



**GOLDEN DAWN MINERALS INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FEBRUARY 28, 2017**

*(Expressed in Canadian Dollars - Unaudited)*

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**NOTICE OF NO AUDITORS' REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

GOLDEN DAWN MINERALS INC.  
Condensed Interim Consolidated Statements of Financial Position  
[Expressed in Canadian Dollars - Unaudited]

As at	Note	February 28, 2017	November 30, 2016
<b>ASSETS</b>			
Current assets			
Cash		\$ 908,540	\$ 688,062
Marketable securities	5	27,000	21,000
Receivables and prepayments		91,950	111,610
		<b>1,027,490</b>	<b>820,672</b>
Non-current assets			
Special warrants	5	1,439,679	1,107,620
Restricted cash	6	533,602	528,602
Receivables from related party	13	71,973	32,994
Plant and equipment	7,8	5,801,648	5,571,254
Exploration and evaluation assets	9	5,093,244	3,003,093
Total assets		<b>\$ 13,967,636</b>	<b>\$ 11,064,235</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 851,243	\$ 900,883
Net revenue payment	8	450,000	700,000
Due to related parties	13	379,269	230,371
Convertible debenture	15	79,287	79,287
Senior convertible loan	10	1,382,588	2,767,955
Promissory notes	16	703,888	703,888
Flow through share premium	14	-	38,716
		<b>3,846,275</b>	<b>5,421,100</b>
Metal stream obligation	11	3,837,056	-
Reclamation provision	17	655,294	655,294
Total liabilities		<b>8,338,625</b>	<b>6,076,394</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	12	20,516,416	19,298,489
Share subscriptions receivable	12	(252,500)	(421,615)
Reserves	12	4,158,679	4,103,982
Deficit		(18,793,584)	(17,993,015)
Total shareholders' equity (deficiency)		<b>5,629,011</b>	<b>4,987,841</b>
Total liabilities and shareholders' equity (deficiency)		<b>\$ 13,967,636</b>	<b>\$ 11,064,235</b>

Going concern (Note 3(a))

Commitments and contingencies (Note 20)

Events subsequent to the reporting period (Note 22)

APPROVED AND AUTHORIZED FOR ISSUE BY THE BOARD OF DIRECTORS ON APRIL 26, 2017  
AND SIGNED ON ITS BEHALF BY:

/S/Wolf Wiese

Wolf Wiese, Director

/S/Dieter Benz

Dieter Benz, Director

The accompanying notes are integral part of these consolidated financial statements

GOLDEN DAWN MINERALS INC.  
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
[Expressed in Canadian Dollars - Unaudited]

	Notes	February 28, 2017	February 29, 2016
<b>Expenses</b>			
Financing costs	10,11	\$ 87,240	\$ 15,464
General and administrative		61,922	18,935
Corporate communication		311,790	295,085
Insurance		77,849	-
Management, wages and salaries	13	352,066	49,566
Professional fees		171,407	7,070
Share-based compensation	12	-	394,062
Transfer agent and filing fees		24,100	18,211
		<b>1,086,374</b>	<b>798,393</b>
<b>Other Items</b>			
Unrealized gain on marketable securities	5	(338,059)	-
Foreign exchange loss		16,402	-
Flow through share premium recovery	14	(38,716)	(52,477)
Fair value adjustment on derivative liability	10,11	74,568	-
Recovery of property expenses		-	(10,000)
		<b>(285,805)</b>	<b>(62,477)</b>
<b>Loss and comprehensive loss</b>		<b>\$ 800,569</b>	<b>\$ 735,916</b>
<b>Loss per share, basic and diluted</b>		<b>\$ 0.01</b>	<b>\$ 0.02</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<b>95,649,024</b>	<b>41,804,656</b>

The accompanying notes are integral part of these consolidated financial statements

**GOLDEN DAWN MINERALS INC.**  
**Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)**  
**[Expressed in Canadian Dollars - Unaudited]**

<u>Share Capital</u>							
	Number of Shares	Amount	Share subscription s receivable	Share subscription s received in advance	Reserves	Deficit	Total
		\$	\$	\$	\$	\$	\$
Balance, November 30, 2015	39,971,123	11,539,698	(20,000)	55,000	2,022,654	(13,903,712)	(306,360)
Private placements	10,300,761	1,115,266	-	(55,000)	-	-	1,060,266
Finders' shares	185,546	20,766	-	-	-	-	20,766
Share issuance cost	-	(78,504)	-	-	-	-	(78,504)
Shares issued for property	200,000	16,000	-	-	-	-	16,000
Exercise of warrants	4,012,166	378,217	-	-	-	-	378,217
Share-based compensation Flow-through share premium liability	-	-	-	-	394,062	-	394,062
Share subscriptions received in advance	-	-	-	53,308	-	-	53,308
Loss for the period	-	-	-	-	-	(735,916)	(735,916)
<b>Balance, February 29, 2016</b>	<b>54,469,596</b>	<b>12,949,369</b>	<b>(20,000)</b>	<b>53,308</b>	<b>2,416,716</b>	<b>(14,639,628)</b>	<b>759,765</b>
Balance, November 30, 2016	94,926,676	19,298,489	(421,615)	-	4,103,982	(17,993,015)	4,987,841
Private placements	-	-	134,500	-	-	-	134,500
Share units issued for property	2,222,250	600,008	-	-	-	-	600,008
Exercise of warrants	4,068,154	499,024	34,615	-	-	-	533,639
Exercise of options	400,000	118,895	-	-	(58,895)	-	60,000
Warrants issued on senior convertible loan	-	-	-	-	113,592	-	113,592
Loss for the period	-	-	-	-	-	(800,569)	(800,569)
<b>Balance, February 28, 2017</b>	<b>101,617,080</b>	<b>20,516,416</b>	<b>(252,500)</b>	<b>-</b>	<b>4,158,679</b>	<b>(18,793,584)</b>	<b>5,629,011</b>

The accompanying notes are integral part of these consolidated financial statements

GOLDEN DAWN MINERALS INC.  
Condensed Interim Consolidated Statements of Cash Flows  
[Expressed in Canadian Dollars - Unaudited]

