ATAC Resources Ltd.

Consolidated Interim Financial Statements

For the nine months ended

September 30, 2017

Unaudited – Prepared by Management

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

November 9, 2017

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	September 30, 2017 $	December 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents	3	14,498,983	14,628,414
Receivables and prepayments	4,5	2,373,825	74,365
Marketable securities	6	1,915,159	1,469,165
		18,787,967	16,171,944
Non-current assets			
Marketable securities	6	1	1
Prepaid exploration expenditures		20,290	5,670
Mineral property interests	8	104,632,803	96,985,836
Reclamation deposit	9	121,434	-
		104,774,528	96,991,507
Total assets		**123,562,495**	113,163,451
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		1,064,635	103,521
Accounts payable to related parties	12	1,323,058	105,144
Flow-through share premium liability		-	31,395
		2,387,693	240,060
Non-current liabilities			
Deferred income tax liability	13	14,545,416	12,722,993
Total liabilities		**16,933,109**	12,963,053
Shareholders' equity			
Share capital	10	124,385,500	116,011,508
Contributed surplus	10	5,379,757	4,853,086
Deficit		(23,135,871)	(20,664,196)
Total shareholders' equity		**106,629,386**	100,200,398
Total liabilities and shareholders' equity		**123,562,495**	113,163,451

Nature of operations and going concern	1
Commitments	16

Approved on behalf of the Board of Directors on November 9, 2017:

"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 nine months ended September 30, 2017 and September 30, 2016

	Number of shares #	Share capital $	Contributed surplus $	Deficit $	Total shareholders' equity $
January 1, 2016	117,794,577	113,055,372	15,609,330	(31,326,966)	97,337,736
Share-based payments	-	-	479,846	-	479,846
Options exercised	27,500	8,525	-	-	8,525
Re-allocated on exercise of options	-	8,228	(8,228)	-	-
Re-allocated on expiry of options	-	-	(6,987,325)	6,987,325	-
Re-allocated on cancellation of options	-	-	(4,338,600)	4,338,600	-
Private placement shares issued	5,000,000	3,250,000		-	3,250,000
Premium on flow-through shares issued	-	(150,000)	-	-	(150,000)
Share issue costs	-	(160,617)	-	-	(160,617)
Loss and comprehensive loss for the period	-	-	-	(645,836)	(645,836)
September 30, 2016	**122,822,077**	**116,011,508**	**4,755,023**	**(20,646,877)**	**100,119,654**
January 1, 2017	122,822,077	116,011,508	4,853,086	(20,664,196)	100,200,398
Share-based payments	-	-	601,416	-	601,416
Exercise of options	125,000	38,750	-	-	38,750
Re-allocated on exercise of options	-	23,620	(23,620)	-	-
Re-allocated on cancellation of options	-	-	(51,125)	51,125	-
Private placement shares issued	16,684,800	8,342,400	-	-	8,342,400
Share issue costs	-	(30,778)	-	-	(30,778)
Loss and comprehensive loss for the period	-	-	-	(2,522,800)	(2,522,800)
September 30, 2017	**139,631,877**	**124,385,500**	**5,379,757**	**(23,135,871)**	**106,629,386**

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

ATAC Resources Ltd.

