ATAC Resources Ltd.

Consolidated Interim Financial Statements

For the six months ended

June 30, 2013

Unaudited – Prepared by Management

ATAC Resources Ltd.
#1016 – 510 West Hastings Street
Vancouver, British Columbia
V6B 1L8

August 15, 2013

To the Shareholders of
ATAC Resources Ltd.

The attached consolidated interim financial statements have been prepared by the management of ATAC Resources Ltd. and have not been reviewed by the auditor of the Company.

Yours truly,

Graham Downs
Chief Executive Officer

ATAC Resources Ltd.

Consolidated Interim Statements of Financial Position

Unaudited – Prepared by Management

	Note	**June 30, 2013** (Unaudited) **$**	December 31, 2012 (Audited) $
Assets			
Current assets			
Cash and cash equivalents	3	25,483,628	14,862,143
Receivables and prepayments	4	179,680	224,665
Marketable securities	5	112,665	175,428
		25,775,973	15,262,236
Non-current assets			
Marketable securities	5	1	1
Prepaid exploration deposits		36,367	58,727
Mineral property interests	7	80,578,180	77,592,779
		80,614,548	77,651,507
Total assets		**106,390,521**	92,913,743
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		379,184	114,867
Accounts payable to related parties	10	1,230,850	405,645
Due to joint exploration partner		-	75,560
Flow-through share premium liability	14a	-	210,000
		1,610,034	806,072
Non-current liabilities			
Deferred income tax liability	11	10,442,775	10,788,849
Total liabilities		**12,052,809**	11,594,921
Shareholders' equity			
Share capital	8	107,111,298	94,194,018
Contributed surplus	8	16,267,730	24,131,040
Deficit	8	(29,041,316)	(37,006,236)
Total shareholders' equity		**94,337,712**	81,318,822
Total liabilities and shareholders' equity		**106,390,521**	92,913,743

Nature of Operations and Going Concern	1
Commitments	14

Approved on behalf of the Board of Directors on August 15, 2013:

"Bruce J. Kenway" **Director** *"Glenn R. Yeadon"* **Director**

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

ATAC Resources Ltd.

Consolidated Interim Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

For the six months ended June 30, 2013 and 2012

	Number of shares #	Share capital $	Contributed surplus $	Deficit $	Total shareholders' equity $
January 1, 2012	**96,529,036**	**77,048,691**	**20,756,645**	**(30,303,821)**	**67,501,515**
Share-based payments	-	-	5,059,433	-	5,059,433
Exercise of options	475,000	158,750	-	-	158,750
Cancellation of options	-	-	(497,157)	497,157	-
Re-allocated on exercise of options	-	123,218	(123,218)	-	-
Shares issued for properties	75,000	188,250	-	-	188,250
Exercise of warrants	422,100	844,200	-	-	844,200
Re-allocated on exercise of finders' warrants	-	350,896	(350,896)	-	-
Re-allocated on expiry of finders' warrants	-	2,494	(2,494)	-	-
Comprehensive loss for the period	-	-	-	(5,423,574)	(5,423,574)
June 30, 2012	**97,501,136**	**78,716,499**	**24,842,313**	**(35,230,238)**	**68,328,574**
January 1, 2013	**103,553,136**	**94,194,018**	**24,131,040**	**(37,006,236)**	**81,318,822**
Share-based payments	-	-	1,712,008	-	1,712,008
Cancellation of options	-	-	(9,575,318)	9,575,318	-
Private placement shares issued	9,600,000	12,960,000	-	-	12,960,000
Share issue costs	-	(42,720)	-	-	(42,720)
Comprehensive loss for the period	-	-	-	(1,610,398)	(1,610,398)
June 30, 2013	**113,153,136**	**107,111,298**	**16,267,730**	**(29,041,316)**	**94,337,712**

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

ATAC Resources Ltd.

Consolidated Interim Statements of Comprehensive Loss

Unaudited – Prepared by Management

For the three and six months ended June 30,

		Three months ended		Six months ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Note	$	$	$	$
Expenses					
Accounting, audit and legal	10	26,585	21,470	51,153	55,304
Consulting fees	10	40,000	50,500	87,000	93,500
Flow-through taxes	14a	1,541	-	3,930	-
Investor relations	10	30,231	72,093	85,089	243,041
Office and administration	10	164,745	158,243	342,849	360,671
Property examination costs		-	275	-	275
Share-based payments	8	965,786	197,395	1,712,008	5,059,432
Net loss from operating expenses		**(1,228,888)**	(499,976)	**(2,282,029)**	(5,812,223)
Interest income		**121,176**	65,845	**175,060**	135,218
Loss on marketable securities	5	**(56,899)**	(111,068)	**(77,201)**	(165,385)
Gain on sale or option of mineral properties	7	**-**	-	**31,938**	325,000
Loss for the period before income taxes		**(1,164,611)**	(545,199)	**(2,152,232)**	(5,517,390)
Deferred income tax (expense) recovery	11	**(122,000)**	73,068	**541,834**	93,816
Comprehensive loss for the period		**(1,286,611)**	(472,131)	**(1,610,398)**	(5,423,574)
Loss per share					
Weighted average number of common shares outstanding					
- basic #	**9**	**113,153,136**	97,434,469	**108,353,136**	97,185,594
- diluted #	**9**	**113,153,136**	97,434,469	**108,353,136**	97,185,594
Basic loss per share $	**9**	**(0.01)**	(0.00)	**(0.01)**	(0.06)
Diluted loss per share $	**9**	**(0.01)**	(0.00)	**(0.01)**	(0.06)

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

ATAC Resources Ltd.