	February 28, 2017	February 29, 2016
<b>Cash flow from operating activities</b>		
Loss for the period	\$ (800,569)	\$ (735,916)
Items not affecting cash:		
Amortization	2,072	
Accrued interest on senior convertible loan	57,272	-
Unrealized gain on marketable securities	(338,059)	-
Share-based compensation	-	394,062
Flow through shares premium recovery	(38,716)	(52,477)
Fair value adjustment of derivative liability	74,568	-
Changes in non-cash working capital:		
Change in receivables and prepayments	41,660	(21,826)
Change in receivables from related party	(31,430)	(28,103)
Change in accounts payables and accrued liabilities	(36,614)	(114,092)
Change in amount due to related parties	273,508	36,000
<b>Net cash flow used in operating activities</b>	<b>(796,308)</b>	<b>(522,352)</b>
<b>Cash flow from investing activities</b>		
Investment in exploration and evaluation assets	(1,447,181)	(212,622)
Purchase of reclamation bond	(5,000)	(2,000)
Investment in plant and equipment	(780,364)	(12,500)
<b>Net cash flows used in investing activities</b>	<b>(2,232,545)</b>	<b>(227,122)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of shares, net of share issuance cost	728,140	1,380,746
Proceeds from senior convertible loan	1,305,990	-
Repayment of senior convertible loan	(2,631,570)	-
Share subscription received in advance	-	53,308
Due to related parties	87,751	(181,062)
Proceeds from metal purchase agreement	3,759,020	-
<b>Net cash flows provided by financing activities</b>	<b>3,249,331</b>	<b>1,252,992</b>
<b>Net increase in cash</b>	<b>220,478</b>	<b>503,518</b>
<b>Cash, beginning of year</b>	<b>688,062</b>	<b>107,722</b>
<b>Cash, end of year</b>	<b>\$ 908,540</b>	<b>\$ 611,240</b>

Supplemental disclosures with respect to cash flows (Note 21)

The accompanying notes are integral part of these consolidated financial statements

**GOLDEN DAWN MINERALS INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2017**  
(Expressed in Canadian Dollars, unless otherwise stated - Unaudited)

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**1. CORPORATION INFORMATION**

Golden Dawn Minerals Inc. (“the Company”) was incorporated on January 9, 2004, under British Columbia Business Corporations Act. The current registered office of the Company is located at Suite 1100, 736 Granville Street, Vancouver, British Columbia, while the current corporate office is located at Suite 318, 1199 West Pender Street, Vancouver, British Columbia.

The principal activity of the Company is the acquisition and exploration of mineral resource properties in Canada. The Company’s common shares are listed for trading on the TSX Venture Exchange (TSX-V) under the symbol “GOM.” During fiscal 2016, the Company acquired a processing facility and the Greenwood Precious Metals Project consisting of the Lexington and Gold Crown exploration properties located in the Greenwood Mining Division of South Central British Columbia, Canada (Note 8).

**2. BASIS OF PREPARATION**

**a) Statement of Compliance**

These unaudited condensed interim consolidated financial statements (“Financial Statements”) have been prepared in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted and therefore, these unaudited condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended November 30, 2016.

**b) Basis of Measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these financial statements is presented in Canadian dollars, except as otherwise stated.

**c) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its three wholly-owned Canadian subsidiaries, 6891667 Canada Inc., 1086359 BC Ltd. and Kettle River Resources Ltd. All significant inter-company balances and transactions have been eliminated upon consolidation. Subsidiaries are entities controlled by the Company. Control exists when the Company possesses power over as investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affects its returns.

**3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of assets or liabilities affected in future periods.

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In particular, the Company has identified the following areas where significant judgments and estimates are required. Changes in these judgments and estimates may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

**a) Going concern**

Management anticipates that the Company will be able to continue as a going concern for the foreseeable future and realize its assets and discharge its liabilities and commitments in the normal course of business, and therefore, these financial statements have been prepared on a going concern basis and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The mineral exploration and mining business involves, by its nature, a high degree of risk. There can be no assurance that exploration projects will result in valuable mineral discoveries or profitable mining operations. All the Company's mineral properties are in the exploration stages and have not generated any revenue, and therefore, the Company has incurred significant losses and negative cash flows from operations since its inception.

In the immediate term, the Company's ability to continue as a going concern is dependent upon its ability to raise additional capital to fund its ongoing business operations. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. In the longer term, the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its ownership in the underlying mineral interests, the discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Company to obtain financing to support its ongoing exploration programs. The achievement of profitability and positive cash flow and the ability to obtain adequate financing are material uncertainties. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

**b) Accounting of special warrants received from Super Nova Petroleum Corp. ("SNP")**

The Company has assessed whether it had a controlling financial interest in SNP, after receiving 9,799,333 special warrants, in accordance with the provisions of IFRS 10 "Consolidated Financial Statements." This standard requires the Company to assess if it had:

- i) power over the entity;
- ii) exposure, or rights, to variable returns from its involvement with the entity; and
- iii) power to affect the amount of the entity's return.

The Company then further assessed whether it had significant influence in SNP in accordance with the provisions of IAS 28 "Investments in Associates and Joint Ventures." This standard requires the Company to assess if it had power to participate in the financial and operating policy decisions of the entity, without having direct control or joint control of those policies.

Each of these factors requires the Company to make significant judgments as to the extent of its involvement with the entity and whether it is required to consolidate the operations of the entity or record the investment in accordance with the equity method of accounting.

For the accounting of the special warrants, the Company concluded that it had not obtained control or significant influence of the entity and therefore should record the value of the investment as a fair value through profit or loss investment (Note 5).

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**c) Acquisition of processing facility and Greenwood Gold project**

During fiscal 2016 the Company acquired a processing facility and the Greenwood Precious Metals Project consisting of the Lexington and Gold Crown exploration properties (Note 8). Management determined that the purchase represented an acquisition of assets rather than a business combination because the mineral properties were in the exploration and evaluation stage and had not demonstrated technical feasibility, economic viability or the ability to provide economic benefit. The Greenwood mill and Lexington and Gold Crown properties did not have the workforce, resources and reserves, mine plan, or financial resources to meet the definition of a business for accounting purposes.

Also, the allocation of purchase consideration to each component is based on the relative fair value of the assets acquired. If these estimates of fair value prove to be inaccurate, the allocation of value between the mineral claims, mill and tailing facilities and mining equipment could be reallocated.

**d) Fair value of derivatives and other financial liabilities**

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Management uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Refer to Notes 10 and 11 for further details on the methods and assumptions associated with the senior convertible loan.

**e) Reclamation provisions**

The Company assesses its reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost, and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rate, and changes in discount rates. These uncertainties may result in future expenditures differing from the amounts currently provided.

