

Precipitate Gold Corp.

Consolidated Financial Statements

For the Years Ended November 30, 2016 and 2015

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Precipitate Gold Corp.

We have audited the accompanying consolidated financial statements of Precipitate Gold Corp., which comprise the consolidated statements of financial position as at November 30, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity, cash flows, schedule of mineral property acquisition costs and schedules of mineral property exploration and evaluation expenditures for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Precipitate Gold Corp. as at November 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

March 21, 2017



Precipitate Gold Corp.
Consolidated Statements of Financial Position

In Canadian Dollars

ASSETS	November 30, 2016	November 30, 2015
Current		
Cash	\$ 3,402,117	\$ 957,855
Amounts receivable	25,528	9,707
Prepaid expenses	43,263	8,636
	<u>3,470,908</u>	<u>976,198</u>
Mineral Property Interests (Schedule and Note 4)	663,720	358,720
	<u>\$ 4,134,628</u>	<u>\$ 1,334,918</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 222,043	\$ 53,218
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	11,573,485	8,159,096
Reserves (Note 5)	2,694,263	1,726,132
Deficit	<u>(10,355,163)</u>	<u>(8,603,528)</u>
	<u>3,912,585</u>	<u>1,281,700</u>
	<u>\$ 4,134,628</u>	<u>\$ 1,334,918</u>

Nature of Operations (Note 1)

Subsequent Events (Note 11)

Approved by the Board of Directors:

"Jeffrey Wilson"

Jeffrey Wilson, Director

"Darryl Cardey"

Darryl Cardey, Director

- See Accompanying Notes -

Precipitate Gold Corp.**Consolidated Statements of Loss and Comprehensive Loss****For the Years Ended November 30, 2016 and 2015***In Canadian Dollars*

	2016	2015
Expenses		
Audit and accounting (Note 8)	\$ 58,529	\$ 48,000
Directors' fees (Note 8)	-	28,000
Exploration and evaluation (Schedule and Note 8)	952,718	403,033
Foreign exchange gain	(1,807)	(10,414)
Insurance	7,470	9,421
Investor relations	30,219	15,906
Legal	5,213	28,004
Marketing, conferences and shareholder relations	69,401	33,995
Office and administrative (Note 8)	35,635	36,219
Property investigation costs	25,141	-
Rent	12,000	12,000
Salaries and wages (Note 8)	187,524	159,921
Share-based compensation (Note 5(c) and 8)	358,204	15,381
Transfer agent and filing fees	21,439	18,064
Total Expenses	(1,761,686)	(797,530)
Interest income	10,051	1,895
Write-off of mineral property interests (Schedule and Note 4)	-	(2,443,716)
Loss and comprehensive loss for the year	\$ (1,751,635)	\$ (3,239,351)
Loss per share, basic and diluted	\$ (0.03)	\$ (0.08)
Weighted average shares outstanding	57,152,875	39,573,185

– See Accompanying Notes –

Precipitate Gold Corp.
Consolidated Statements of Cash Flows
For the Years Ended November 30, 2016 and 2015
In Canadian Dollars

Cash Provided By (Used In):	2016	2015
Operating activities:		
Loss for the year	\$ (1,751,635)	\$ (3,239,351)
Items not affecting cash:		
Exploration and evaluation costs paid with common shares	-	30,000
Share-based compensation	358,204	15,381
Write-off of mineral property interests	-	2,443,716
Change in non-cash working capital:		
Amounts receivable	(15,821)	11,900
Prepaid expenses	(34,627)	15,608
Accounts payable and accrued liabilities	170,073	8,081
	<u>(1,273,806)</u>	<u>(714,665)</u>
Investing activities:		
Mineral property acquisition costs	<u>(75,000)</u>	<u>(90,000)</u>
Financing activities:		
Proceeds from issuance of units	2,675,000	939,618
Share issue costs paid	(132,280)	(13,705)
Proceeds from exercise of options	8,400	-
Proceeds from exercise of warrants	1,241,948	-
	<u>3,793,068</u>	<u>925,913</u>
Change in cash	2,444,262	121,248
Cash - beginning of year	957,855	836,607
Cash - end of year	<u>\$ 3,402,117</u>	<u>\$ 957,855</u>
Supplemental non-cash financing information:		
Mineral property acquisition costs paid with common shares	\$ 230,000	\$ 160,000
Share issue costs included in accounts payable and accrued liabilities	\$ 1,172	\$ 2,420
Fair value of warrant issued as part of private placements	\$ 809,000	\$ 277,618
Fair value of warrants issued as finders' fee	\$ 47,000	\$ 2,700
Fair value of options exercised	\$ 7,828	\$ -
Fair value of warrants exercised	\$ 238,245	\$ -