Consolidated Interim Statements of Cash Flows

Unaudited – Prepared by Management

For the six months ended June 30,	Note	**2013** **$**	2012 $
Operating activities			
Comprehensive loss for the period		(1,610,398)	(5,423,574)
Adjustments for:			
Gain on option of mineral property interests		(31,938)	(325,000)
Share-based payments		1,712,008	5,059,432
Loss on marketable securities		77,201	165,385
Interest income		(175,060)	(135,218)
Deferred income tax recovery		(541,834)	(93,816)
		(570,021)	(752,791)
Net change in non-cash working capital items	12	11,025	1,341,669
		(558,996)	588,878
Financing activities			
Issue of common shares for cash		12,960,000	1,002,950
Share issue costs		(56,960)	(39,662)
		12,903,040	963,288
Investing activities			
Interest received		175,060	135,218
Share of CN joint venture cash		-	12,486
Proceeds from sale of marketable securities		-	76,790
Mineral property option proceeds received		17,500	215,000
Mineral property acquisition costs		(163,770)	(113,049)
Deferred exploration and evaluation expenditures		(1,751,349)	(4,895,380)
		(1,722,559)	(4,568,935)
Increase in cash and cash equivalents		**10,621,485**	(3,016,769)
Cash and cash equivalents, beginning of period		**14,862,143**	18,235,574
Cash and cash equivalents, end of period		**25,483,628**	15,218,805

Supplemental cash flow information 12

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

1. Nature of operations and going concern

ATAC Resources Ltd. (the “Company” or “ATAC”) is incorporated under the laws of the Province of British Columbia, Canada. Head office is located at 1016 - 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. Its records office is located at 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3. Its main business activity is the acquisition, exploration and evaluation of mineral property interests located in Canada. The consolidated interim financial statements of the Company as at June 30, 2013 and the three and six months ended June 30, 2013 and 2012 comprise the Company and its subsidiaries, and the Company's interest in jointly controlled operations and entities over which it has significant influence. Its common shares trade on the TSX Venture Exchange (“TSX-V”).

The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition of the mineral property interests.

The consolidated interim financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have revenues and historically has recurring operating losses. As at June 30, 2013, the Company had working capital of $24,165,939 (December 31, 2012 - $14,456,164) and shareholders’ equity of $94,337,712 (December 31, 2012 - $81,318,822). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these consolidated interim financial statements it would be necessary to restate the Company’s assets and liabilities on a liquidation basis.

2. Significant accounting policies

(a) Basis of presentation

The consolidated interim financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting*,* using the same accounting policies as detailed in the Company‘s annual audited consolidated financial statements for the year ended December 31, 2012, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that the consolidated interim financial statements be read in conjunction with the annual audited financial statements.

These consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments which are classified as fair value through profit or loss (“FVTPL”). In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies used are those the Company expects to adopt in its consolidated financial statements for the year ended December 31, 2013, and have been applied consistently to all periods presented by the Company and its subsidiaries and associates.

All amounts on the consolidated interim financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

2. Significant accounting policies (continued)

(b) New standard not yet adopted

Effective for annual periods beginning on or after January 1, 2015

- New standard IFRS 9 *Financial Instruments*

  Partial replacement of IAS 39 *Financial Instruments: Recognition and Measurement*

The Company has initially assessed that there will be no material reporting changes as a result of adopting the new standard, however, there will be enhanced disclosure requirements.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:	**June 30, 2013** **$**	December 31, 2012 $
Bank and broker balances	332,200	3,536,230
Cashable term deposits and investment certificates	25,151,428	11,325,913
	25,483,628	14,862,143

4. Receivables and prepayments

Receivables and prepayments consist of the following:	**June 30, 2013** **$**	December 31, 2012 $
Sales tax recoverable	120,776	139,043
Prepaid expenses	58,904	85,622
	179,680	224,665

5. Marketable securities

Marketable securities consist of various common shares received on the option of mineral property interests as follows:

2012	**Shares with an active market $**	**Shares without an active market $**	**Total $**	**Total gain (loss) $**
Cost				
January 1, 2012	466,059	20,000	486,059	
Additions	172,400	-	172,400	
Proceeds on sale	(76,790)	-	(76,790)	
Realized gain (loss)	(35,710)	-	(35,710)	(35,710)
June 30, 2012	525,959	20,000	545,959	
Fair value				
January 1, 2012	318,505	2	318,507	
Additions	172,400	-	172,400	
Cost of disposals	(112,500)	-	(112,500)	
Unrealized gain (loss)	(129,675)	-	(129,675)	(129,675)
June 30, 2012	248,730	2	248,732	
Total gain (loss)				**(165,385)**

2013	**Shares with an active market $**	**Shares without an active market $**	**Total $**	**Total gain (loss) $**
Cost				
January 1, 2013	535,959	10,000	545,959	
Additions	14,438	-	14,438	
Proceeds on sale	-	-	-	
Realized gain (loss)	-	-	-	-
June 30, 2013	550,397	10,000	560,397	
Fair value				
January 1, 2013	175,428	1	175,429	
Additions	14,438	-	14,438	
Cost of disposals	-	-	-	
Unrealized gain (loss)	(77,201)	-	(77,201)	(77,201)
June 30, 2013	112,665	1	112,666	
Total gain (loss)				**(77,201)**

5. Marketable securities (continued)

The valuation of the shares with an active market has been determined in whole by reference to the bid price of the shares on the TSX-V or Toronto Stock Exchange ("TSX") at each period end date.

The shares without an active market are private company shares received as payment on optioned mineral property interests. The shares were written-down in 2008 to a carrying value of $1, as no active market existed or exists, and no value can be determined.

6. Subsidiary information

On July 14, 2010 two wholly-owned subsidiary companies were incorporated under the laws of the Province of British Columbia, Canada to facilitate the possible transfer to them of certain of the Company's mineral property interests. From incorporation to June 30, 2013, neither of the subsidiaries have had any transactions other than to issue nominal $1 share capital to the Company.

7. Mineral property interests

The Company's mineral property interests consist of various exploration stage properties located in the Yukon Territory, Canada. The properties have been grouped into those which are being sold or optioned to other parties, those which are wholly-owned, and those which are royalty or other interests. Properties which are in close proximity and could be developed as a single economic unit are grouped into projects.

	Under option to others $	Wholly-owned $	Other interests $	Total $
January 1, 2012	-	54,337,190	198,944	54,536,134
Acquisitions/staking/assessments	-	113,049	188,250	301,299
Exploration and evaluation	-	8,222,025	54	8,222,079
Option proceeds	(325,000)	(62,400)	-	(387,400)
Proceeds in excess of cost to profit or loss	325,000	-	-	325,000
Reclassifications	-	387,248	(387,248)	-
June 30, 2012	-	62,997,112	-	62,997,112
January 1, 2013	-	77,525,315	67,464	77,592,779
Acquisitions/staking/assessments	-	160,915	2,855	163,770
Exploration and evaluation	-	2,815,585	6,046	2,821,631
Option proceeds	(31,938)	-	-	(31,938)
Proceeds in excess of cost to profit or loss	31,938	-	-	31,938
June 30, 2013	**-**	**80,501,815**	**76,365**	**80,578,180**

7. Mineral property interests (continued)

Changes in the project carrying amounts for the six months ended June 30, 2013 and 2012 are summarized as follows:

Six months ended June 30, 2012

Projects under option to others	January 1, 2012 $	Acquisitions / staking/ assessments $	Exploration and evaluation $	Re-Classified $	Option proceeds $	Excess proceeds to profit or (loss) $	June 30, 2012 $
Dawson Gold	-	-	-	-	(137,500)	137,500	-
Idaho Creek	-	-	-	-	(37,500)	37,500	-
Panorama	-	-	-	-	(150,000)	150,000	-
Total	**-**	**-**	**-**	**-**	**(325,000)**	**325,000**	**-**
Wholly-owned projects							
Rackla Gold							
-Nadaleen	25,273,104	17,312	7,792,237	-	-	-	33,082,653
-Rau	29,061,989	95,737	429,734	-	(62,400)	-	29,525,060
Rosy	2,097	-	54	-	-	-	2,151
Connaught	-	-	-	387,248	-	-	387,248
Total	**54,337,190**	**113,049**	**8,222,025**	**387,248**	**(62,400)**	**-**	**62,997,112**
Other interests							
Connaught	198,944	188,250	54	(387,248)	-	-	-
Total all	**54,536,134**	**301,299**	**8,222,079**	**-**	**(387,400)**	**325,000**	**62,997,112**

Exploration and evaluation on the projects consisted of the following:

Six months ended June 30, 2012	Nadaleen $	Rau $	Others $	Total $
Exploration and evaluation costs				
Assays	174,272	-	-	174,272
Drilling	2,109,437	21,396	-	2,130,833
Field	1,093,913	71,179	108	1,165,200
Helicopter and fixed wing	2,015,684	132,272	-	2,147,956
Labour	1,724,569	123,210	-	1,847,779
Surveys	261,117	63,856	-	324,973
Travel and accommodation	413,245	17,821	-	431,066
Total	**7,792,237**	**429,734**	**108**	**8,222,079**