**f) Impairment of long-lived assets**

The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

**g) Deferred tax assets**

Judgment is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgment is also required in determining whether deferred income tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods, in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sale volumes, commodity prices, reserves, operating costs, closure and reclamation costs, capital expenditure, dividends and other capital management transactions) and judgment about the application of existing tax laws in each jurisdiction. To the

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extent that future cash flows and taxable income differs significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting data could be impacted.

In addition, future changes in income tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain income tax deductions in future periods.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These Condensed Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's audited annual financial statements for the year ended November 30, 2016.

##### **Accounting standards issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the February 28, 2017 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

##### **(i) IFRS 15 Revenue from Contracts with Customers**

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The standard is effective for years beginning on or after January 1, 2018.

##### **(ii) IFRS 9, Financial Instruments**

The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking “expected loss” impairment model. The standard is mandatory for years beginning on or after January 1, 2018.

##### **(iii) IFRS 16, Leases**

The new standard on leases, supersedes IAS 17, Leases, and related interpretations. The standard is effective for years beginning on or after January 1, 2019.

#### **5. MARKETABLE SECURITIES AND SPECIAL WARRANTS**

##### Marketable securities

In March 2016, the Company received 300,000 shares valued at \$15,000 from Super Nova Petroleum Corp (“SNP”), a company with common directors, for repayment of advances. As of February 28, 2017, the shares had a fair market value of \$27,000 (November 30, 2016 - \$21,000), consequently, an unrealized gain of \$6,000 was recorded in the statement of loss and comprehensive loss for the three months ended February 28, 2017.

##### Special warrants

In October 2016, SNP issued 9,799,333 special warrants to settle \$489,966 in related party receivables owed to the Company. Each warrant automatically converts into a unit of SNP on the earlier of i) the second anniversary of the date of the issuance of special warrants, and ii) the closing of a significant transaction involving SNP. Each unit consists of one common share and one share purchase warrant. Each warrant shall be exercisable into a common share of SNP at \$0.075 per share for a period of two years from conversion.

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The special warrants were valued on the underlying values of the common shares and warrants. On issuance, the common shares were valued at \$0.05 per share and the warrant was valued using the Black-Scholes valuation model at \$0.03 per warrant for a total of \$759,042 recognizing a gain on settlement of debt of \$269,076. At February 28, 2017, the share was revalued at \$0.09 (November 30, 2016 - \$0.07) per share and the warrant was valued at \$0.06 (November 31, 2016 - \$0.04) per warrant for a total value of \$1,439,679 (November 30, 2016 - \$1,107,620). An unrealized gain of \$332,058 was in the statement of loss and comprehensive loss for the three months ended February 28, 2017.

The fair value of the warrants was determined using the following assumptions:

<b>Weighted average assumptions</b>	<b>At issuance date October 16, 2016</b>	<b>At year ended November 30, 2016</b>	<b>At three months ended February 28, 2017</b>
Risk free interest rate	1.2%	1.2%	1.2%
Volatility	125%	125%	125%
Expected life of warrants	2 years	2 years	1.75 years
Dividend rate	0%	0%	0%

## **6. RESTRICTED CASH**

As at February 28, 2017, the Company has a total of \$533,602 (November 30, 2016 - \$528,602) in restricted cash as follows:

- \$19,550 (November 30, 2016 - \$19,550) as deposit for the Company's credit card;
- \$64,052 (November 30, 2016 - \$59,052) as deposits for exploration permits for the Company's mineral exploration and evaluation assets in accordance with related statutory requirements.
- \$450,000 (November 30, 2016 - \$450,000) in trust pursuant to a reclamation bond on the Greenwood project.

Such funds are not available to finance the Company's day-to-day operations and therefore have been excluded from cash for the purposes of the statement of cash flows and are disclosed as non-current assets.

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**7. PLANT AND EQUIPMENT**

	<b>Mining equipment and vehicles</b>	<b>Mill and plant</b>	<b>Furniture and fixture</b>	<b>Camp</b>	<b>Total</b>
<b>Cost</b>					
Balance, November 30, 2015	\$ 17,000	\$ -	\$ -	\$ -	\$ 17,000
Additions	338,293	4,894,339	24,865	62,757	5,320,254
Capitalized borrowing costs	-	245,000	-	-	245,000
Balance, November 30, 2016	355,293	5,139,339	24,865	62,757	5,582,254
Additions	-	-	-	-	-
Capitalized borrowing costs	-	241,820	-	-	241,820
Balance, February 28, 2017	\$ 355,293	\$ 5,381,159	\$ 24,865	\$ 62,757	\$ 5,824,074
<b>Accumulated amortization</b>					
Balance, November 30, 2015	\$ 472	\$ -	\$ -	\$ -	\$ 472
Additions	10,528	-	-	-	10,528
Balance, November 30, 2016	11,000	-	-	-	11,000
Additions	4,124	-	2,072	5,230	11,426
Balance, February 28, 2017	\$ 15,124	\$ -	\$ 2,072	\$ 5,230	\$ 22,426
<b>Carrying amounts</b>					
At November 30, 2016	\$ 344,293	\$ 5,139,339	\$ 24,865	\$ 62,757	\$ 5,571,254
At February 27, 2017	\$ 340,169	\$ 5,381,159	\$ 22,793	\$ 57,527	\$ 5,801,648

During the three months ended February 28, 2017, amortization expense of \$9,354 (2016 - \$1,730) was recognized and capitalized as costs associated with the Company's exploration and evaluation assets and \$2,072 (2016 - \$Nil) was recorded in the statement of loss and comprehensive loss.

The Company mill and plant assets acquired as part of the Greenwood Gold project acquisition (Note 8) were not available for use during the year ended November 30, 2016 and the three months ended February 28, 2017. Therefore, no amortization was recognized on these assets.

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**8. ACQUISITION OF GREENWOOD GOLD PROJECT**

In September 2016, the Company completed the acquisition of the Greenwood Gold Project, consisting of a mill, tailings facilities, mining machinery and equipment and the Lexington and Gold Crown exploration properties located in the Greenwood Mining Division, South Central British Columbia, Canada. The assets were acquired from Huakan International Mining Inc. (“Huakan”) and the transaction was accounted for as an asset acquisition (Note 3(c)).

The consideration for the acquisition of the assets consisted of:

- i) Payment of \$3,010,000 in cash;
- ii) Issuance of 600,000 common shares valued at \$81,000;
- iii) Net revenue payment of \$700,000 payable in three installments of \$250,000 each on December 6, 2016, April 6, 2017, and August 6, 2017; and
- iv) Issuance of 2,000,000 units valued at \$803,538. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.20 for two years (Note 12).