- See Accompanying Notes -

Precipitate Gold Corp.
Consolidated Statements of Changes in Equity
For the Years Ended November 30, 2016 and 2015
In Canadian Dollars

	Share Capital		Reserves			Total \$
	Shares	Amount \$	Warrants \$	Options \$	Deficit \$	
Balance, November 30, 2014	38,051,658	7,325,758	584,218	846,215	(5,364,177)	3,392,014
Comprehensive loss	-	-	-	-	(3,239,351)	(3,239,351)
Shares issued for mineral property acquisition	1,000,000	160,000	-	-	-	160,000
Shares issued for exploration and evaluation costs	300,000	30,000	-	-	-	30,000
Private placement	11,163,483	939,618	-	-	-	939,618
Share issue costs	-	(15,962)	-	-	-	(15,962)
Fair value of warrants	-	(277,618)	277,618	-	-	-
Fair value of warrants issued as finders' fee	-	(2,700)	2,700	-	-	-
Share-based compensation	-	-	-	15,381	-	15,381
Balance, November 30, 2015	50,515,141	8,159,096	864,536	861,596	(8,603,528)	1,281,700
Comprehensive loss	-	-	-	-	(1,751,635)	(1,751,635)
Private placement	11,380,000	2,675,000	-	-	-	2,675,000
Share issue costs	-	(131,032)	-	-	-	(131,032)
Fair value of warrants	-	(809,000)	809,000	-	-	-
Fair value of finders' fee warrants	-	(47,000)	47,000	-	-	-
Exercise of warrants	10,210,192	1,241,948	-	-	-	1,241,948
Fair value of warrants exercised	-	238,245	(238,245)	-	-	-
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	-	-	-	358,204	-	358,204
Balance, November 30, 2016	73,692,575	11,573,485	1,482,291	1,211,972	(10,355,163)	3,912,585

— 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 – November 30, 2016	\$ -	\$ -	\$ 662,417	\$ 1,303	\$ 663,720

Precipitate Gold Corp.

Schedule of Mineral Property Exploration and Evaluation Expenditures

For the Year Ended November 30, 2016

In Canadian Dollars

	Juan de Hererra Property	Artur and Escalibur Properties	Total
Assay	\$ 59,192	\$ -	\$ 59,192
Camp and general	28,723	2,902	31,625
Consulting	52,602	-	52,602
Drilling	99,667	-	99,667
Field equipment and supplies	74,819	-	74,819
Foreign sales tax credit	19,461	-	19,461
Fuel	10,379	-	10,379
Geological consulting (Note 8)	249,945	-	249,945
Geophysics	104,835	-	104,835
Legal	4,859	-	4,859
Maps, orthophotos, and reports	227	-	227
Office	168,720	-	168,720
Salaries and benefit	16,992	-	16,992
Transportation	22,735	-	22,735
Travel, meals, and accommodation	36,660	-	36,660
Total exploration and evaluation expenditures	\$ 949,816	\$ 2,902	\$ 952,718

Precipitate Gold Corp.