7. Mineral property interests (continued)

Six months ended June 30, 2013

	January 1, 2013 $	Acquisitions / staking/ assessments $	Exploration and evaluation $	Option proceeds $	Excess proceeds to profit or (loss) $	June 30, 2013 $
Project under option to others						
Idaho Creek	-	-	-	(31,938)	31,938	-
Wholly-owned projects						
Rackla Gold						
-Nadaleen	47,338,743	160,915	2,566,844	-	-	50,066,502
-Rau	29,799,856	-	246,928	-	-	30,046,784
Rosy	2,151	-	-	-	-	2,151
Connaught	384,565	-	1,813	-	-	386,378
Total	**77,525,315**	**160,915**	**2,815,585**	**-**	**-**	**80,501,815**
Other interests						
Dawson Gold	67,464	2,855	6,046	-	-	76,365
Total all	**77,592,779**	**163,770**	**2,821,631**	**(31,938)**	**31,938**	**80,578,180**

Exploration and evaluation on the projects consisted of the following:

Six months ended June 30, 2013	Nadaleen $	Rau $	Others $	Total $
Exploration and evaluation costs				
Assays	166,619	3,525	1,365	171,509
Drilling	435,891	-	-	435,891
Field	438,808	4,475	270	443,553
Helicopter and fixed wing	493,844	25,216	-	519,060
Labour	828,342	1,241	1,543	831,126
Surveys	66,928	-	4,668	71,596
Resource and environmental studies	40,026	211,832	-	251,858
Travel and accommodation	96,386	639	13	97,038
Total	**2,566,844**	**246,928**	**7,859**	**2,821,631**

7. Mineral property interests (continued)

(1) Project under option to other parties

Idaho Creek project

The Idaho Creek project consists of a 100% interest in the Idaho mineral claims located in the Whitehorse Mining District, Yukon Territory.

Pursuant to a previous option agreement the Company received shares valued at $132,000.

By Agreement dated January 19, 2010 the Company granted Golden Predator Canada Corp. ("GPCC"), formerly True North Mining Corp., and its parent company Americas Bullion Royalty Corp. ("Americas Bullion") (formerly Golden Predator Corp.), the right to earn a 100% interest in the Company's Idaho project, for consideration of:

- Cash payments totaling $120,000 as follows:
  - $7,500 upon regulatory acceptance (received);
  - $12,500 on or before June 1, 2010 (received);
  - $15,000 on or before January 19, 2012 (received);
  - $17,500 on or before January 19, 2013 (received);
  - $20,000 on or before January 19, 2014;
  - $22,500 on or before January 19, 2015; and
  - $25,000 on or before January 19, 2016.
- Issuance to the Company of 150,000 common shares of Americas Bullion capital stock as follows:
  - 15,000 shares upon regulatory acceptance (received at $0.59 per share);
  - 22,500 shares on or before January 19, 2011 (received at $0.70 per share);
  - 37,500 shares on or before January 19, 2012 (received at $0.60 per share);
  - 37,500 shares on or before January 19, 2013 (received at $0.385 per share); and
  - 37,500 shares on or before January 19, 2014 (with a maximum $100,000 value).

Should GPCC attain a 100% interest in the project the Company would be entitled to a 2% net smelter return royalty ("NSR") from any commercial production. GPCC would have the right at any time to purchase one-half of the NSR for $500,000. In addition, upon commencement of any NSR payments, $100,000 of the above option payments would be considered prepayments.

The project is subject to an area of mutual interest extending one kilometre from the borders of the claims.

(2) Wholly-owned projects

The Company's wholly owned projects are comprised of the rights to explore various mineral claims located in the Yukon Territory, which are at various stages of exploration. They are not subject to any option or sale agreements.

Connaught project

The Connaught project consists of a 100% interest in the CN and NC mineral claims located in the Dawson Mining District, Yukon Territory. A 50% interest was originally sold to Klondike Silver Corp. ("Klondike") in 2009 for cash and shares totaling $252,500. Subsequent to the sale, the properties were explored on an equal cost-sharing basis. In 2012 the 50% interest was re-purchased by issuing Klondike 75,000 common shares at $2.51 per share for total consideration of $188,250, and the joint exploration agreement was terminated.

7. Mineral property interests (continued)

(2) Wholly-owned projects (continued)

Panorama project

The Panorama project consists of a 100% interest in the Aussie mineral claims located in the Dawson Mining District, Yukon Territory.

By Agreement dated January 19, 2010, the Company granted GPCC and Americas Bullion, the right to earn a 100% interest in the project. Under the Agreement the Company received $140,000 and 300,000 shares of Americas Bullion with a total fair value on issue of $188,400.

The Agreement was terminated effective January 3, 2013.