The units issued were valued on the underlying values of the common shares and warrants. The fair value of the warrants was determined using the Black-Scholes model with a risk-free interest rate of 0.59%, volatility of 172%, expected life of two years and a dividend rate of 0%.

The purchase allocation is summarized in the table below:

Purchase consideration:

Shares issued	\$ 526,000
Warrants issued	358,538
Cash	3,010,000
Net revenue payment payable	700,000
	\$ 4,594,538

The purchase consideration was assigned based on the relative fair values of the assets acquired and liabilities assumed as follows:

Mill and plant	\$ 4,894,339
Equipment	305,793
Reclamation provision	(605,594)
	\$ 4,594,538

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**9. EXPLORATION AND EVALUATION ASSETS**

At February 28, 2017, the Company's exploration properties consist of the following projects:

	Boundary Falls	Greenwood Gold Project	Kettle River Project	
	(a)	(b)	(c)	Total
At November 30, 2015	\$ 1,187,044	\$ -	\$ -	\$ 1,187,044
Acquisitions costs	-	-	95,000	95,000
Reclamation provisions	49,700	-	-	49,700
Exploration expenditures	1,348,970	322,379	-	1,671,349
At November 30, 2016	2,585,714	322,379	95,000	3,003,093
Acquisitions costs	-	-	1,513,508	1,513,508
Exploration expenditures	376,840	183,329	16,474	576,643
At February 28, 2017	\$ 2,962,554	\$ 505,708	\$ 1,624,982	\$ 5,093,244

**a) Boundary Falls Property, British Columbia**

The Company acquired a 100% interest to three mineral claims and the May Mac mine and related facilities for a payment of 1,000,000 common shares valued at \$130,000.

On March 24, 2015, the Company entered into a purchase agreement to acquire 100% interest in the Amigo property for consideration of \$10,000 and 200,000 common shares valued at \$16,000. The property is adjacent to the May Mac claims and included in the Boundary Falls Project.

During the year ended November 30, 2016, the Company recognized a reclamation provision of \$49,700 on the Boundary Falls property (Note 17).

The Property is subject to a 3.0% net smelter royalty ("NSR").

**b) Greenwood Gold Project, British Columbia**

The Company acquired 100% of the Greenwood Gold Project consisting of the Lexington and Golden Crown properties located in the Greenwood Mining Division, South Central British Columbia, Canada (Note 8).

**c) Kettle River Project, British Columbia**

On October 17, 2016, the Company entered into an Letter of Intent ("LOI") with New Nadina Explorations Limited ("New Nadina") with respect to acquiring New Nadina's 100% owned subsidiary, Kettle River Resources Ltd. ("Kettle River") which owns mineral and land properties in the Greenwood area.

Pursuant to the LOI, the Company paid \$95,000 during the year ended November 30, 2016. In February 2017, the Company completed the Kettle River acquisition in consideration for cash payments of \$915,000 and the issuance of 2,222,250 common shares with a value of \$600,008. The transaction also incurred regulatory fees of \$3,500.

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The mineral properties included in the acquisition are subject to a 1% NSR where the Company can purchase a ½% for \$1,000,000 within five years and thereafter \$1,200,000 up to 10 years leaving a ½% NSR payable to New Nadina.

**10. SENIOR CONVERTIBLE LOAN**

The changes in the senior convertible loan are as follows:

	Amount
Balance, November 30, 2015	\$ -
Initial recognition – debt component	2,302,487
Initial recognition – allocation of financing costs	(282,208)
Change in fair value of derivative liability including foreign exchange	747,676
<b>Balance, November 30, 2016</b>	<b>2,767,955</b>
De-recognition at the repayment of the loan	(2,631,570)
Change in fair value of derivative liability including foreign exchange	(136,385)
Initial recognition – debt component	1,192,398
Change in fair value of derivative liability including foreign exchange	178,840
Interest accretion	11,350
<b>Balance, February 28, 2017</b>	<b>\$ 1,382,588</b>

*First tranche US\$2,000,000*

On August 28, 2016, the Company entered into an agreement with Lind Asset Management VI, LLC, managed by The Lind Partners, LLC, a New York-based institutional fund manager (together, the “Investor” or “Lind”), for the issue of a convertible security with a face value of US\$2,400,000 (the “Investment”).

The financing was closed on September 6, 2016. The Company used the net proceeds of US\$1,880,000 (\$2,415,800) plus additional cash on hand to exercise the Company’s option with Huakan to acquire a 100% interest in the Greenwood Project assets (Note 8).

The Investment is in the form of a senior secured convertible security with an initial maturity of 36 months and a fixed conversion price per share of \$0.31, being the last closing price of the Company’s common shares on the Exchange prior to execution of the definitive agreement. The gross funded amount is US\$2,000,000 (US\$1,880,000 net to the Company) which will have a pre-paid interest component of US\$400,000 for a total face value amount of US\$2,400,000. The Company is required to repay US\$100,000 monthly after the first four months; except that the repayment amount will be reduced in any month by the amount converted to common shares, and will also be reduced in subsequent months where the Investor converts more than US\$100,000 to common shares in a month.

Prepaid interest will accrue monthly with the Investor’s option to convert accrued interest quarterly in common shares up to the then maximum allowable discount by the TSX-V at that time.

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The Investor also received 8,389,355 warrants exercisable at \$0.31 expiring 36 months from their date of issue and will also receive additional warrants if and when interest payments are made which will have a 36 month expiry and priced at the then current market price under Exchange rules.

The Company has the right to buy-back the Investment at any time for a 5% premium, or for no premium during the initial lock-up period; furthermore, if the Company buys back the Investment within the first six months, then the face value will be reduced by US\$100,000. The Investor has the right to re-invest up to an additional US\$1,000,000 on similar terms and conditions as the initial Investment, subject to TSX-V approval at that time.

Under the terms of the arrangement the Company paid a 6% fee, US\$120,000 to obtain the initial financing under the Agreement. The Company also paid finder's fee in cash US\$100,000 (\$133,105) and issued 419,467 finder's warrants valued at \$13,826 that are exercisable at \$0.31 for 36 months.