Consolidated Interim Statements of (Loss) Income and Comprehensive (Loss) Income

Unaudited – Prepared by Management

For the three and nine months ended September 30,

		Three months ended		Nine months ended	
		September	September	**September**	September
		2017	2016	**2017**	2016
	Note	**$**	$	**$**	$
Expenses					
Accounting, audit and legal	12	24,510	17,587	132,854	68,240
Consulting fees	12	13,500	10,500	37,500	31,500
Flow-through taxes	16	-	-	1,072	-
General administrative expenses		17,393	21,146	73,784	68,476
Insurance		11,077	11,125	33,232	33,133
Investor relations and shareholder information		61,520	53,342	161,675	101,714
Management, administration and corporate development fees	12	40,885	82,430	134,196	299,850
Office rent	12	10,500	10,500	31,500	31,500
Property examination costs	12	-	106	145	361
Salaries and benefits	12	56,250	20,622	172,616	20,622
Share-based payments	10	548,653	187,012	601,416	479,846
Transfer agent and filing fees		5,010	3,657	15,482	14,415
Loss from operating expenses		**(789,298)**	(418,027)	**(1,395,472)**	(1,149,657)
Project management fees	5	68,694	-	100,000	-
Interest income		47,076	35,096	128,520	110,679
Gain on disposition of mineral property		-	1,674,999	-	1,674,999
(Loss) gain on marketable securities	6	(233,170)	(615,686)	445,994	(564,498)
(Loss) income for the period before income taxes		**(906,698)**	676,382	**(720,958)**	71,523
Deferred income tax expense	13	(1,221,454)	(619,814)	(1,801,842)	(717,359)
(Loss) income and comprehensive (loss) income for the period		**(2,128,152)**	56,568	**(2,522,800)**	(645,836)
(Loss) earnings per share					
Weighted average number of common shares outstanding					
- basic #	**11**	**139,590,210**	122,803,744	**130,276,433**	120,575,410
- diluted #	**11**	**139,590,210**	122,803,744	**130,276,433**	120,575,410
Basic (loss) earnings per share $	**11**	**(0.02)**	0.00	**(0.02)**	(0.01)
Diluted (loss) earnings per share $	**11**	**(0.02)**	0.00	**(0.02)**	(0.01)

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 nine months ended September 30,	Note	2017 $	2016 $
Operating activities			
Loss and comprehensive loss for the period		(2,522,800)	(645,836)
Adjustments for:			
Share-based payments		601,416	479,846
Gain on disposition of mineral property interests		-	(1,674,999)
(Gain) loss on marketable securities		(445,994)	564,498
Interest income		(128,520)	(110,679)
Deferred income tax expense		1,801,842	717,358
Net change in non-cash working capital items	14	(2,209,112)	(85,118)
		(2,903,168)	(754,930)
Financing activities			
Issue of common shares for cash		8,381,150	3,258,525
Share issue costs		(41,592)	(217,050)
		8,339,558	3,041,475
Investing activities			
Interest received		128,520	110,679
Reclamation deposits		(121,434)	-
Yukon mining exploration grant received		6,143	-
Mineral property acquisition costs		(99,835)	(160,406)
Prepaid exploration expenditures		(40,297)	(16,693)
Deferred exploration and evaluation expenditures		(5,438,918)	(2,747,585)
		(5,565,821)	(2,814,005)
Decrease in cash and cash equivalents		**(129,431)**	(527,460)
Cash and cash equivalents, beginning of period		**14,628,414**	15,938,120
Cash and cash equivalents, end of period		**14,498,983**	15,410,660
Supplemental cash flow information	14		

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") was incorporated under the laws of the Province of British Columbia, Canada. The Company's 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. These consolidated interim financial statements ("financial statements") of the Company as at September 30, 2017 and December 31, 2016 and for the nine months ended September 30, 2017 and 2016 comprise the Company and its subsidiaries. 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.

These 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 September 30, 2017, the Company had working capital of $16,400,274 (December 31, 2016 - $15,931,884) and shareholders' equity of $106,629,386 (December 31, 2016 - $100,200,398). 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 financial statements, it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

2. Significant accounting policies

(a) Basis of presentation

These 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, 2016, 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 financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these 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, 2017, and have been applied consistently to all periods presented by the Company and its subsidiaries.

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

2. Significant accounting policies (continued)

(b) Standards issued but not yet effective

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2018. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

Tentatively effective for annual periods beginning on or after January 1, 2018

• New standard IFRS 9 *Financial Instruments*

IFRS 9 adds new requirements for impairment of financial assets and makes changes to the classification and measurement of financial instruments. When complete, IFRS 9 will replace 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 may be enhanced disclosure requirements.

3. Cash and cash equivalents

Cash and cash equivalents consists of the following:

	September 30, 2017 $	December 31, 2016 $
Bank and broker balances	1,045,622	2,691,927
Cashable investment certificates	13,453,361	11,936,487
	14,498,983	14,628,414

4. Receivables and prepayments

Receivables and prepayments consists of the following:

	September 30, 2017 $	December 31, 2016 $
Sales tax recoverable	255,510	21,152
Prepaid expenses	52,029	47,069
JVEI property receivables (note 5)	2,010,210	-
Yukon mineral exploration grant receivable	31,401	6,144
Other receivables	24,675	-
	2,373,825	74,365

5. JVEI property receivables

On April 7, 2017, the Company executed a joint venture earn-in agreement ("JVEI") with Barrick Gold Corporation ("Barrick") (see note 8(a)(i). Under the JVEI, the Company was appointed project operator and receives a management fee equal to 5% of exploration expenditures, not to exceed $100,000 in any given year. Barrick has committed to a $5,000,000 expenditure program for the 2017 exploration year.