Schedule of Mineral Property Exploration and Evaluation Expenditures

For the Year Ended November 30, 2015

In Canadian Dollars

	Gemini and Horneline Properties	Juan de Hererra Property	Artur and Escalibur Properties	Cecilia Property	Total
Assays	\$ -	\$ 35,191	\$ -	\$ -	35,191
Camp and general	4,284	7,745	3,030	-	15,059
Consulting	-	18,600	-	-	18,600
Field equipment and supplies	-	4,239	-	-	4,239
Foreign sales tax credit	-	9,418	-	-	9,418
Fuel	-	1,898	-	-	1,898
Geological consulting (Note 8)	-	56,765	-	-	56,765
Geophysics	-	118,068	-	-	118,068
Legal	-	219	-	-	219
Maps, orthophotos, and reports	-	879	-	-	879
Office	-	122,133	1,424	4,049	127,606
Salaries and benefit	-	4,201	-	-	4,201
Transportation	-	2,687	-	-	2,687
Travel, meals, and accommodation	-	8,203	-	-	8,203
Total exploration and evaluation expenditures	\$ 4,284	\$ 390,246	\$ 4,454	\$ 4,049	\$ 403,033

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended November 30, 2016 and 2015

In Canadian Dollars

1. Nature of Operations

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 property interests 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 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 November 30, 2016, the Company had not achieved profitable operations had an accumulated deficit and had a working capital of \$3,248,865. Management estimates that the Company has sufficient financial resources to carry out currently planned exploration and operations through the next twelve months.

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 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale and financial assets at fair value through profit or loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting.

The accounting policies set out in Note 3 have been applied consistently by the Company during the years presented.

Precipitate Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2016 and 2015
In Canadian Dollars

2. Basis of Presentation - Continued

b) Approval of the Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 21, 2017.

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 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.

3. Significant Accounting Policies

a) Cash

Cash consist of amounts held in banks and demand deposits.

Precipitate Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2016 and 2015
In Canadian Dollars

3. Significant Accounting Policies – Continued

b) Mineral Properties

i) Exploration and Evaluation

Property option payments, common shares issued, and other costs associated with acquiring the legal rights to explore a specific resource property are capitalized as mineral property interests and classified as intangible exploration and evaluation assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs of assaying, community development, consumables and supplies, drilling, geological consulting, scoping and feasibility study, site administration and other costs to maintain legal rights to explore an area.

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are tested for impairment and transferred to and classified as mineral property development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development costs are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Mineral property interests are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

iii) Impairment

The carrying value of all categories of mineral property are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Precipitate Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2016 and 2015
In Canadian Dollars

3. Significant Accounting Policies – Continued

b) Mineral Properties – Continued

iii) Impairment – Continued

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risk uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense.

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended November 30, 2016 and 2015

In Canadian Dollars

3. Significant Accounting Policies – *Continued*

d) Site Closure and Reclamation Provision

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

e) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

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

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements For the Years Ended November 30, 2016 and 2015

In Canadian Dollars

3. Significant Accounting Policies – *Continued*

f) Share Capital

- i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as share capital in the amount for which the option, warrant or share enabled the holder to purchase a common share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.
- iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and warrants. The fair value of common share purchase warrants is determined using the Black-Scholes option pricing model.
- (iv) The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through common share into i) a flow-through common share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. When the resource property expenditures are incurred, the Company derecognizes the liability and recognizes a deferred tax recovery.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

g) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Diluted and basic loss per share are the same because the effects of potential issuances of common shares under stock options and warrants would be anti-dilutive.

h) Comprehensive Income

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources, and comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

Precipitate Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2016 and 2015
In Canadian Dollars

3. Significant Accounting Policies – Continued

i) Share-based Payments

From time to time, the Company grants stock options to directors, officers, employees and non-employees to purchase common shares. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees become entitled to the award. The fair value of the stock options on the grant date is determined using the Black-Scholes pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

j) Financial Instruments

The Company accounts for its financial instruments as follows:

Cash and amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Precipitate Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2016 and 2015
In Canadian Dollars

3. Significant Accounting Policies – Continued

j) Financial Instruments – Continued

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any financial assets as fair value through profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

Financial Liabilities

Financial liabilities other than derivative liabilities and dividend liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit or loss are expensed as incurred.

Derivative liabilities are recognized at fair value with changes recognized in equity as adjustments to the distribution.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets at fair value through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Precipitate Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2016 and 2015
In Canadian Dollars

3. Significant Accounting Policies – Continued

j) Financial Instruments – Continued

Impairment of Financial Assets – Continued

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

k) Related Parties

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

l) 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.