The conversion feature of the convertible debentures meets the definition of a derivative liability instrument because the conversion feature is denominated in a currency other than the Company's functional currency. The number of shares convertible will vary depending on fluctuations in Canadian and US foreign exchange rates. As a result, the Company decided to recognize the entire convertible instrument as fair value through profit or loss in accordance with IAS 39. The fair value of the senior convertible loan was calculated using a discounted cash flow model in combination with Black-Scholes calculations for the embedded derivatives included in the instrument. The fair value of the senior convertible loan was calculated on initial recognition with the residual value assigned to reserves, representing the value of the 8,389,355 warrants issued to the investor as part of the transaction. The financing costs, the finance fees and finder's fee were allocated to the senior convertible loan and to reserves accordingly.

On initial recognition, the Company determined the effective interest rate of the debt portion was 20.79% and used the below Black-Scholes inputs as part of the calculation. The value of the debt component was \$2,302,487 and the warrants issued were assigned the residual amount of \$276,513. The financing costs are allocated to the debt component and reserves as of \$282,208 and \$15,308 respectively. On subsequent measurement of the senior convertible loan, the Company determined the effective interest rate to be 38.31% and used the below Black-Scholes inputs as part of the calculation. The fair value of the senior convertible loan at November 30, 2016 was determined to be \$2,767,955.

In February 2017, the Company fully repaid the first convertible loan and interest of US\$2,400,000. Accordingly, the Company derecognized the derivative liability as of February 14, 2017.

As of February 14, 2017, the re-recognized fair value of the senior convertible loan was \$2,631,570 and a gain on fair value adjustment of the embedded derivative of \$136,385 was recorded during the three months ended February 28, 2017.

The fair value of the embedded derivatives was determined using the following assumptions:

<b>Weighted average assumptions</b>	<b>At issuance date September 6, 2016</b>	<b>At November 30, 2016</b>	<b>At February 28, 2017</b>
Risk free interest rate	0.55%	0.74%	0.74%
Volatility	104%	106%	106%
Expected life	2.8 years	2.67 years	2.42 years
Liquidity discount	84%	84%	84%
Dividend rate	0%	0%	0%

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During the year ended November 30, 2016, the Company accrued interest expense of \$265,467 at 38% per annum effective interest rate based on an expedited amortization period of six months. Of this amount, \$245,000 was capitalized to the mill and plant assets (Note 8) and the remainder was recognized as a finance cost in the statements of loss and comprehensive loss.

During the three months ended February 28, 2017, the Company accrued interest expenses of \$256,929, of which \$241,820 was capitalized to the mill and plant assets and the remainder of \$15,109 was recognized as a finance cost in the statement of loss and comprehensive loss.

*Second tranche US\$1,000,000*

On February 14, 2017, Lind requested to advance a further US\$1,000,000 to the Company. The gross funded amount in February 2017 is US\$1,000,000 which has a pre-paid interest component of US\$200,000 for a total face value amount of US\$1,200,000. The Company is required to repay US\$100,000 monthly commencing June 30, 2017, except if Company repays US\$1,200,000 in full by June 15, 2017, then the Company need only pay US\$1,100,000 in order to fully repay the amount outstanding.

The Company also issued to Lind 4,202,258 warrants exercisable at \$0.29 which expire 36 months from their date of issue.

On initial recognition, the Company determined the effective interest rate of the debt portion was 21.23% and used the below Black-Scholes inputs as part of the calculation. The value of the debt component was \$1,192,398 and the warrants issued were assigned the residual amount of \$113,592. On subsequent measurement of the senior convertible loan, the Company determined the effective interest rate to be 22.41% and used the below Black-Scholes inputs as part of the calculation. The fair value of the senior convertible loan at February 28, 2017 was determined to be \$1,382,588 with a loss on fair value adjustment of embedded derivative of \$178,840 recorded in the three months ended February 28, 2017.

The fair value of the embedded derivatives was determined using the following assumptions:

<b>Weighted average assumptions</b>	<b>At issuance date February 14, 2017</b>	<b>At February 28, 2017</b>
Risk free interest rate	0.54%	0.70%
Volatility	99.65%	90%
Expected life	1.97 years	1 year
Liquidity discount	89.6%	90%
Dividend rate	0%	0%

During the three months ended February 28, 2017, the Company accrued interest expenses of \$11,350 at 22% per annum effective interest rate, which was recognized as a finance cost in the statement of loss and comprehensive loss.

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**11. METAL PURCHASE AGREEMENT**

On December 23, 2016, the Company entered into a Gold Purchase Agreement (“GPA”) with RIVI Opportunity Fund LP (“RIVI”). The GPA was further amended on February 8, 2017.

The terms of the GPA are as follows: RIVI shall be entitled to 13.5% of the total combined gross production of gold ounces limited to the Lexington and Golden Crown Mines, at a gold-equivalent (“GEO”) price per ounce of US\$400 for the life of the projects. RIVI will purchase the metal stream for a total of US\$4,000,000 in two tranches; US\$3,000,000 upon signing a final agreement (received on February 9, 2017), and the second tranche of US\$1,000,000 received on March 13, 2017. The company will pay 10% interest per annum on the US\$4,000,000 advanced until the end of three full months (consecutive) of commercial production. Should the Company not advance the projects to commercial production within 12 months after the date of the agreement, the rate of interest will increase to 16% per annum.

The Company shall pay a 4% of structuring fee to RIVI upon the receipt of funds.

*Stream Reduction:* Upon delivery of a minimum of 15,000 ounces of gold from the two mines (Lexington and Golden Crown), and providing the one year average price of gold is above US\$1,200 per ounce, the Company shall have the option to reduce the metal stream from 13.5% of gross production to 6.75%, and increase the per-ounce payment from US\$400 to US\$650 by providing RIVI with a one-time payment of US \$3,000,000.

Management has determined that based on the terms of the agreement, the Company assumes the risks associated with the timing and amount of ounces of gold delivered. As this obligation met the definition of a derivative, the Company has classified the funds received from RIVI as a financial liability at FVTPL, with initial and subsequent measurement at fair value.

Fair value of the gold stream obligation on initial recognition is determined by the amount of the cash advance received. Subsequently, the Company values the liability at the present value of its expected future cash flows at each reporting period with changes in fair value recorded in the statement of loss and comprehensive loss.

Fair value adjustments represent the net effect on the metal stream obligation of changes in the variables included in the Company’s valuation model between the date of receipt of deposit and the reporting date. These variables include effective interest rate, future metal prices, foreign exchange rate and expected gold and silver ounces to be delivered.