The Company has opened a JVEI bank account to receive cash advances from Barrick to pay for the exploration amounts as incurred. As at September 30, 2017, a balance of $3,483,695 was held in trust on behalf of Barrick and is not reflected on the statement of financial position as cash of the Company. As at September 30, 2017, the Company is owed $2,010,210 related to the JVEI property expenditures. The Company has earned the maximum $100,000 management fee which is reflected as income on the statement of loss.

6. Marketable securities

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

	Shares with an active market	Shares without an active market	Warrants	Total	Total (loss) gain
	$	$	$	$	$
Cost					
January 1, 2016	491,834	10,000	-	501,834	
Additions	1,200,000	-	475,000	1,675,000	
September 30, 2016	1,691,834	10,000	475,000	2,176,834	
Fair value					
January 1, 2016	59,302	1	-	59,303	
Additions	1,200,000	-	475,000	1,675,000	
Unrealized loss	(376,881)	-	(187,617)	(564,498)	(564,498)
September 30, 2016	882,421	1	287,383	1,169,805	(564,498)
Cost					
January 1, 2017	1,691,834	10,000	475,000	2,176,834	
Additions/disposals	-	-	-	-	
September 30, 2017	1,691,834	10,000	475,000	2,176,834	
Fair value					
January 1, 2017	1,095,827	1	373,338	1,469,166	
Unrealized gain	336,116	-	109,878	445,994	445,994
September 30, 2017	**1,431,943**	**1**	**483,216**	**1,915,160**	**445,994**

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. The Company has subsequently recovered $9,777 on the windup of that company.

7. Subsidiary information

On July 14, 2010 two wholly-owned subsidiary companies, 0885802 B.C. Ltd. and 0885794 B.C. Ltd. 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 September 30, 2017, neither of the subsidiaries have had any transactions other than to issue nominal $1 share capital to the Company.

8. 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 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.

	Wholly-owned $	Other interests $	Total $
January 1, 2016	93,280,104	1	93,280,105
Acquisitions/staking/assessments	160,406	-	160,406
Exploration and evaluation	3,150,670	-	3,150,670
Proceeds on disposition	-	(1,675,000)	(1,675,000)
Gain on disposition	-	1,674,999	1,674,999
September 30, 2016	**96,591,180**	**-**	**96,591,180**
January 1, 2017	96,985,836	-	96,985,836
Acquisitions/staking/assessments	99,835	-	99,835
Exploration and evaluation	7,547,132	-	7,547,132
September 30, 2017	**104,632,803**	**-**	**104,632,803**

Changes in the project carrying amounts for the nine months ended September 30, 2016 and September 30, 2017 are summarized as follows:

	January 1, 2016 $	Acquisitions / staking / assessments $	Exploration and evaluation $	Proceeds on disposition $	Gain on disposition $	September 30, 2016 $
Wholly-owned projects						
Rackla Gold Property						
- Osiris and Orion projects (1)	59,519,646	158,809	2,040,616	-	-	61,719,071
- Rau project	33,629,573	-	1,087,710	-	-	34,717,283
	93,149,219	**158,809**	**3,128,326**	**-**	**-**	**96,436,354**
Connaught	94,980	-	11,289	-	-	106,269
Idaho Creek	17,280	1,597	614	-	-	19,491
Panorama	16,110	-	-	-	-	16,110
Rosy	2,515	-	10,441	-	-	12,956
Total	**93,280,104**	**160,406**	**3,150,670**	**-**	**-**	**96,591,180**
Other interests						
Dawson Gold	1	-	-	(1,675,000)	1,674,999	-
Total all projects	**93,280,105**	**160,406**	**1,475,670**	**(1,675,000)**	**1,674,999**	**96,591,180**

(1) The Nadaleen property has been segregated into the Osiris and Orion projects to facilitate the JVEI as discussed in note 8(a)(i).