Rackla Gold project

The Rackla Gold project consists of a 100% interest in the Rau (ACX, AT, Rau, GF, PH, Q, R, RR, S, and T mineral claims), Jam, Mouse, Sten (Dale, EN, IS, OS, ST, and Sten mineral claims) and Stoked (HO, Rae and Stoked mineral claims) located in the Mayo Mining District, Yukon Territory. An agreement to option 73 of the "T" mineral claims (Rusty property) was terminated effective February 18, 2013. Under the agreement the Company received $80,000 and 160,000 shares of Silver Predator Corp. with a total fair value on issue of $85,600.

Rosy project

The Rosy project consists of a 100% interest in the Rosy mineral claims located in the Whitehorse Mining District, Yukon Territory. Cash and shares totaling $167,000 have been received under previous option agreements.

(3) Other interests

Joint exploration property

Dawson Gold project

The Dawson Gold project consists of a 50% interest in the DM mineral claims located in the Dawson and Whitehorse Mining Districts, Yukon Territory, and the GG, SH and TL mineral claims located in the Dawson Mining District, Yukon Territory.

The other 50% interest was acquired from the Company by Arcus Development Group Inc. ("Arcus") under an option Agreement dated June 9, 2009 and completed on February 21, 2012. Under the Agreement the Company received $185,000 and 1,000,000 Arcus common shares, and Arcus completed a $3,500,000 exploration program.

Effective February 21, 2012 the Company and Arcus agreed to jointly explore the project on a 50/50 basis with Arcus as the Operator. The Company's cumulative share of the property and exploration expenditures total $76,365.

Royalty interests

The Company has a 1% NSR on the Golden Revenue, Nit, Nitro, and Seymour properties located in the Whitehorse Mining District, Yukon Territory.

8. Share capital

The authorized share capital of the Company consists of unlimited common shares without par value, and unlimited Class “A” preferred shares with a par value of $1.00 each. All issued shares are fully paid.

Transactions for the issue of share capital during the six months ended June 30, 2013:

On March 22, 2013, the Company completed a non-brokered private placement consisting of the issue of 9,600,000 common share units at a price of $1.35 per unit for gross proceeds of $12,960,000. Each common share unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of $2.10 per share until September 22, 2014. The common share warrants can be called for early exercise should the Company’s common shares trade at a weighted average price above $3.00 for ten consecutive days at any time subsequent to July 23, 2013.

The private placement had no finders’ fees. Legal and filing fees amounted to $56,960 and are shown as a reduction of share capital, net of deferred tax benefits of $14,240.

Common share rights

The Company has a “Rights Plan” under which one Right is issued for each issued and outstanding common share of the Company. Each Right entitles the holder to purchase from the Company one common share at a price equal to one-half the market price for each common share of the Company, subject to certain anti-dilution adjustments. The Rights are exercisable only if the Company receives an unacceptable take-over bid as defined in the Rights Agreement. The Rights Plan was extended at the June 2012 annual shareholders’ meeting and will remain in effect until the annual shareholders’ meeting in 2014. As at June 30, 2013, there were 113,153,136 Rights outstanding (December 31, 2012 – 103,553,136).

Stock options

The Company has an incentive stock option plan (the “Plan”), under which the maximum number of stock options issued cannot exceed 10% of the Company’s currently issued and outstanding common shares. The exercise period for any options granted under the Plan cannot exceed ten years. The exercise price of options granted under the Plan cannot not be less than the “discounted market price” of the common shares (defined as the last closing market price of the Company’s common shares immediately preceding the issuance of a news release announcing the granting of the options), unless otherwise agreed by the Company and accepted by the TSX-V.

A participant who is not a consultant conducting investor relations activities, who is granted an option under the Plan with exercise prices at or above “Market Price” will have their options vest immediately, unless otherwise determined by the Board of Directors. A participant who is granted an option under the Plan with exercise prices below “Market Price” will become vested with the right to exercise one-sixth of the option upon conclusion of every three months subsequent to the grant date. A participant who is a consultant conducting investor relations activities who is granted options under the Plan will become vested with the right to exercise one-quarter of the options upon conclusion of every three months subsequent to the grant date.

8. Share capital (continued)

Stock options (continued)

A summary of the status of the Company's stock options as at June 30, 2013 and December 31, 2012 and changes during the period/year then ended is as follows:

	Six months ended June 30, 2013		Year ended December 31, 2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	#	$	#	$
Options outstanding, beginning of period/year	7,903,000	4.12	6,085,000	4.27
Granted	2,030,000	1.80	2,620,000	2.97
Exercised	-	-	(660,000)	0.36
Cancelled	(1,971,000)	6.85	(142,000)	7.21
Options outstanding, end of period/year	**7,962,000**	**1.96**	7,903,000	4.12

As at June 30, 2013, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
730,000	730,000	0.25	May 1, 2014
100,000	100,000	0.43	June 29, 2014
1,100,000	1,100,000	1.40	January 12, 2015
100,000	100,000	1.49	June 16, 2015
1,365,000	1,365,000 (1)	1.80	March 11, 2016
100,000	100,000	2.60	January 20, 2017
2,427,000	2,427,000 (2)	3.00	March 23, 2017
20,000	10,000	1.70	December 14, 2017
2,020,000	505,000 (3)	1.80	January 29, 2018
7,962,000	6,437,000		

(1) 50,000 of these options were cancelled effective July 30, 2013 on the employee leaving employment.
(2) 83,000 of these options were cancelled effective July 30, 2013 on the employees leaving employment.
(3) 10,000 of these options were cancelled effective July 30, 2013 on the employee leaving employment.

