was granted the mining concessions on December 15, 2015.

5. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity – Continued

b) Issued Share Capital

Share transactions for the nine months ended August 31, 2016:

- (i) On December 10, 2015, the Company completed a private placement of 1,000,000 units at \$0.08 per unit for gross proceeds of \$80,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share at \$0.12 per share until December 10, 2017.

Gross proceeds from this financing were allocated \$60,000 to share capital and \$20,000 to warrant reserves based on their relative fair values. The Company incurred \$7,089 of share issue costs related to the private placement which was offset against share capital.

- (ii) In January 2016, the Company issued 1,000,000 common shares as part of the agreement to maintain its right, title and interest in BC Corp. (see Note 4d) valued at \$80,000.

- (iii) On July 13, 2016, the Company closed the first tranche of a non-brokered private placement of 4,999,000 units at \$0.25 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.35 per share until July 13, 2017.

Gross proceeds from this financing were allocated \$862,000 to share capital and \$387,750 to warrant reserves based on their relative fair values. The Company incurred \$12,433 of share issue costs related to the private placement which was offset against share capital.

The Company paid \$25,500 and issued 102,000 finders' fee warrants valued at \$13,000 related to the private placement determined using the Black-Scholes pricing model (Note 5c). Each finders' fee warrants entitles holder to purchase one common share of the Company at a price of \$0.35 per share until July 13, 2017.

- (iv) On July 21, 2016, the Company closed the second and final tranche of the non-brokered private placement of 5,381,000 units at \$0.25 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.35 per share until July 21, 2017.

Gross proceeds from this financing were allocated \$944,000 to share capital and \$401,250 to warrant reserves based on their relative fair values. The Company incurred \$12,575 of share issue costs related to the private placement which was offset against share capital.

The Company paid \$72,300 and issued 289,200 finders' fee warrants valued at \$13,000 related to the private placement determined using the Black-Scholes pricing model (Note 5c). Each finders' fee warrants entitles holder to purchase one common share of the Company at a price of \$0.35 per share until July 21, 2017.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity – Continued

b) Issued Share Capital – Continued

Share transactions for the nine months ended August 31, 2016 (continued):

- (v) In August 2016, the Company issued 517,242 common shares as part of the agreement to maintain its right, title and interest in BC Corp. (see Note 4d) valued at \$150,000.
- (vi) During the nine months ended August 31, 2016, 210,192 warrants were exercised for proceeds of \$41,948.
- (vii) During the nine months ended August 31, 2016, 70,000 options were exercised for proceeds of \$8,400.

Share transactions for the year ended November 30, 2015:

- (viii) In January 2015, the Company issued 1,000,000 common shares as part of the agreement to maintain its right, title and interest in BC Corp. (see Note 4d) valued at \$160,000.
- (ix) On June 23, 2015, the Company completed a non-brokered private placement of 1,163,483 units at a price of \$0.12 per unit for gross proceeds of \$139,618. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.17 per share until June 23, 2017. The Company has the right to accelerate the expiry date of the warrants if the daily volume weighted average trading price of the common shares of the Company is equal to or exceeds \$0.35 for a period of 10 consecutive trading days.

Gross proceeds from this financing were allocated \$91,000 to share capital and \$48,618 to warrant reserves based on their relative fair values. The Company paid \$8,792 of share issue cost related to the private placement which was offset against share capital.

The Company issued 50,000 finders' fee warrants valued at \$2,700 related to the private placement determined using the Black-Scholes pricing model (Note 5c). Each finders' fee warrants entitles holder to purchase one common share of the Company at a price of \$0.17 per share until June 23, 2017, subject to the same acceleration as the related private placement.

- (x) On September 30, 2015, the Company issued 300,000 common shares valued at \$30,000 to GoldQuest Mining Corporation ("GoldQuest") pursuant to a data sharing and collaboration agreement whereby GoldQuest and the Company will share all current and future Tiroo belt exploration data in the Dominican Republic.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity – Continued

b) Issued Share Capital – Continued

- (xi) On November 26, 2015, the Company completed a private placement of 10,000,000 units at a price of \$0.08 per unit for gross proceeds of \$800,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.12 per share until November 26, 2016.

Gross proceeds from this financing were allocated \$571,000 to share capital and \$229,000 to warrant reserves based on their relative fair values. The Company paid \$7,170 of share issue cost related to the private placement which was offset against share capital.

c) Warrants

Details of warrant activity for the nine months ended August 31, 2016 and the year ended November 30, 2015 are as follows:

November 30, 2015	Issued	Exercised	Expired Unexercised	August 31, 2016	Exercise Price	Expiry Date
6,953,333	-	(40,000)	(6,913,333)	-	\$0.25	May 26, 2016*
2,315,630	-	(37,692)	-	2,277,938	\$0.25	November 25, 2017
1,213,483	-	(132,500)	-	1,080,983	\$0.17	June 23, 2017
10,000,000	-	-	-	10,000,000	\$0.12	November 26, 2016
-	1,000,000	-	-	1,000,000	\$0.12	December 10, 2017
-	5,101,000	-	-	5,101,000	\$0.35	July 13, 2017
-	5,670,200	-	-	5,670,200	\$0.24	July 21, 2017
20,482,446	11,771,200	(210,192)	(6,913,333)	25,130,121	\$0.23	