8. Mineral property interests (continued)

Exploration and evaluation expenditures on the projects consisted of the following:

Nine months ended September 30, 2016	Osiris and Orion $	Rau $	Others $	Total $
Assays	75,198	94,378	3,473	173,049
Drilling	538,652	67,786	-	606,438
Field	230,909	79,072	2,174	312,155
Helicopter and fixed wing	506,793	174,820	4,899	686,512
Labour	510,072	347,639	17,075	874,786
Resource, engineering and environmental studies	2,388	255,421	-	257,809
Survey and consulting	101,930	32,419	-	134,349
Travel and accommodation	74,674	36,175	900	111,749
	2,040,616	1,087,710	28,521	3,156,847
Less: Yukon mineral exploration grant	-	-	(6,177)	(6,177)
Total	**2,040,616**	**1,087,710**	**22,344**	**3,150,670**

Nine months ended September 30, 2017

	January 1, 2017 $	Acquisitions / staking / assessments $	Exploration and evaluation $	September 30, 2017 $
Wholly-owned projects				
Rackla Gold Property				
- Osiris and Orion projects	61,843,223	61,823	6,369,706	68,274,752
- Rau project	34,927,893	-	1,066,162	35,994,055
	96,771,116	**61,823**	**7,435,868**	**104,268,807**
Connaught	106,269	20,862	20,141	147,272
Idaho Creek	19,490	-	-	19,490
Panorama	16,110	-	-	16,110
Rosy	72,851	17,150	91,123	181,124
Total	**96,985,836**	**99,835**	**7,547,132**	**104,632,803**

8. Mineral property interests (continued)

Exploration and evaluation expenditures on the projects consisted of the following:

Nine months ended September 30, 2017	Osiris and Orion $	Rau $	Rosy $	Others $	Total $
Assays	154,883	49,508	21,863	7,176	233,430
Drilling	1,943,250	273,891	-	-	2,217,141
Field	671,713	141,462	11,638	2,651	827,464
Helicopter and fixed wing	1,578,097	234,029	21,810	-	1,833,936
Labour	1,366,306	247,211	60,023	7,831	1,681,371
Resource, engineering and enviromental studies	27,917	3,903	-	-	31,820
Surveys and consulting	261,726	70,675	1,160	-	333,561
Travel and accommodation	365,814	45,483	6,030	2,483	419,810
	6,369,706	**1,066,162**	**122,524**	**20,141**	**7,578,533**
Less: Yukon mineral exploration grant	-	-	(31,401)	-	(31,401)
Total	**6,369,706**	**1,066,162**	**91,123**	**20,141**	**7,547,132**

(a) 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, except as noted below.

(i) Rackla Gold property

The Rackla Gold property consists of a 100% interest in the various mineral properties located in the Mayo Mining District, Yukon Territory. Cash and common shares totaling $165,600 have been received under previous Rackla Gold property option agreements.

The Rackla Gold property has been divided into three separate projects. They are comprised of the Rau project, which hosts the Tiger Gold deposit, and the Osiris and Orion projects, which were previously described as the Nadaleen property.

The Osiris project hosts Carlin-type gold mineralization and will continue to be explored by the Company.

The Orion project is subject to a JVEI, which was executed on April 7, 2017 with Barrick. Under the JVEI, Barrick may acquire a 70% interest in the Company's Orion project, which forms the central part of the Company's Rackla Gold Property, for an aggregate of $55,000,000 in exploration expenditures.

For a 60% interest, the following exploration expenditures are required:

- $10,000,000 on or before December 31, 2019 (guaranteed amount);
- $10,000,000 on or before December 31, 2020; and
- $15,000,000 on or before December 31, 2021

Barrick has committed to a $5,000,000 exploration program for the 2017 exploration year.

8. Mineral property interests (continued)

(a) Wholly-owned projects (continued)

(i) Rackla Gold property (continued)

If Barrick withdraws from the JVEI at any time after incurring the guaranteed $10,000,000 in exploration expenditures, but prior to incurring an aggregate of $35,000,000, Barrick will not acquire any interest in the project. If Barrick completes $35,000,000 in exploration expenditures, the Company will establish a joint venture with Barrick, with interests of 40% and 60%, respectively.

Barrick is entitled to acquire an additional 10% interest by incurring additional exploration expenditures of $20,000,000 on or before December 31, 2026, for an aggregate interest of 70%.