Precipitate Gold Corp.
Notes to the Consolidated Financial Statements
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3. Significant Accounting Policies – Continued

I) Critical Accounting Judgments and Estimates – Continued

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
- Note 7 – income taxes

Precipitate Gold Corp.
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3. Significant Accounting Policies – Continued

m) 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 is no effect 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 16 Leases ("IFRS 16") was issued on January 13, 2016 which requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. This standard is effective for reporting periods beginning on or after January 1, 2019.

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 unfavourable market conditions, the Company determined that it did not have adequate resources to conduct further exploration on the Reef property. Therefore, total acquisition costs of \$2,431,491 were written down to \$Nil in the year ended November 30, 2015.

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements For the Years Ended November 30, 2016 and 2015

In Canadian Dollars

4. Mineral Properties – *Continued*

b) 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 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 2018.

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. In December of 2016, the Company completed all necessary cash payments, share issuances, and work commitments required to satisfied the option agreement and has thereby acquired a 100% interest in the project (subject to a 3% net smelter return royalty (“NSR”). The purchase was completed as follows:

- Initial cash payment purchase price of \$60,000 (paid).
- 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 (paid subsequent to year end)
- 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);
 - 1,000,000 common shares on or before December 13, 2015 (issued at a value of \$80,000); and
 - 1,000,000 common shares on or before December 13, 2016 (issued subsequent to year end);

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements For the Years Ended November 30, 2016 and 2015

In Canadian Dollars

4. Mineral Properties – *Continued*

d) Juan de Herrera Property, 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 valued at \$150,000.

The properties are subject to a 3% 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.

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 in January 2016.

5. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value

b) Issued Share Capital

Share transactions for the year ended November 30, 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.

Precipitate Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2016 and 2015
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5. Shareholders' Equity – Continued

b) Issued Share Capital – Continued

Share transactions for the year ended November 30, 2016 (Continued):

- (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. valued at \$80,000 (Note 4d).
- (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 consisted 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. 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 consisted 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 \$13,709 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 \$34,000 related to the private placement determined using the Black-Scholes pricing model. 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.

- (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 year ended November 30, 2016, 10,210,192 warrants were exercised for proceeds of \$1,241,948.
- (vii) During the year ended November 30, 2016, 70,000 options were exercised for proceeds of \$8,400.

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements For the Years Ended November 30, 2016 and 2015

In Canadian Dollars

5. Shareholders' Equity – *Continued*

b) Issued Share Capital – *Continued*

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.

- (viii) 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 Tireo belt exploration data in the Dominican Republic.
- (ix) 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.

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended November 30, 2016 and 2015

In Canadian Dollars

5. Shareholders' Equity – Continued

c) Warrants

Details of warrant activity for the years ended November 30, 2016 and 2015 are as follows:

November 30, 2015	Issued	Exercised	Expired Unexercised	November 30, 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	\$0.35	July 21, 2017
20,482,446	11,771,200	(10,210,192)	(6,913,333)	15,130,121	\$0.31	

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	

*Exercised subsequent to November 30, 2016 (Note 11).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants issued in the years ended November 30:

	2016	2015
Risk-free interest rate	0.53%	0.62%
Expected life of options	1.00 years	1.11 years
Expected annualized volatility	131.52%	130.99%
Expected dividend rate	0%	0%

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements For the Years Ended November 30, 2016 and 2015 In Canadian Dollars

5. Shareholders' Equity – Continued

c) Share Options

The Company has 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 years ended November 30, 2016 and 2015 are as follows:

November 31, 2014	Issued	November 30, 2015	Issued	Exercised	November 30, 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
-	-	-	1,170,000	-	1,170,000	\$0.25	October 13, 2021
2,640,000	-	2,640,000	2,440,000	(70,000)	5,010,000	\$0.27	

During the year ended November 30, 2016, the Company granted 2,440,000 (2015 – nil) share options to its directors, officers and consultants, with a fair value of \$358,204 (2015 - \$Nil) or \$0.15 per option (2015 - \$Nil). All options vests immediately.

During the year ended November 30, 2016, the Company recorded share-based compensation of \$358,204 (2015 - \$15,381) for options that vested during the year.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options issued in the year ended November 30, 2016:

	2016
Risk-free interest rate	0.71%
Expected life of options	5.0 years
Expected annualized volatility	128.63%
Expected dividend rate	0%

No options were issued during the year ended November 30, 2015.