The following table summarizes information about the stock options outstanding at June 30, 2013:

Range of prices $	Options #	Weighted average remaining life years	Weighted average exercise price $
0.25 - 0.43	830,000	0.86	0.27
1.40 - 1.80	4,605,000	3.24	1.70
2.60 - 3.00	2,527,000	3.72	2.98
	7,962,000	3.13	1.96

8. Share capital (continued)

Stock options (continued)

During the six months ended June 30, 2013, 2,030,000 stock options (2012 – 2,600,000) were granted to Officers, Directors, and related company employees. The Company has recorded the fair value of all options granted during the period using the Black-Scholes option pricing model. Share-based payment costs were calculated using the following weighted average assumptions: expected life of options - five years (2012 - 5 years), stock price volatility – 101.62% (2012 – 104.39%), no dividend yield (2012 – nil), and a risk-free interest rate yield - 1.51% (2012 – 1.59%). The fair value is particularly impacted by the Company's stock price volatility, determined using data from the previous five years. Using the above assumptions the fair value of options granted during the six months ended June 30, 2013 was $1.30 per option (2012 - $2.00 per option), for a total of $2,617,000 (2012 - $5,200,000). The total share-based payment expense for the six months ended June 30, 2013 was $1,712,008 (2012 - $5,059,432), which is presented as an operating expense, and includes only options that vested during the period.

On January 29, 2013, 1,375,000 related company employee and consultant options were modified. The exercise price per option was reduced from $7.00 each to $1.80 each, with no change in the March 11, 2016 expiry date. The incremental fair value of the modification, using the Black-Scholes option pricing model, was calculated to be $709,201 and is included in share-based payment expense and contributed surplus. None of the modified options were owned by Officers or Directors.

On February 1, 2013, 1,750,000 Officer and Director options and 100,000 related company employee options, exercisable at $7.00 each until March 11, 2016, were surrendered and cancelled. The original fair value of the surrendered options was $9,954,284 and on vesting was charged to share-based payment expense and credited to contributed surplus. As a result of the cancellations, $9,179,134 has been removed from contributed surplus and charged to deficit, with the remaining $775,150 left in contributed surplus representing the incremental fair value of offsetting replacement options. In addition, 121,000 former related company employee options were cancelled, comprised of 20,000 options exercisable at $1.80 per option, 61,000 options exercisable at $3.00 per option and 40,000 options exercisable at $7.00 per option. As a result of the cancellations, $396,184 has been removed from contributed surplus and credited to deficit.

Warrants

As an incentive to complete a private placement the Company may issue units which include common shares and common share purchase warrants. Using the residual value method no value has been allocated to warrants attached to the units sold in completed private placements. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the warrants and changes during the six months ended June 30, 2013 and year ended December 31, 2012 is as follows:

	Six months ended June 30, 2013		Year ended December 31, 2012	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of period/year	2,472,500	4.52	630,467	3.76
Issued on private placement	4,800,000	2.10	2,433,500	4.50
Exercised	-	-	(422,100)	2.00
Expired	(2,433,500)	4.50	(169,367)	7.65
Warrants outstanding, end of period/year	**4,839,000**	**2.13**	2,472,500	4.52

8. **Share capital** (continued)

Warrants (continued)

As at June 30, 2013, the Company has outstanding warrants, exercisable as follows:

Warrants #	Exercise price $	Expiry date
39,000	6.00	November 8, 2013
4,800,000	2.10	September 22, 2014
4,839,000		

Contributed surplus

Contributed surplus includes the accumulated fair value of stock options recognized as share-based payments and the fair value of finders' warrants issued on private placements. Contributed surplus is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants expire, or are exercised or cancelled. Contributed surplus is comprised of the following:

	Options $	Finders' Warrants $	Total $
January 1, 2012	19,886,849	869,796	20,756,645
Options vesting	5,059,433	-	5,059,433
Options/warrants exercised,expired or cancelled	(620,375)	(353,390)	(973,765)
June 30, 2012	24,325,907	516,406	24,842,313
January 1, 2013	24,131,040	-	24,131,040
Options vesting	1,712,008	-	1,712,008
Options cancelled	(9,575,318)	-	(9,575,318)
June 30, 2013	**16,267,730**	**-**	**16,267,730**

9. **Loss per share**

The calculation of basic loss per share for the six months ended June 30, 2013 was based on the loss attributable to common shareholders of $1,610,398 (2012 - $5,423,574) and a weighted average number of common shares outstanding of 108,353,136 (2012 – 97,185,594).