If Barrick does not exercise its right to acquire the additional 10% interest, the Company will have the right to purchase a 10.1% interest from Barrick, giving the Company a 50.1% interest and Barrick a 49.9% interest.

If either of the Company's or Barrick's joint venture interest is reduced to 10% or less, that party's interest in the Orion project will convert to a sliding-scale net smelter return royalty on gold.

See note 10 for details of a private placement, which formed an integral part of the JVEI.

(ii) Connaught project

The Connaught project consists of a 100% interest in the CN, NC and OM mineral claims located in the Dawson Mining District, Yukon Territory.

Cash and common shares totaling $252,500 were received in 2009 for a 50% sale of the project, which was repurchased in 2012 by issuing common shares having a value of $182,250.

(iii) 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.

Cash and common shares totaling $269,413 have been received under previous option agreements.

(iv) Panorama project

The Panorama project consists of a 100% interest in the Aussie mineral claims located in the Dawson Mining District, Yukon Territory. The claims are subject to a 3% net smelter return royalty ("NSR") on all commercial production from the claims.

Cash and common shares totaling $328,400 have been received under previous option agreements.

(v) Rosy project

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

The Company has been approved to receive financial assistance from the Yukon Government on its Rosy claims, which will reimburse the Company for one-half of its 2017 qualified exploration expenditures on the claims, to a maximum of $31,401. The Company has accrued the maximum amount of $31,401, which has been recorded as a reduction of current year exploration expenditures.

Cash and common shares totaling $167,000 have been received under previous option agreements.

(b) Royalty interests

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

9. Reclamation deposit

The reclamation deposit is comprised of a cashable guaranteed investment certificate with a one year term. It is pledged to the Yukon Government to ensure specified properties are properly restored after exploration. Management has determined that the Company has no material reclamation work related to the properties requiring the deposit.

10. 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.

Transaction for the issue of share capital during nine months ended September 30, 2017:

(a) On May 3, 2017, the Company completed a flow-through private placement consisting of the issue of 16,684,800 flow-through common shares at a price of $0.50 each for gross proceeds of $8,342,400. The flow-through shares formed part of a tax-assisted structured transaction, with Barrick becoming the ultimate owner. This increased Barrick's shareholdings in the Company to approximately 19.9% from 9.2%, and Barrick was given the right to maintain its 19.9% interest by participating pro-rata in any future equity financings by the Company. The flow-through funds will be spent on properties other than the Orion project (see note 16).

No finder's fees were paid in respect of the placement. Legal and filing fees amounted to $41,592 and have been recorded as a share issue cost and deducted from share capital net of deferred income tax benefits of $10,814.

(b) The Company issued 125,000 common shares on the exercise of options for proceeds of $38,750. In addition, $23,620 representing the fair value of the options on initial vesting was re-allocated from contributed surplus to share capital.

Transactions for the issue of share capital during the nine months ended September 30, 2016:

(a) On April 22, 2016, the Company completed a flow-through private placement consisting of the issue of 5,000,000 common shares at a price of $0.65 each for gross proceeds of $3,250,000. The flow-through shares were issued at a premium to the trading value of the Company's common shares at the date the flow-through was announced, which is a reflection of the value of the income tax write-offs that the Company renounced to the flow-through shareholders. The premium was determined to be $150,000 and was recorded as a reduction of share capital.

The Underwriters were paid commissions and expenses of $194,300, and legal and filing fees amounted to $22,750.

(b) The Company issued 27,500 common shares on the exercise of options for proceeds of $8,525. In addition, $8,228 representing the fair value of the options on initial vesting was re-allocated from contributed surplus to share capital.

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-dilutive adjustments. The rights are exercisable only if the Company receives an unacceptable take-over bid as defined in the Rights Plan. The current Rights Plan was replaced with a new Rights Plan at the May 2017 annual shareholders' meeting and will remain in effect until the annual shareholders' meeting in 2020. As at September 30, 2017, there were 139,631,877 rights outstanding (December 31, 2016 – 122,822,077).

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 be less than the "discounted market price" of the common shares (defined as the last closing market price of the

10. Share capital (continued)

Stock options (continued)

Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, less a discount of from 15% to 25%), unless otherwise agreed to 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.