The following is a summary of the changes in the Company’s metal streaming obligation:

	Amount
Balance, November 30, 2016	\$ -
Initial recognition at the receipt of proceeds	3,759,020
Interest accretion	45,922
Fair value adjustments	32,114
<u>Balance, February 28, 2017</u>	<u>\$ 3,837,056</u>

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**12. SHARE CAPITAL AND RESERVES**

**a) Common shares**

During the three months ended February 28, 2017

In February 2017, pursuant to the agreement to acquire New Nadina's 100% owned subsidiary, Kettle River Resources, the Company issued 2,222,250 common shares with a value of \$600,008.

During the three months ended February 28, 2017, the Company issued 4,068,155 shares pursuant to the exercise of warrants for total proceeds of \$499,025 and 400,000 shares pursuant to the exercise of options for total proceeds of \$60,000. The Company reclassified \$58,895, the fair value of options on grant, from reserves to share capital.

During the year ended November 30, 2016

In December 2015, the Company completed private placements of 7,345,000 units in two tranches, consisting of 3,570,000 non-flow-through units and 3,775,000 flow-through units, each at \$0.10 per unit for gross proceeds of \$734,500. Each non-flow-through unit consisted of one common share and one common share purchase warrant exercisable for two years at \$0.125 in the first year and \$0.15 in the second year. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant exercisable for two years at \$0.125 in the first year and \$0.15 in the second year. Proceeds of \$50,000 were received in November 2015 and presented as subscriptions received in advance as at November 30, 2015.

In February and March 2016, the Company completed private placements of 4,523,530 units in two tranches, consisting of 1,916,069 non-flow-through units at \$0.12 per unit and 2,838,230 flow-through units at \$0.13 per unit for gross proceeds of \$571,206. Each non-flow-through unit consisted of one common share and one common share purchase warrant exercisable for two years at \$0.13 in the first year and \$0.15 in the second year. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant exercisable for two years at an exercise price of \$0.15 in the first year and \$0.18 in the second year.

In April, 2016, pursuant to the agreement to acquire 100% of Greenwood Gold project, the Company issued 1,000,000 units valued at \$141,758. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.20 for two years (Note 8).

In May, 2016, the Company completed a private placement totaling 2,500,000 units at \$0.08 per unit for total proceeds of \$200,000. Each unit consists of one common share and one common share purchase warrant exercisable for two years at \$0.10 in the first year and \$0.12 in the second year.

In July, 2016, the Company completed a private placement totaling 2,500,000 units at \$0.17 per unit for total proceeds of \$425,000. Each unit consisted of one common share and one common share purchase warrant exercisable for two years at \$0.18 in the first year and \$0.25 in the second year.

In August 2016, pursuant to the agreement to acquire 100% of Greenwood Gold project, the Company issued 1,000,000 units valued at \$661,780. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.20 for two years (Note 8).

In September, 2016, the Company completed a private placement of 2,736,012 units at \$0.32 per unit for gross proceeds of \$875,524. Each unit consists of one common share and one common share purchase warrant exercisable for two years at \$0.40 in the first year and \$0.45 in the second year.

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In November 2016, the Company completed a private placement of 3,675,000 units consisting of 600,000 non-flow-through units at \$0.32 per unit and 3,075,000 flow-through units at \$0.32 per unit for total proceeds of \$1,176,000. Each non-flow-through unit consisted of one non-flow-through common share and one common share purchase warrant exercisable into a common share for two years at \$0.40. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant exercisable into one common share for two years at \$0.40.

During the year ended November 30, 2016, the Company incurred share issuance costs of \$277,918 in relation to the private placements consisting of cash commissions of \$195,830, 408,546 finders' units valued at \$68,126, and 64,500 broker warrants valued at \$13,962.

During the year ended November 30, 2016, the Company issued 28,047,465 shares pursuant to the exercise of warrants for total proceeds of \$3,396,716 and 1,300,000 shares pursuant to the exercise of options for total proceeds of \$198,000. The Company reclassified \$164,221, the fair value of options on grant, from reserves to share capital.

**b) Share Subscriptions receivable**

As at February 28, 2017, the Company has share subscription receivable of \$252,500 (November 30, 2016 - \$421,615) related to private placements and warrants exercised during the year ended November 30, 2016.

**c) Stock options**

The Company grants stock options to employees, directors, officers, and consultants as compensation for services pursuant to its Stock Option Plan (the "Plan"). Options issued pursuant to the Plan must have an exercise price greater than or equal to the market price of the Company's stock on the grant date less applicable discounts. Options have a maximum expiry period of up to five years from the grant date and are subject to the minimum vesting requirements, as determined by the Board of Directors. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Stock options granted to management, employees, and directors vest immediately on the grant date.

The following tables summarize the continuity of the Company's stock options:

	<b>Number of Options</b>	<b>Weighted average price</b>
Outstanding and exercisable at November 30, 2015	1,831,667	\$ 0.19
Granted	8,525,000	0.15
Exercised	(1,300,000)	0.21
Expired	(581,667)	0.20
Outstanding and exercisable at November 30, 2016	8,475,000	0.21
Exercised	(400,000)	0.15
Outstanding and exercisable at February 28, 2017	8,075,000	\$ 0.22

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Information regarding options outstanding as February 28, 2017 is as follows:

<b>Number of options</b>	<b>Exercise price</b>	<b>Expiry date</b>
1,150,000	\$ 0.18	April 1, 2020
2,300,000	0.15	February 4, 2021
1,050,000	0.15	April 1, 2021
100,000	0.15	June 22, 2021
200,000	0.155	July 19, 2021
3,275,000	0.30	October 28, 2021
<b>8,075,000</b>		

During the three months ended February 28, 2017, the Company recognized share-based compensation of \$Nil (2016 – \$394,062) in the statement of loss and comprehensive loss as no incentive stock options were issued and all previously issued incentive stock options have fully vested. The weighted average fair value of options granted in 2016 was \$0.19 per option.

The fair value of the stock options granted was determined using the following weighted average assumptions:

<b>Weighted average assumptions</b>	<b>Three months ended February 28, 2017</b>	<b>Three months ended February 29, 2016</b>
Risk free interest rate	N/A – none granted	0.81%
Volatility	N/A – none granted	211.53%
Expected life of options	N/A – none granted	5years
Dividend rate	N/A – none granted	0%

**d) Share purchase warrants**

Warrants issued in senior convertible debenture (Note 10)

During the three months ended February 28, 2017, the Company granted 4,202,258 warrants in relation to a senior convertible loan (Note 10). The warrants are exercisable at \$0.29 per share for three years from the issuance date.

During the year ended November 30, 2016, the Company granted 8,389,855 warrants in relation to a senior convertible loan and 419,467 warrants to a finder (Note 10). The warrants are exercisable at \$0.31 per share for three years from the issuance date.