The calculation of diluted loss per share for the six months ended June 30, 2013 was based on the loss attributable to common shareholders of $1,610,398 (2012 - $5,423,574) and a weighted average number of common shares outstanding (with no adjustment for the dilutive effects of outstanding options and warrants), of 108,353,136 (2012 – 97,185,594).

As at June 30, 2013, 7,962,000 options (2012 – 8,130,000) and 4,839,000 warrants (2012 – 205,367) were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

10. Related party payables and transactions

A number of key management personnel and Directors, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There were no loans to management personnel or Directors, or entities over which they have control or significant influence during the six months ended June 30, 2013 or 2012.

A number of key management personnel and Directors, or their related entities, transacted with the Company in the reporting period. The terms and conditions of these transactions were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities, on an arm's length basis.

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan. During the six months ended June 30, 2013, 1,750,000 stock options, (2012 - 1,155,000), were granted to key management personnel and Directors having a fair value on issue of $2,266,463 (2012 - $2,310,000). The new options are exercisable at $1.80 each until January 29, 2018 and vest over a one year period ending January 29, 2014. The Officers and Directors subsequently surrendered 1,750,000 of their prior year options that were exercisable at $7.00 each until March 11, 2016. The original fair value of the surrendered options was $9,416,212 and on vesting was charged to share-based payment expense and credited to contributed surplus. As a result of the cancellations, $8,658,338 has been removed from contributed surplus and charged to deficit, with the remaining $757,829 left in contributed surplus representing the incremental fair value of offsetting replacement options (see note 8).

The following are the Company's related parties:

(a) Archer, Cathro & Associates (1981) Limited ("Archer Cathro") is a geological consulting firm that is a related party through its management contracts, which confer significant influence over operations. Charges are for property location, acquisition, exploration, management, and office rent and administration. The charges by Archer Cathro also include the services of Graham Downs, who is the Company's CEO, Robert Carne, who is the Company's President, and, prior to April 1, 2012, Ian Talbot, who is the Company's COO. Effective April 1, 2012 the services of Ian Talbot are paid directly to him under a management agreement.

(b) Glenn Yeadon is a Director and the Company's Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp.") which provides the Company with legal services.

(c) Larry Donaldson is the Company's CFO. He is a partner of Donaldson Grassi, Chartered Accountants, a firm in which he has significant influence. Donaldson Grassi provides the Company with accounting and tax services.

(d) Douglas Goss is a Director and the Company's Chairman of the Board. He controls Douglas O. Goss Professional Corporation ("D. Goss Corporation") which provides consulting services to the Company.

10. Related party payables and transactions (continued)

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	Transactions 6 months ended June 30, 2013 $	Transactions 6 months ended June 30, 2012 $	**Balances outstanding June 30, 2013 $**	Balances outstanding December 31, 2012 $
Archer, Cathro				
- geological services	1,128,829	2,757,506	1,117,315	293,734
- rent and administration	224,571	266,003	80,421	72,708
Yeadon Law Corp.	48,333	68,775	17,364	21,773
Donaldson Grassi	23,250	22,325	10,500	14,000
D. Goss Corporation	30,000	22,500	5,250	-
Ian Talbot	19,031	8,837	-	3,430
	1,474,014	3,145,946	**1,230,850**	405,645

All related party balances are unsecured and are due within thirty days without interest.

11. Income taxes

Income tax recovery for the six months ended June 30, 2013 and 2012 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	June 30, 2013 $	June 30, 2012 $
Loss before income taxes	(2,152,232)	(5,517,390)
Statutory Canadian corporate tax rate	25.0%	25.0%
Anticipated income tax recovery	538,058	1,379,348
Change in tax resulting from:		
Unrecognized items for tax purposes	(437,652)	(1,285,532)
Tax benefits recognized on investment tax credits	743,928	-
Tax benefits renounced on flow-through expenditures	(302,500)	-
Net deferred income tax recovery	**541,834**	93,816

The significant components of the Company's deferred income tax liability are as follows:

	June 30, 2013 $	December 31, 2012 $
Unrealized losses on marketable securities	55,966	46,316
Mineral property interests	(13,317,486)	(12,796,887)
Unclaimed investment tax credits	743,928	-
Non-capital loss carry forwards	1,556,561	1,352,017
Capital loss carry forwards	37,873	37,873
Share issue costs	480,383	571,832
Net deferred income tax liability	**(10,442,775)**	(10,788,849)

11. Income taxes (continued)

As at June 30, 2013 the Company has non-capital loss carry forwards of approximately $6,226,000, of which $99,000 will expire in 2014, $65,000 in 2015, $7,000 in 2028, $471,000 in 2029, $1,175,000 in 2030, and $4,409,000 thereafter.