A summary of the status of the Company's stock options as at September 30, 2017 and December 31, 2016 and changes during the period and year then ended is as follows:

	Nine months ended September 30, 2017		Year ended December 31, 2016	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	#	$	#	$
Options outstanding, beginning of period/year	8,500,000	0.85	9,197,000	1.62
Granted	3,115,000	0.55	2,720,000	0.35
Exercised	(125,000)	0.31	(27,500)	0.31
Expired/cancelled	(90,000)	0.87	(3,389,500)	2.54
Options outstanding, end of period/year	**11,400,000**	**0.78**	8,500,000	**0.85**

As at September 30, 2017, the Company has stock options outstanding and exercisable as follows:

	Options outstanding	Options exercisable	Exercise price	Expiry date
	#	#	$	
	1,830,000	1,830,000	1.80	January 29, 2018
	2,155,000	2,155,000	0.75	February 3, 2019
	1,760,000	1,760,000	0.75	January 23, 2020
(1)	2,290,000	2,290,000	0.31	January 21, 2021
	250,000	250,000	0.76	June 7, 2021
	3,115,000	778,750	0.55	May 26, 2022
	11,400,000	**9,063,750**		

(1) 230,000 of these options were subsequently exercised.

The following table summarizes information about the stock options outstanding at September 30, 2017:

Range of prices	Options	Weighted average remaining life	Weighted average exercise price
$	#	years	$
0.31 - 0.55	5,405,000	4.09	0.45
0.75 - 0.76	4,165,000	1.90	0.75
1.80	1,830,000	0.33	1.80
	11,400,000	**2.68**	**0.78**

10. Share capital (continued)

Stock options (continued)

During the nine months ended September 30, 2017, 3,115,000 stock options (2016 – 2,720,000) were granted to Officers, Directors, related company employees and consultants. The Company has recorded the fair value of all options granted during the periods 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 (2016 - five years), stock price volatility –71.49% (2016 – 75.90%), no dividend yield (2016 - nil), and a risk-free interest rate yield – 0.94% (2015 - 0.70%). 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 nine months ended September 30, 2017, was $0.34 per option (2016 - $0.21), for a total of $1,053,412 (2015 - $583,089). The total share-based payment expense for the nine months ended September 30, 2017 was $601,416 (2016 - $479,846), which is presented as an operating expense, and includes only options that vested during the periods.

No stock options expired during the nine months ended September 30, 2017. During the nine months ended September 30, 2016, 1,185,000 options exercisable at $1.80 per option expired unexercised. As a result, the original stock based compensation of $6,987,325 was reversed from contributed surplus and credited to deficit.

During the nine months ended September 30, 2017, 90,000 stock options (2016 – 2,177,000), were cancelled. As a result, the original stock based compensation of $51,125 (2016 - $4,338,600) has been reversed from contributed surplus and credited to deficit.

Warrants

As an incentive to complete private placements the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements.

During the nine months ended September 30, 2017 and 2016 and as at September 30, 2017 and December 31, 2016, there were no warrants issued or outstanding.

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.

11. Loss per share

The calculation of basic and diluted loss per share for the nine months ended September 30, 2017 was based on the loss of $2,522,800 (2016 – $645,836) and a weighted average number of common shares outstanding of 130,276,433 (2016 – 120,575,410).

All stock options were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

12. Related party payables and transactions

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the nine months ended September 30, 2017 or September 30, 2016.

12. Related party payables and transactions (continued)

Graham Downs, the Company's CEO receives a salary of $18,750 per month and incentive stock options. All other 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 nine months ended September 30, 2017, 2,200,000 stock options (2016 - 1,650,000) were granted to key management personnel and Directors having a fair value on issue of $743,983 (2016 - $380,905). The options granted are exercisable at $0.55 each until May 26, 2022 and vest over a one year period ending May 26, 2018.

No management personnel or Director stock options were cancelled or surrendered during the nine months ended September 30, 2017. During the nine months ended September 30, 2016, 1,245,000 management personnel and Director stock options having a fair value on issue of $2,490,000, were surrendered and cancelled.

The Company transacted with the following related parties:

(a) 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, accounting and office rent and administration. The charges by Archer Cathro include the services of Graham Downs until August 31, 2016. The charges by Archer Cathro also include the services of Julia Lane, who is the Vice President of Exploration, and a minority shareholder of Archer Cathro.

(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 Professional 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.

(e) Ian Talbot is the Company's COO. He provides the Company with management services.