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The following table summarizes warrant activity:

	<b>Number of Warrants</b>	<b>Weighted average price</b>
Outstanding and exercisable at November 30, 2015	18,960,088	\$ 0.10
Granted	34,561,410	0.23
Exercised	(28,047,465)	0.12
Expired	(80,000)	0.125
Outstanding and exercisable at November 30, 2016	25,394,033	0.26
Granted	4,202,258	0.29
Exercised	(4,068,154)	0.12
Expired	(200,000)	0.10
Outstanding and exercisable at February 28, 2017	25,328,137	\$ 0.30

Information regarding share purchase warrants outstanding at February 28, 2017 is as follows:

<b>Number of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
140,000	0.10	January 8, 2017
172,637	0.125	March 12, 2017
383,750	0.10	July 9, 2017
511,062	0.105	July 9, 2017
16,500	0.10	July 9, 2017
295,000	0.10	August 21, 2017
605,294	0.13	October 16, 2017
100,000	0.15	December 3, 2017
100,000	0.15	December 18, 2017
9,300	0.13/0.15*	February 25, 2018
2,500,000	0.18/0.25*	July 22, 2018
1,000,000	0.2	August 2, 2018
8,808,822	0.31	August 30, 2019
2,176,012	0.40/0.45*	September 16, 2018
64,500	0.40/0.45*	September 19, 2018
560,000	0.40/0.45*	September 27, 2018
3,798,000	0.40	November 16, 2018
4,202,258	0.29	February 14, 2020
<b>25,328,137</b>		

\*first year exercise price/second year exercise price

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**13. RELATED PARTY TRANSACTIONS**

During the three months ended February 28, 2017, the Company entered into the following transactions with related parties.

a) \$222,000 (2016 - \$36,000) of management fees were accrued in Management, wages and salaries expense to a company controlled by the CEO. As at February 28, 2017, \$332,741 (November 30, 2016 - \$197,061) was payable to the company.

b) Super Nova Petroleum Corp (“SNP”), a public company trading on the Canadian Securities Exchange with common directors and officers to the Company, shares office space and administration services with the Company. During the three months ended February 28, 2017, the Company charged SNP \$24,050 (2016 - \$28,103) for these services.

During the year ended November 30, 2016, the Company received 300,000 shares and 9,799,333 special warrants from SNP (Note 5) to settle inter-company debts totaling \$504,966. As at February 28, 2017, a total receivable of \$71,973 (November 30, 2016 - \$32,994) from SNP was outstanding.

c) The Company paid \$75,545 (2016 - \$4,500) in management, wages and salaries to a director of the Company. As at February 28, 2017, \$Nil (November 30, 2016 - \$2,560) was payable to the director.

d) The Company paid \$6,000 (2016 - \$Nil) in management, wages and salaries to a director of the Company. As at February 28, 2017, \$25,000 (November 30, 2016 - \$15,000) was payable to the director.

e) The Company paid \$15,000 (2016 - \$12,000) to a company controlled by the CFO of the Company. As at February 28, 2017, \$5,250 (November 30, 2016 - \$5,250) was payable to the company.

f) The Company paid \$34,579 (2016 - \$Nil) to the COO of the Company for geological consulting fees and expenses. As at February 28, 2017, \$14,091 (November 30, 2016 - \$10,500) was payable to the COO.

g) The Company has a subscription receivable of \$226,500 (November 30, 2016 - \$226,500) from a company controlled by the CEO and \$26,000 (November 30, 2016 - \$26,000) from two directors (note 12c). The CEO balance was subsequently repaid in March 2017.

Accounts payable to related parties do not bear interest, are unsecured and repayable on demand.

**14. FLOW-THROUGH SHARE PREMIUM**

	<b>Amount</b>
Balance at November 30, 2015	\$ 62,810
Premium incurred on flow-through private placements	28,383
Renunciation of flow-through tax benefits	(52,477)
Balance at November 30, 2016	38,716
Renunciation of flow-through tax benefits	(38,716)
Balance at February 28, 2017	\$ -

During the year ended November 30, 2015, the Company completed a number of private placements for a total of 6,281,021 flow-through units (“FT Unit”) at prices ranging from \$0.06 to \$0.09 per FT Unit for gross proceeds of \$490,312. The premium received on the shares issued was determined to be \$62,810 and was recorded as a share capital reduction. During the year ended November 30, 2016, the Company incurred qualified expenses and

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renounced the tax benefits to the investors. As a result, \$52,477 was recorded into the statement of loss and comprehensive loss.

During the year ended November 30, 2016, the Company completed a number of private placements for a total of 9,668,230 FT Unit at prices ranging from \$0.10 to \$0.32 per FT Unit for gross proceeds of \$1,700,470. The premium received on the shares issued was determined to be \$28,383 and was recorded as a share capital reduction. During the three months ended February 28, 2017, the Company incurred qualified expenses and renounced the tax benefits to the investors. As a result, \$38,716 was recorded into the statement of loss and comprehensive loss.

As at November 30, 2015 and 2014, the Company recorded a provision for indemnification of \$155,907 in relation to flow-through shares issued in fiscal 2008 as a result of an expenditure shortfall. During the year ended November 30, 2016, the Company paid off all penalties and taxes to Canada Revenue Agency and reduced the provision to \$Nil.

#### **15. CONVERTIBLE DEBENTURE**

During the year ended November 30, 2013, the Company issued a \$79,287 debenture with a face value of US\$55,000 bearing interest at 9.5% per annum paid semi-annually due July 30, 2016. In addition, the debentures will include a conversion feature, allowing investors to convert the first 50% of the face value including accrued interest into the shares of the Company's common stock at US\$0.50 per share, a further 25% of the face value plus accrued interest at US\$0.75 per share, and the remaining 25% at US\$1.00 per common share.

The convertible debenture entitles the holder to convert the US dollar denominated loan into common shares for a fixed dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of loss and comprehensive loss as they arise. No value was attributed to the derivative liability as at February 28, 2017 and November 30, 2016.

As of February 28, 2017, there was \$1,666 (November 30, 2016 - \$Nil) of interest included in accounts payable and accrued liabilities.

The loan and the accrued interest were fully repaid on March 7, 2017.

#### **16. PROMISSORY NOTES**

The Company entered into six promissory notes from January to July of 2015 reclassified from accounts payable promising to pay on or before February 1, 2017 a portion of the principal amount and interest on the outstanding balances at an annual rate of 6% per annum payable semi-annually.