November 30, 2014	Issued	Exercised	Expired Unexercised	November 30, 2015	Exercise Price	Expiry Date
3,333,332	-	-	(3,333,332)	-	\$0.25	May 16, 2015
6,953,333	-	-	-	6,953,333	\$0.25	May 26, 2016*
2,315,630	-	-	-	2,315,630	\$0.25	November 25, 2017
-	1,213,483	-	-	1,213,483	\$0.17	June 23, 2017
-	10,000,000	-	-	10,000,000	\$0.12	November 26, 2016
12,602,295	11,213,483	-	(3,333,332)	20,482,446	\$0.18	

*During the year ended November 30, 2015, the expiry date of 6,953,333 warrants with exercise price of \$0.25 was extended from May 26, 2015 to May 26, 2016. No additional value was attributed to the extension of these warrants.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity – Continued

c) Warrants – Continued

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants issued in the nine months ended August 31, 2016 and 2015:

	2016	2015
Risk-free interest rate	0.53%	0.63%
Expected life of options	1.00 years	2.00 years
Expected annualized volatility	131.52%	129.38%
Expected dividend rate	0%	0%

d) Share Options

On December 5, 2011, the Company adopted a rolling share option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's shares calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's share option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule at its discretion.

Details of activity in share purchase options for the nine months ended August 31, 2016 and the year ended November 30, 2015 are as follows:

November 31, 2014	Issued	November 30, 2015	Issued	Exercised	August 31, 2016	Exercise Price	Expiry Date
1,530,000	-	1,530,000	-	-	1,530,000	\$0.40	May 29, 2017
150,000	-	150,000	-	-	150,000	\$0.46	August 21, 2017
150,000	-	150,000	-	-	150,000	\$0.40	September 5, 2017
150,000	-	150,000	-	-	150,000	\$0.25	December 3, 2017
150,000	-	150,000	-	-	150,000	\$0.25	January 7, 2018
510,000	-	510,000	-	-	510,000	\$0.20	April 14, 2019
-	-	-	1,270,000	(70,000)	1,200,000	\$0.12	March 4, 2021
2,640,000	-	2,640,000	1,270,000	(70,000)	3,910,000	\$0.28	

During the nine months ended August 31, 2016, the Company recorded share-based compensation of \$142,029 (2015 - \$14,099) for options that vested during the period.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management

In Canadian Dollars

5. Shareholders' Equity – Continued

d) Share Options – Continued

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted during the nine months ended August 31, 2016 and 2015:

	2016	2015
Risk-free interest rate	0.69%	1.43%
Expected life of options	5.0 years	3.5 - 4.0 years
Expected annualized volatility	129.4%	121.4 – 123.1%
Expected dividend rate	0%	0%

6. Segmented Information

a) Operating Segment

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada and the Dominican Republic.

b) Geographic Segments

The Company's geographic information as at August 31, 2016 and November 30, 2015 are as follows:

As at August 31, 2016	Canada	Dominican Republic	Mexico	Total
<u>Assets</u>				
Mineral properties	\$ -	\$ 663,720	-	\$ 663,720
Other assets	2,793,511	50,291	5,344	2,849,146
Total	\$ 2,793,511	\$ 714,011	5,344	\$ 3,512,866

As at November 30, 2015	Canada	Dominican Republic	Mexico	Total
<u>Assets</u>				
Mineral properties	\$ -	\$ 358,720	-	\$ 358,720
Other assets	958,946	11,792	5,460	976,198
Total	\$ 958,946	\$ 370,512	5,460	\$ 1,334,918

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management

In Canadian Dollars

7. Related Party Transactions

Key management personnel consist of directors and senior management including the President, Chief Executive Officer and Vice President of Exploration and Chief Financial Officer. Key management personnel compensation For the nine months ended August 31, 2016 and 2015 includes:

	2016	2015
Salaries and wages	\$ 116,250	\$ 116,250
Geological consulting	106,225	43,375
Accounting and office and administration expense	33,500	31,500
Directors' fees	-	28,000
Share-based compensation	123,017	12,717
	<u>\$ 378,992</u>	<u>\$ 231,842</u>

The accounts payable and accrued liabilities of the Company as at August 31, 2016 and as at November 30, 2015 include the following amounts due to related parties:

	August 31, 2016	November 30, 2015
Key management personnel	\$ 31,628	\$ -

8. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management

In Canadian Dollars

9. Financial Instruments

a) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash, amounts receivable, and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity. Cash is measured using level one of the fair value hierarchy.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. Cash is held with a major Canadian financial institution and the receivables are from Government entities. Management is of the view that all amounts are fully collectible.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2016 and 2015

Unaudited – Prepared by Management

In Canadian Dollars

9. Financial Instruments – Continued

e) Political Risk

The Company has subsidiaries in the Dominican Republic, the United States and Mexico. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

f) Foreign Currency Fluctuation Risk

The Company has vendors in Canada, the United States, the Dominican Republic and Mexico; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions. The Company's exposure to foreign currency fluctuations is minimal.

10. Subsequent Event

On October 13, 2016, the Company granted 1,170,000 stock options to certain directors, officers and consultants. Each option is exercisable at \$0.25 per share until October 13, 2021.