(f) Robert Carne is a Company Director. He controls Carvest Holdings Ltd. ("Carvest"), which provides geological consulting services to the Company.

(g) Graham Downs is the Company's President and CEO. Effective August 31, 2016, he is paid a monthly salary and benefits for his services.

(h) Bruce Kenway is a Company Director. He is a partner in Kenway Mack Slusarchuk Stewart LLP ("Kenway Mack"). Effective April 1, 2017, he is being compensated for his monthly advisory services as Chairman of the Audit Committee. The services are being rendered through Kenway Mack.

12. 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 9 months ended September 30, 2017 $	Transactions 9 months ended September 30, 2016 $	**Balance outstanding September 30, 2017 $**	Balance outstanding December 31, 2016 $
Archer, Cathro				
- geological services	2,409,743	1,172,248	1,219,999	66,103
- office and administration	141,153	297,194	81,887	19,613
	2,550,896	1,469,442	1,301,886	85,716
Carvest (1)	28,230	24,805	-	-
Yeadon Law Corp.	46,421	48,330	-	2,767
Donaldson Grassi	46,820	27,650	11,820	10,000
D. Goss Corporation	31,500	31,500	3,675	3,675
Graham Downs	172,616	18,750	-	-
Ian Talbot	26,906	31,063	2,527	2,986
Kenway Mack	6,000	-	3,150	-
Helmut Wober - engineering services	-	1,380	-	-
	2,909,389	1,652,920	**1,323,058**	105,144

(1) The Carvest transactions for the nine months ended September 30, 2016 include geological services of $21,470 and other services of $3,335

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

The transactions with the key management personnel and Directors are included in operating expenses as follows:

(a) Accounting, audit and legal
- Includes the legal services of the Company's Secretary, Glenn Yeadon, charged to the Company by Yeadon Law Corporation.
- Includes the accounting services of Company's CFO, Larry Donaldson, charged to the Company by Donaldson Grassi.

(b) Consulting fees
- Includes the consulting fees paid to Director, Douglas Goss, charged to the Company by D. Goss Corporation.
- Includes the advisory services paid to Director, Bruce Kenway, charged to the Company by Kenway Mack.

(c) Management, administration and corporate development fees
- Includes the services of Company's COO, Ian Talbot.
- Includes the administrative services of Director, Robert Carne, charged to the Company by Carvest for the nine months ended September 30, 2016.
- Includes charges by Archer Cathro for administrative and investor relations personnel.

(d) Salaries and benefits
- Includes only the salaries and benefits of the Company's President and CEO, Graham Downs.

(e) Rent
- Charged by Archer Cathro

(f) Property examination costs
- Includes charges by Archer Cathro for exploration personnel.

13. Income Taxes

Income tax expense for the nine months ended September 30, 2017 and 2016 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to (loss) income before income taxes as follows:

	September 30, 2017	September 30, 2016
	$	$
(Loss) income before income taxes	(720,958)	71,523
Statutory Canadian corporate tax rate	26.0%	26.0%
Anticipated income tax recovery (expense)	187,449	(18,596)
Change in tax resulting from:		
Unrecognized items for tax purposes	(98,389)	(198,144)
Tax benefits renounced on flow-through expenditures	(1,890,902)	(500,619)
Net deferred income tax expense	(1,801,842)	(717,359)

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

	September 30, 2017	December 31, 2016
	$	$
Unrealized losses on marketable securities	34,018	91,997
Mineral property interests	(18,288,988)	(16,365,271)
Unclaimed investment tax credits	872,395	872,395
Non-capital loss carry forwards	2,711,832	2,529,454
Capital loss carry forwards	42,697	42,697
Share issue costs	82,630	105,735
Net deferred income tax liability	**(14,545,416)**	(12,722,993)

As at September 30, 2017 the Company has non-capital loss carry forwards of approximately $10,430,000 of which $7,000 will expire in 2028, $471,000 in 2029, $1,175,000 in 2030, $1,666,000 in 2031 and $7,111,000 thereafter.

As at September 30, 2017 the Company has unused capital losses of $328,437, which have no expiry date and can only be used to reduce future income from capital gains.

As at September 30, 2017 the Company has unclaimed resource and other deductions in the amount of $34,290,544 (December 31, 2016 - $34,042,489), which may be deducted against future taxable income.