As at June 30, 2013 the Company has unused capital losses of $302,987 which have no expiry date and can only be used to reduce future income from capital gains.

As at June 30, 2013 the Company has unclaimed resource and other deductions in the amount of $27,308,235 (December 31, 2012 - $26,405,232), which may be deducted against future taxable income.

At June 30, 2013 there are share issue costs totaling $1,921,531 (December 31, 2012 - $2,287,325), which have not been claimed for income tax purposes.

As at June 30, 2013 the Company has unused investment tax credits totaling $991,903, (December 31, 2012 - $nil), which have not been claimed for income tax purposes. The tax credits will expire $957,999 in 2032 and $33,904 in 2033.

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

12. Supplemental cash flow information

Changes in non-cash operating working capital during the six months ended June 30, 2013 and 2012 were comprised of the following:

	June 30, 2013 $	June 30, 2012 $
Receivables and prepayments	44,985	993,998
Accounts payable and accrued liabilities	(27,488)	44,174
Accounts payable to related parties	(6,472)	303,497
Net change	**11,025**	1,341,669

The Company incurred non-cash financing and investing activities during the six months ended June 30, 2013 and 2012 as follows:

	June 30, 2013 $	June 30, 2012 $
Non-cash financing activities:		
Issue of common shares for mineral property interests	-	188,250
	-	188,250
Non-cash investing activities:		
Marketable securities acquired on optioned mineral property interests	(14,438)	(172,400)
Mineral property option proceeds received by marketable securities	14,438	172,400
Acquisiton of mineral property interests by issue of common shares	-	(188,500)
Deferred exploration expenditures included in accounts payable and related party payables	1,427,189	3,011,427
	1,427,189	2,822,927

During the six months ended June 30, 2013 and 2012 no amounts were paid for interest or income tax expenses.

13. Financial risk management

Capital management

The Company is a junior exploration company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at June 30, 2013 is comprised of shareholders' equity of $94,337,712 (December 31, 2012 - $81,318,822).

The Company currently has no source of revenues. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral properties and its ability to borrow or raise additional financing from equity markets.

Financial instruments - fair value

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities, and accounts payable to related parties.

The carrying value of accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $	Level 2 $	Level 3 $	Total $
June 30, 2013				
Cash and cash equivalents	25,483,628	-	-	25,483,628
Marketable securities	112,665	-	1	112,666
	25,596,293	-	1	25,596,294
December 31, 2012				
Cash and cash equivalents	14,862,143	-	-	14,862,143
Marketable securities	175,428	-	1	175,429
	15,037,571	-	1	15,037,572

13. Financial risk management (continued)

Financial instruments - risk

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

(a) Credit risk

The Company is exposed to credit risk by holding cash and cash equivalents. This risk is minimized by holding the funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal accounts receivable exposure, and its various refundable credits are due from Canadian governments.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable feature of its cash equivalents. For the six months ended June 30, 2013 every 1% fluctuation in interest rates up or down would have impacted loss for the period, up or down, by approximately $114,000 (2012 - $85,000) before income taxes.

(c) Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities and other company investments. The Company has no control over these fluctuations and does not hedge its investments. Based on the June 30, 2013 portfolio values every 10% increase or decrease in the share prices of these companies would have impacted loss for the period, up or down, by approximately $11,000 (2012 - $25,000) before income taxes.

(d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

14. Commitments

(a) Flow-through shares

In November 2012 the Company received $2,050,000 from a private placement of flow-through shares. A flow-through share premium liability of $210,000 was recorded on the issue. The funds are required to be spent on qualified exploration programs no later than December 31, 2013. The Company renounced the expenditures to the flow-through shareholders in February 2013 using the look-back rules allowed by Canadian tax authorities. On renouncement the Company gives up its rights to available income tax benefits. As at June 30, 2013 all flow-through funds had been spent and a deferred income tax liability of $512,500 has been recorded to reflect the loss of the tax benefits. As a result, the flow-through share premium liability has been reversed and deferred income tax expense increased by $302,500. Under the look-back rules, effective from March 1, 2013, any unspent flow-through funds are charged a floating rate interest tax, which is currently set at 1% per annum. An accrual of $3,930 has been recorded to reflect the flow-through tax on the unspent funds during the period.

(b) Cooperation agreement

Effective August 17, 2010 the Company entered into a three-year renewable exploration cooperation agreement with the Yukon First Nation of Na-Cho Nyak Dun ("NND"). The agreement pertains to the Company's Rackla Gold project exploration activities under which the NND and the Company agree to cooperate with each other to ensure that the on-going exploration of the property is conducted in a mutually beneficial manner. The Company has agreed to pay the NND an annual contribution fee of $100,000 to assist them in reviewing and monitoring the exploration activities. The payments are included in the Rackla Gold project costs. Payments are due on the first of April each year. The current year payment was made on March 12, 2013.