On default, the creditor may declare the promissory note to be immediately due and payable. Three of the notes may be settled in cash or shares whereas three may only be settled in cash, subject to regulatory approval.

As of February 28, 2017, there was \$37,146 (November 30, 2015 - \$49,254) of interest included in accounts payable and accrued liabilities. As the Company has not fully paid the interest, the notes are considered in default and recorded as a current liability.

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**17. RECLAMATION PROVISION**

	<b>February 28, 2017</b>	November 30, 2016
Balance, beginning of period	\$ 655,294	\$ -
Changes in estimate (Note 9)	-	49,700
Liabilities acquired (Note 8)	-	605,594
Balance, end of period	\$ 655,294	\$ 655,294

The Company's reclamation provision consists mainly of costs associated with the eventual closure of the Greenwood Gold Project properties, the structures on the Boundary Falls property and the mill and plant. These include costs for earthworks, including detoxification and re-contouring, re-vegetation, water treatment, asset removal and demolition and ongoing monitoring. The provision had been prepared by management and recorded at full value and not been discounted. The Company has reclamation bonds and funds in trust totaling \$509,052 regarding these reclamation provision (Note 6).

**18. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, restricted cash, receivables, marketable securities, accounts payable and accrued liabilities, due to and from related parties, convertible debentures, promissory notes and senior convertible loan. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or currency risks arising from these financial instruments.

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

*Foreign exchange risk*

The Company is exposed to foreign exchange risk as the Company has major financing arrangements in US dollars ("US\$"). The Company usually exchanges a large amount of US dollars into Canadian dollars upon receiving the US\$ funds and leave only a small US\$ balance in bank, as the Company's operation is primary in Canadian dollars. The Company currently does not enter into foreign exchange hedging arrangements.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will be able to secure additional capital in the future to finance ongoing

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exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings.

The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk

Currently, the Company's long term debts all have fixed interest rates. The senior convertible loan has a coupon interest rate at 20% per annum and effective interest rate at 22%. The promissory note bears an interest at 6% annum. In February 2017, the Company closed a metal purchase agreement and received US\$3,000,000 bearing coupon interest rate at 10% per annum. The effective interest rate of the metal purchase obligation is 32%.

Fair value measurements of financial assets and liabilities

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – Fair values measured using unadjusted quoted prices in active markets for identical instruments
- Level 2 – Fair values measured using directly or indirectly observable inputs, other than those included in level 1
- Level 3 – Fair values measured using inputs that are not based on observable market data

The carrying value of cash and cash equivalents, receivables, marketable securities, special warrants, due to/from related parties, accounts payable and accrued liabilities, convertible debentures, senior convertible loan, and promissory notes approximate their fair values due to their immediate or short-term maturity. The senior convertible loan is a hybrid financial instrument including embedded derivatives. The Company has elected to recognize the entire instrument at fair value through profit or loss. As such, the loan is recorded at fair value and marked-to-market each period with the changes in fair value each period being charged or credited to the statement of loss. The key inputs to the valuation of the fair value senior convertible loan are the Company's own share price, foreign exchange of US\$ and Canadian dollars and effective interest rate (Notes 10 and 11).

**19. CAPITAL MANAGEMENT**

The Company's capital structure consists of shareholders' equity (deficiency). The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year ended November 30, 2016. The Company does not

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currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise additional capital by obtaining equity financing through private placement or debt financing.

## **20. COMMITMENTS AND CONTINGENCIES**

### Office Lease Agreements

In October 2016, the Company entered into a lease agreement with 1199 Holdings Ltd. for an office located at 318-1199 West Pender Street, Vancouver, BC.

The term of the rent is 5 years beginning on January 1, 2017. The remaining basic rent commitment is as follows:

2017	2018	2019	2020	2021	2022
\$36,252	\$48,336	\$50,182	\$50,350	\$52,196	\$4,364

### Legal claim

The Company has a trial against Vicore Mining Developments Ltd. (the “Claimant”) on June 29, 2017 at the provincial court of British Columbia (small claims court). The amount in dispute is \$34,717 consisting of \$24,753 of invoices and \$9,964 of accrued interest. The Company doesn’t think the service was provided properly and therefore refused to pay the Claimant. As of February 28, 2017 and November 30, 2016, \$28,674 of accounts payable to the Claimant was included in the accounts payable and accrued liabilities.

## **21. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

During the three months ended February 28 2017, the Company had the following non-cash transactions:

- a) A total of \$262,575 in exploration and evaluation assets were accrued through accounts payable and accrued liabilities.
- b) A total of \$14,090 in exploration and evaluation assets were accrued through due to related parties.
- c) A total of \$450,000 in plant and equipment were accrued as a net revenue payment liability.
- d) An amortization expense of \$9,354 was recognized and capitalized as costs associated with the Company’s exploration and evaluation assets.
- e) The Company issued 2,222,258 share units valued at \$600,008 on the acquisition of the Kettle River. (Note 12).
- f) A portion of the senior convertible loan (Note 10), \$113,592 was allocated to reserves.

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During the three months ended February 29, 2016, the Company had the following non-cash transactions:

- a) A total of \$86,887 in exploration and evaluation assets were accrued through accounts payable and accrued liabilities.
- b) An amortization expense of \$1,730 was recognized and capitalized as costs associated with the Company's exploration and evaluation assets.
- c) Included in share issuance costs were 185,546 finders' share units valued at \$20,766.

## **22. EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

### Short form prospectus

On March 6, 2017, the Company filed a preliminary short form prospectus. Pursuant to the short form preliminary prospectus, the Company is to offer (i) 18,055,555 units (the "Units") of the Company at a price of \$0.36 per Unit. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant, and (ii) 8,750,000 flow-through units (the "FT Units") of the Company at a price of \$0.40 per FT Unit. Each FT Unit consists of one flow-through common share of the Company and one half of a warrant (the "FT Warrant"). Each Warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.40 during the first two years, at an exercise price of \$0.44 during the third year and at an exercise price of \$0.48 during the fourth year following the closing of the offering. Each whole FT Warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.425 during the first two years, at an exercise price of \$0.47 during the third year and at an exercise price of \$0.51 during the fourth year following the closing of the offering.

The offering is being conducted by a syndicate of agents led by Secutor Capital Management Corporation (collectively, the "Agents").

The offering is subject to TSX-V approval.

### Share issuance

Subsequent to the three months ended February 28, 2017, the Company issued 255,138 shares pursuant to the exercise of warrant for total proceeds of \$29,930.