As at September 30, 2017 there are share issue costs totaling $317,809 (December 31, 2016 - $406,673), which have not been claimed for income tax purposes.

As at September 30, 2017 the Company has unused investment tax credits totaling $1,178,912, (December 31, 2016 - $1,178,912), which have not been claimed for income tax purposes. Of the credits $957,999 will expire in 2032 and $220,913 in 2033.

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

14. Supplemental cash flow information

Changes in non-cash operating working capital during the nine months ended September 30, 2017 and September 30, 2016 were comprised of the following:

	September 30, 2017	September 30, 2016
	$	$
Receivables and prepayments	(2,274,202)	(68,427)
Accounts payable and accrued liabilities	1,070	(31,609)
Accounts payable to related parties	64,020	14,918
Net change	**(2,209,112)**	(85,118)

The Company incurred non-cash financing and investing activities during the periods ended September 30, 2017 and September 30, 2016 as follows:

	September 30, 2017	September 30, 2016
	$	$
Non-cash financing activity		
Share capital reduced by flow-through share premium	-	150,000
Non-cash investing activities:		
Marketable securities acquired on sale of mineral property interests	-	(1,675,000)
Mineral property sale proceeds received by marketable securities	-	1,675,000
Deferred exploration expenditures included in accounts payable and related party payables	2,219,120	423,708
Deferred exploration expenditures included in Yukon mineral exploration grant receivable	(31,401)	(6,177)
	2,187,719	417,531

During the period ended September 30, 2017 and September 30, 2016 no amounts were paid for interest or income tax expenses.

15. 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 September 30, 2017 is comprised of shareholders’ equity of $106,629,386 (December 31, 2016 - $100,200,398).

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 funds from equity markets.

15. Financial risk management (continued)

Financial instruments - fair value

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

The carrying value of accounts payable and accrued liabilities and accounts payable to related parties 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 $
September 30, 2017				
Cash and cash equivalents	14,498,983	-	-	14,498,983
Marketable securities	1,431,943	483,216	1	1,915,160
	15,930,926	**483,216**	**1**	**16,414,143**
December 31, 2016				
Cash and cash equivalents	14,628,414	-	-	14,628,414
Marketable securities	1,095,827	373,338	1	1,469,166
	15,724,241	373,338	1	16,097,580

Financial instruments- risk

The Company's financial instruments can be exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and market and currency 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 as its refundable credits are due from Canadian Government.

(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 nine months ended September 30, 2017, every 1% fluctuation in interest rates up or down would have impacted loss for the period, up or down, by approximately $114,000 (2016 - $115,000) before income taxes.

(c) 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.

15. Financial risk management (continued)

Financial instruments- risk (continued)

(d) Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the September 30, 2017 value of marketable securities every 10% increase or decrease in the share prices of these companies would have impacted loss for the period, up or down, by approximately $192,000 (2016 - $117,000) before income taxes.

16. Commitments

(a) On April 22, 2016, the Company completed a private placement of flow-through shares for gross proceeds of $3,250,000 (see note 10). The Company was required to spend the funds on qualified exploration programs no later than December 31, 2017 and renounce the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2016. As of September 30, 2017, all funds have been spent. This increased the timing differences between the book value of the Company's mineral property interests and the carrying value for tax purposes. The expenditures in 2017 have resulted in an increase in deferred income tax liabilities by $176,856, a decrease in flow-through share premium liability by $31,395 and an increase in deferred income tax expense by $145,461.

Under the look-back rules permitted by Canadian tax authorities any funds spent after February 1, 2017 are charged a floating rate interest tax, which is currently set at 1% per annum. The Company incurred a flow-through interest tax of $1,072 on the portion of the funds spent in 2017.

(b) On May 3, 2017, the Company completed a private placement of flow-through shares for gross proceeds of $8,342,400. The Company must spend the funds on qualified exploration programs no later than December 31, 2018, and renounce the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2017. Approximately $6,710,000 of the funds have been spent as at September 30, 2017, which increased the Company's deferred income tax liability by $1,745,440 and increased deferred income tax expense by $1,745,440.

Under the look-back rules the Company has until December 31, 2018 to spend the remaining $1,632,400 of flow-through funds. Any funds spent after February 1, 2018 will be subject to a floating rate interest tax, which is currently set at 1% per annum.