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended November 30, 2016 and 2015

In Canadian Dollars

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 for years ended November 30, 2016 and 2015 are as follows:

As at November 30, 2016	Canada	Dominican Republic	Mexico	Total
Assets				
Mineral properties	\$ -	\$ 663,720	\$ -	\$ 663,720
Other assets	3,438,808	26,896	5,204	3,470,908
Total	\$ 3,438,808	\$ 690,616	\$ 5,204	\$ 4,134,628

As at November 30, 2015	Canada	Dominican Republic	Mexico	Total
Assets				
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

7. Income Taxes

(a) Current Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	2016	2015
Loss for the year	\$ (1,751,635)	\$ (3,239,351)
Income tax recovery at statutory rates	(455,000)	(842,000)
Tax Effect of:		
Change in statutory tax rates, foreign tax rates, foreign exchange rate and other	(12,000)	(6,000)
Permanent differences	94,000	12,000
Share issue costs	(34,000)	(4,000)
Adjustment to prior year's provision versus statutory tax returns and expiry of non-capital losses	64,000	-
Change in unrecognized deductible temporary differences	343,000	840,000
Income tax expense	\$ -	\$ -

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended November 30, 2016 and 2015

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7. Income Taxes – Continued

(b) Deferred Taxes

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	November 30, 2016	November 30, 2015
Deferred Tax Assets (Liabilities)		
Exploration and evaluation assets	\$ 1,375,000	\$ 1,235,000
Share issue costs	32,000	26,000
Non-capital losses available for future period	963,000	766,000
	2,370,000	2,027,000
Unrecognized deferred tax assets	(2,370,000)	(2,207,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2016	Expiry Date Range	2015
Mining tax credit	\$ 92,000	2017 to 2034	\$ 92,000
Non-capital loss carry forwards	3,675,000	2017 to 2036	2,925,000
Exploration and evaluation assets	5,009,000	No expiry date	4,480,000
Share issue costs	125,000	2017 to 2020	101,000

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements For the Years Ended November 30, 2016 and 2015 *In Canadian Dollars*

8. Related Party Transactions

Key management personnel consist of directors and senior management including the President, Chief Executive Officer, Vice President of Exploration and Chief Financial Officer. Key management personnel compensation includes:

	2016	2015
Salaries and wages	\$ 180,000	\$ 155,000
Exploration and evaluation expenditures	175,925	49,000
Accounting and office and administration expense	50,000	42,000
Directors' fees	-	28,000
Share-based compensation	292,153	14,175
	\$ 698,078	\$ 288,175

The accounts payable and accrued liabilities of the Company include the following amounts due to related parties:

	2016	2015
Key management personnel	\$ 22,236	\$ -

9. 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 equity comprised of issued share capital, reserves 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 considered appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

Precipitate Gold Corp.
Notes to the Consolidated Financial Statements
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10. 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.

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.

Precipitate Gold Corp.

Notes to the Consolidated Financial Statements

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10. Financial Instruments – Continued

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.

11. Subsequent Events

- a) On December 7, 2017, 1,000,000 warrants were exercised for proceeds of \$120,000.
- b) On December 14, 2016, the Company paid \$75,000 and issued 1,000,000 common share to BC Corp. to complete the purchase of the Juan de Herrera project (Note 4d).
- c) On February 9, 2017, the Company entered into an Option Agreement with Golden Predator Mining Corp. ("Golden Predator") to which Golden Predator may acquire 100% interest in the Company's Reef property by completing staged payments totalling \$1,050,000 in cash, 200,000 common shares of Golden Predator, additional common shares of Golden Predator equal to \$600,000, and 800,000 three-year warrants exercisable for the purchase of Golden Predator shares. Golden Predator will grant the Company a 2% NSR royalty on the claims that are not subject to a pre-existing royalty, and a 1% NSR royalty on claims that are subject to a pre-existing royalty. Golden Predator may purchase 25% of the Company's NSR royalty at any time for \$1,000,000 and an additional 25% of the Company's NSR royalty at anytime for \$1,500,000. The Agreement is subject to TSX Venture approval.